

AUDIT AND GOVERNANCE COMMITTEE

23 February 2017 at 9.30 am

Present: - Councillors Clayden (Chairman), Mrs Oakley (Vice-Chairman), Brooks, L Brown, and Miss Rhodes.

463. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams and representatives from Ernst & Young, Jason Jones (Audit Manager) and James Stuttaford (Audit Team Leader), to the meeting.

464. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors; Edwards, Mrs Maconachie, D Maconachie and Wheal. Apologies were also received from Paul King, Audit Director, of Ernst & Young.

465. DECLARATIONS OF INTEREST

The Monitoring Officer has advised Members of interim arrangements to follow when making declarations of interest. They have been advised that for the reasons explained below, they should make their declarations on the same basis as the former Code of Conduct using the descriptions of Personal and Prejudicial Interests.

Reasons

- The Council has adopted the Government’s example for a new local code of conduct, but new policies and procedures relating to the new local code are yet to be considered and adopted.
- Members have not yet been trained on the provisions on the new local code of conduct.
- The definition of Pecuniary Interests is narrower than the definition of Prejudicial Interests, so by declaring a matter as a Prejudicial Interest, that will cover the requirement to declare a Pecuniary Interest in the same matter.

Where a member declares a “Prejudicial Interest”, this will, in the interests of clarity for the public, be recorded in the minutes as a Prejudicial and Pecuniary Interest.

There were no Declarations of Interest made.

Audit & Governance
Committee – 23.02.17

466. MINUTES

The Minutes of the meeting held on 8 December 2016 were approved by the Committee as a correct record and signed by the Chairman.

467. ERNST & YOUNG – CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2015/16

Ernst & Young presented the Certification of Claims and Returns Annual Report 2015/16, summarising the results of the certification work on Arun District Council’s 2015-16 claims and returns.

The scope of the certification work was outlined and attention was drawn to the work that had been undertaken in respect of the 2015/16 requirement to certify the Council’s housing benefit subsidy claim. This was reported to the Committee at the meeting held on 8 December 2016 where the Audit Director had outlined that this certification had been undertaken without the need for a qualification letter, which was a rarity these days as most Councils were issued with some form of qualification letter. The Audit Manager confirmed his view that this was a notable achievement for the Council and the Chairman again thanked the Council’s Officers for their good work and for the excellent result. The Chief Internal Auditor confirmed that praise for this staff achievement had also been included within the Council’s Corporate Management Team Minutes.

In looking forward to the work for 2016/17 period, the Audit Manager confirmed that the Certification work programme remained the same as 2015/16. There were no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remained in the work programme. It was noted that 2017/18 would be the final year in which these certification arrangements would apply as from 2018/19 the Council would be responsible for appointing an Auditor for the certification work.

A potential change was highlighted by the Audit Manager concerning the future certification of the housing benefit subsidy claims. It was noted that discussions would take place between the Council and Ernst & Young with respect to the opportunity for the Council to undertake the majority of testing for the housing benefit subsidy claims certification work. The Head of Finance & Property confirmed that the Council would need to make a decision based on the amount of staff resource that would be required to undertake this work against the anticipated reduction in certification fees.

The Chairman thanked Ernst & Young and the Committee then noted the report.

468. ERNST & YOUNG – AUDIT PLAN PROGRESS REPORT AND
SECTOR UPDATE

The Committee received the Ernst & Young Audit Plan which set out how Ernst & Young would carry out their responsibilities as the Council’s auditor for the 206/17 Accounts. An Ernst & Young Audit Progress Report was also presented to the Committee which provided an overview of the final position of the 2015/16 audit and initial plans for the 2016/17 audit. The plan summarised Ernst & Young’s initial assessment of the key risks driving the development of an effective audit for the Council and outlined the planned audit strategy in response to those risks.

The following areas were highlighted:

- The Financial Statement Risk was notified as risk of management override. This was the risk of management perpetuating fraud because of its ability to manipulate accounting records and prepare fraudulent statements by overriding controls that otherwise appear to be operating effectively. The Audit Manager explained that an organisation would always be subject to this risk and so it could not be removed from the Audit Plan. Arun District Council was not seen to have a high risk in this area.
- In turning to the Progress Report, the Audit Manager confirmed that the 2015/16 Audit Results Report (reported to the September 2016 meeting of the Committee), the Annual Audit Letter (reported to the December 2016 meeting of the Committee) and the Annual Report on the certification of claims reported at this meeting completed the work programme in relation to the 2015/16 Financial Year.
- The value for money risk assessment was ongoing with no significant risks being identified. It was confirmed that value for money guidance had not changed.
- Members were referred to the 2016/17 timetable showing the key stages of the 2016/17 audit. This included value for money work. The Audit Manager expected that the complete scope of the audit strategy for 2016/17 would be available from early March 2017.

Following a number of questions responded to at the meeting the Chairman thanked Ernst & Young and the Committee noted the report.

469. TREASURY MANAGEMENT STRATEGY STATEMENT & ANNUAL INVESTMENT STRATEGY – 2017/18

The Senior Accountant (Treasury) presented to the Committee the Annual Treasury Management Strategy Statement and the Annual Investment Strategy for 2016/17.

