

AUDIT & GOVERNANCE COMMITTEE

29 June 2017 at 9.30 am

Present: - Councillors Chapman, (Chairman), Mrs Oakley, (Vice-Chairman), Brooks, Cates, Mrs Porter, Purchase and Wheal.

50. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams and the representative from Ernst & Young, Jason Jones (Audit Manager).

51. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Blampied and Mrs Maconachie. Apologies had also been received from Paul King, Audit Director of Ernst & Young.

52. 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.

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53. MINUTES

The Minutes of the meeting of the Committee held on 23 February 2017 were approved by the Committee as a correct record and were signed by the Chairman.

54. COUNCIL COMPLAINTS

With the agreement of the Chairman, the Committee considered concerns raised by Councillor Mrs Oakley on the Council’s complaint procedures. This matter was raised as urgent in view of concerns about a complaint that had taken a considerable time to be resolved and that lessons needed to be learnt and processes reviewed.

It was advised that the Group Head of Council Advice & Monitoring would be reporting on a Review of the Local Assessment Procedure at the Standards Committee on 5 July 2017 as a review had been requested of the procedure for complaints against Councillors under the Code of Conduct. It was suggested that once this meeting had discussed their views and proposed the way forward the Audit & Governance Committee could then investigate Council complaint procedures as a whole.

In discussion, Members agreed that the Audit & Governance Committee was responsible for the Council’s reputational risk. As such, Members were in favour of Councillor Mrs Oakley’s proposal that herself as Vice-Chairman and the Chairman of the Committee would investigate this issue further following the Standards Committee meeting on 5 July 2017. It was suggested that a working group could examine this matter as a task and finish exercise.

The Committee then

RESOLVED

That the Chairman and Vice-Chairman of the Audit & Governance Committee would investigate the Council’s Complaint procedures following the Standards Committee meeting on 5 July 2017.

55. START TIMES

The Committee

RESOLVED

That its start times for meetings during 2017/2018 be 9.30 am.

56. DRAFT COMMITTEE WORK PLAN FOR 2017/2018

The Committee received a report from the Chief Internal Auditor who presented the draft Work Plan for the Committee for 2017/18 which Members were asked to approve. For the benefit of new Members, it was explained that the Committee, at the start of each municipal year, was required to agree its Work Plan but that it did have the flexibility to request Officer Reports as required.

Although there was little change proposed to the cyclical, core activities for 2017/2018, the Chief Internal Auditor highlighted the following issues:

- It was confirmed that the Members’ Allowances Scheme would be reviewed by the Independent Remuneration Panel in 2018.
- As required by the Council’s Constitution, the Work Plan included an item to receive a report on any Council use of the Regulation of Investigatory Powers Act (RIPA) 2010 (as amended). The Committee was informed and was asked to endorse that for the 2016/2017 Municipal Year, no such RIPA use had been authorised/undertaken.
- An update was given on the future of the Council’s external auditors. Members were reminded that the contract with Ernst & Young would come to an end following completion of the 2017/2018 accounts. The Council had opted in to the sector led body (PSAA Ltd) and whilst a tender process was in hand it was not yet known who the appointed external auditors would be. PSAA has advised that there would be a consultation period with Councils in the coming months and the auditor appointment would be finalised by the end of December 2017. An update on progress will be provided to the Committee at its next meeting.

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The Chief Internal Auditor was asked a number of questions based upon items included in the work plan document that were responded to at the meeting. There was some discussion on the Council’s IT defence against cyber-attacks (which had previously been drawn to the attention of the Committee via the Council’s Strategic Risk Register). Although the Council was required to meet the security and certification requirements of the Public Services Network (PSN) it was recognised that it was just as vulnerable to a major attack as all other organisations and Members/Officers could not afford to be complacent. The Chairman pointed out the importance of the Council having robust Business Continuity Plans that should include consideration of cyber-attacks.

It was also noted that there had not been an update from the Governance & Risk Group for some time (although the last meeting had reviewed the Annual Governance Statement being presented as part of this agenda) and that a review of some policies (such as Whistleblowing) was overdue. The Chief Internal Auditor advised that these would be progressed and reported to the Committee later in the year.

The Committee then

RESOLVED - That

- (1) the Committee’s future Work plan for 2017/18 be approved; and
- (2) the lack of use of RIPA powers in the Municipal year 2016/2017 be endorsed.

57. AUDIT OF ARUN DISTRICT COUNCIL’S FINANCIAL STATEMENTS – COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

The Committee received and noted the Chairman’s response sent to Ernst & Young regarding the Council’s Financial Statements and compliance with International Auditing Standards.

58. ERNST & YOUNG – ANNUAL FEE LETTER – 2017/18

In presenting the Ernst & Young, Annual Fee letter, Ernst & Young’s Audit Manager informed Members that the Council would receive a 20% reduction in the certification fee element, as the Benefits section had agreed to undertake additional testing of the housing subsidy claims certification work. The Committee then received and noted Ernst & Young’s Annual Fee Letter for 2017/2018 which confirmed the audit and certification work proposed for the 2017/18 financial year at the Council.

59. APPROVAL OF ACCOUNTING POLICIES

The Committee received a report from the Financial Services Manager on the accounting policies that would be applied to the statement of accounts for 2016/2017.

It was noted that the policies mostly do not change from year to year but the Chartered Institute of Public Finance and Accountancy (CIPFA) had recently requested that Councils reduced the number of unnecessary policies. Arun District Council had removed its policy on Heritage Assets as the Council did not have this type of assets. The way statements would be presented had also been changed and the Financial Services Manager stated that further information on this would be given at the Audit & Governance meeting in September 2017.

The Committee was asked to consider and agree the Accounting Policies that would be applied to the Statement of Accounts for 2016/2017 which would be agreed by the Committee in September 2017.