In presenting this report, the Senior Accountant (Treasury) confirmed that the strategy had not changed significantly from previous years and drew Members’ attention to the following key points:

- The Senior Accountant (Treasury) hoped that Members had found the Capita Asset Services workshop (Treasury Advisors), held on 8 December 2016, informative. This training adhered to the CIPFA (Chartered Institute of Public Finance & Accountancy) code that ensured Members with responsibility for treasury management received adequate training.
- Members were referred to the actual/estimated figures on year end resources from 2015 to 2020. It was noted that the expected investments were falling due to debt repayments and the Capital programme.
- The Council’s Treasury Investment and debt portfolio position at 31 March 2016 and 31 December 2016 was summarised. The 2016/17 figure of £74M will significantly reduce under as at 31 March 2017 due to a debt repayment of £8.86m on 28 March 2017.
- The Authorised Limit for external debt was outlined and Members were referred to a chart that detailed the Council’s projection of Capital Financing Requirements and borrowing. The Council would be asked to approve an Authorised Limit of £66M in 2017/18.
- Members were reminded that the Council was currently changing banks from HSBC to Lloyds and therefore investment limits associated with these counterparties had changed. It was noted that Lloyds would be the incumbent bank from 1 April 2017 and would have no investment limit however the Council would initially invest £11M in terms of deposits with them.
- The Senior Accountant (Treasury) informed Members that The Money Market Reform was still being discussed and the European Union was developing proposals that could mean funds moving from Constant Net Asset Value (CNAV) to a Variable Net Asset Value (VNAV). Unlike CNAV, every pound invested under VNAV did not necessarily offer a pound in return. It was advised that this should not impact upon the Council in 2017/18 but Finance would monitor the issue.

In discussing the report, the Committee was of the view that the training that was provided by Capita Asset Services was informative and

should be made compulsory Members. The Head of Finance & Property stated that he would seek constitutional advice on this matter so that the Committee could make an informed decision at a future meeting.

The Chairman thanked the Senior Accountant (Treasury) for her comprehensive report.

The Committee then

RECOMMEND TO FULL COUNCIL – That

- (1) the Treasury Management Strategy for 2017/18 be approved;
- (2) the Annual Investment Strategy for 2017/18 be approved, and;
- (3) the Prudential Indicators for 2017/18, 2018/2019 and 2019/20 as contained in appendix 1 and the body of the report, be approved.

470. ANNUAL INTERNAL AUDIT PLAN 2017/18 and PROGRESS AGAINST THE AUDIT PLAN 2016/17

With the agreement of the Committee the Chief Internal Auditor presented the Annual Internal Audit Plan 2017/18 and Progress against the Audit Plan 2016/17 as one item.

It was noted that the reduction in audit staff resources would mean less audit work would be possible and a risk-based audit methodology would continue to prioritise resource to the important areas, as agreed with Senior Management/Members.

It was pointed out that a detailed plan would not be presented to the Committee for agreement, as in previous years, as the Council had not yet decided what changes would be made under the Vision 2020 work. In view of this, the Committee was requested to agree only an outline plan which would need to remain flexible through the year so that resources could be assigned to specific tasks. The Chief Internal Auditor advised that as there was a substantial degree of uncertainty around the amount of audit work that would be required and on what this would be focussed, the Committee would be updated by means of the progress report on a quarterly basis.

In discussing the Plan, Members asked a number of questions which were answered by the Chief Internal Auditor.

The Committee then

RESOLVED

that the outline Annual Internal Audit Plan for 2017/18 be approved.

The Committee turned to the report from the Chief Internal Auditor, which monitored the delivery of progress made against the agreed Audit Plan.

Members were reminded that a revised Audit Plan was presented to the Committee on 29 September 2016 due to the reduction in available audit resources. The aim was to ensure that mandatory audit work was completed and, where practical, work on the highest risk areas identified in the original plan was progressed.

Members were advised that in previous quarters a supplementary status report had been provided on areas where audit involvement was principally liaison / progress monitoring. No report was being provided at this meeting, as there was little change in the short period since the last meeting in December 2016.

It was noted that as at January 2017, the new Director structure had been implemented and the new Group Heads announced. The Group Heads would take up their posts from 1 April 2017. This would involve significant changes in management responsibility for functions and lower level structures had yet to be agreed.

Members asked questions which were answered by the Chief Internal Auditor. The Committee then noted the update contained in the report.

471. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Committee received and noted the information/advisory documents as follows:

- CIPFA (The Chartered Institute of Public Finance & Accountancy) – Audit Committee Update Issue 21 – ‘Helping audit committees to be effective’
- TEICCAF (The European Institute for Combatting Corruption And Fraud) – Fraud survey report ‘Protecting the English Public Purse 2016’.

‘Subject to Approval at the Next Committee Meeting’

435

Audit & Governance
Committee – 23.02.17

As this was the last meeting of the Committee for the Municipal Year 2016/17 the Chairman thanked Members, Officers and Ernst & Young for their hard work and support throughout the year.

(The meeting concluded at 10.12 am)