The Committee thanked the Financial Services Manager and her team for such a clear and helpful document. The Chairman advised Members of the Committee to keep the useful documents contained in their agenda so that they could refer to them during the municipal year.

The Committee then

RESOLVED

That the Accounting Policies could be applied to the Statement of Accounts for 2016/2017.

60. COMPLETION OF 2016/2017 ANNUAL ACCOUNTS/DRAFT ACCOUNTS

The Group Head of Corporate Support confirmed that the Council's 2016/2017 Annual Accounts had been completed by the end of June 2017 and would be presented for review and sign-off by the Committee at its September 2017 meeting. The Committee thanked all the staff concerned for a job well done.

61. ANNUAL GOVERNANCE STATEMENT 2016/2017 AND CODE OF CORPORATE GOVERNANCE 2017/2018

The Committee received a report from the Chief Internal Auditor which presented two documents for the Committee to approve.

The first was the draft updated Annual Governance Statement which formally accompanied the annual accounts and covered the period of the accounts 2016/2017. This was a backward looking document that had been prepared under the new governance framework issued by CIPFA.

The second document was the draft Code of Corporate Governance which had been simplified into a new format that had been recommended by members of the Sussex Audit Group. The wording of the principles and sub-principles was prescribed by the new framework.

The Chairman drew Members’ attention to the Annual Governance Statement 2016/17 and the paragraph on the Council’s Governance Framework. This was highlighted as accurately describing the Committee’s duty to serve the community by overseeing and directing the values, systems and processes by which the Council is operated and controlled.

The Chief Internal Auditor was asked a number of questions that were responded to at the meeting. There was some discussion on the Council’s consultation processes and the need for robust and valid statistics to provide the Council with fair and proportional representation on local matters. The Chairman welcomed this discussion and stated that he would investigate this matter with the Chief Internal Auditor and report back to the Committee in due course.

Members were reminded that should there be a need to amend the draft Annual Governance Statement (e.g. from external audit review or significant events affecting the Council) any changes would be submitted to the Committee at the September 2017 meeting. The Committee thanked the Chief Internal Auditor for his hard work.

The Committee then

**RESOLVED**

That the Council’s draft Annual Governance Statement for 2016/2017, as supported by the updated Code of Corporate Governance, be approved.

62. TREASURY MANAGEMENT – ANNUAL REPORT 2016/2017

The Senior Accountant (Treasury) presented the Treasury Management Annual Report for 2016/2017 to the Committee for it to scrutinise prior to making the proposed recommendations to Full Council.

The Committee was advised that this report summarised:

- Capital activity during the year;
- The impact of this activity on the Capital Financing Requirement;
- Reports on the required prudential and treasury indicators;
- The overall treasury position and the impact of investment balances;
- Interest rate movements in the year; and
- Investment outturn for 2016/17

The Senior Accountant (Treasury) advised that, although waiting for full criteria, it was known, from January 2018, that all Councils would be downgraded from professional institute status to retail status which would mean the Council would have further work with respect to the Council's investments.

Having congratulated staff in achieving such good returns on its investments despite a difficult economic climate, the Committee

RECOMMEND TO FULL COUNCIL – That

- (1) the actual prudential and treasury indicators for 2016/2017 contained in the report be approved;
- (2) the treasury management report for 2016/2017 be noted; and
- (3) the treasury activity during 2016/2017 which has generated interest receipts of £754,340 (1.11%) (Budget £560,000 – 1.10%) be noted.

63. COUNTER-FRAUD REPORT 2016/2017

The Committee received a report from the Chief Internal Auditor which explained that as part of the annual work plan for the Committee, an annual report on counter-fraud activity had to be presented for endorsement. This report updated the Committee on Counter-Fraud activity for 2016/2017.

In receiving the report the Committee was impressed with the Council’s achievements in counter-fraud and noted the valuable work that Officers had done to bring money back into the Council, particularly that in relation to empty properties and housing fraud.

The Committee then

RESOLVED

That the Counter-Fraud work performed by the Council in 2016/2017 be endorsed.

64. CHAIRMAN’S ANNUAL REPORT TO FULL COUNCIL – 2016/2017

The Chairman presented the annual report on the work of the Audit and Governance Committee for 2016/2017 for Members to consider.

The Committee

RECOMMEND TO FULL COUNCIL

that the Chairman’s Annual Report for 2016/2017 be presented to Full Council for approval.

65. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2016/2017

The Committee received the Internal Audit Annual Report and Opinion for 2016/2017 from the Chief Internal Auditor. This summarised the work undertaken by Internal Audit during the year ended 31 March 2017.

In presenting the report, the Chief Internal Auditor highlighted:



- As part of CIPFA requirements the Council’s Internal Audit service is required to have an external quality assessment measuring its effectiveness. This was due to be completed by the end of March 2018 by the Head of Audit, from another local authority, and the Committee would be updated on progress.
- A considerable amount of time was spent in 2016 on the Vision 2020 investigations into the potential for shared services (including Internal Audit). The Councils involved took the decision not to progress any of these arrangements and the position regarding service transformation within Arun is due to be reported to the Overview Select Committee by the Director of Transformation.

The Committee

RESOLVED

That the work carried out by Internal Audit in 2016/2017 be endorsed.

66. PROGRESS AGAINST THE AUDIT PLAN

The Committee received and noted a report from the Chief Internal Auditor which monitored the delivery of progress made against the outline Audit Plan agreed by the Committee at its February meeting.

In receiving this report, and considering the overall agenda of the meeting, it was agreed that the Chairman and the Chief Internal Auditor would help the newer Members of the Committee by signposting the key documents/activities. Members were invited to contact the Chairman/Chief Internal Auditor if they had any queries.

(The meeting concluded at 10.58am.)