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Committee Manager : Jane Fulton (Ext 37611)

12 September 2017

AUDIT AND GOVERNANCE COMMITTEE

A meeting of the Audit and Governance Committee will be held in **The Millennium Chamber, Littlehampton Town Council, Manor House, Church Street, Littlehampton** on **Thursday 28 September 2017 at 9.30 a.m.** and you are requested to attend.

Members: Councillors Chapman (Chairman), Mrs Oakley (Vice-Chairman), Blampied, Brooks, Cates, Edwards, Maconachie, Mrs Porter, Purchese and Wheal

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members and Officers are reminded to make any declarations of personal and/or prejudicial interests that they may have in relation to items on this Agenda.

You should declare your interest by stating :
a) the item you have the interest in
b) whether it is a personal interest and the nature of the interest
c) whether it is also a prejudicial interest

You then need to re-declare your interest and the nature of the interest at the commencement of the item or when the interest becomes apparent.

3. MINUTES

To approve as a correct record the Minutes of the meeting held on 29 June 2017 and the Special meeting held on 7 August 2017 (previously circulated).

4. ITEMS NOT ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES.

5 ERNST & YOUNG - REPORT TO THOSE CHARGED WITH GOVERNANCE, PROGRESS REPORT AND SECTOR UPDATE

These reports from Ernst & Young will be circulated *separately.* An Audit Committee Briefing/Update from Ernst &Young is *attached.*

6 STATEMENT OF ACCOUNTS - 2016-17

This report will be presented by the Financial Services Manager and will be circulated separately.

7 CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

PSAA Ltd has advised that it is proposed that Ernst & Young LLP be appointed for the 5 years of the Contract. As part of the consultation period on the appointment, which runs until 22 September, the Council had advised that it has no concerns or objections to the appointments. The final appointment will be confirmed by the end of December 2017.

The Chief Internal Auditor and Ernst & Young may provide a further update at the meeting. At this stage, the Committee is asked to note this brief update.

8 TREASURY MANAGEMENT - QUARTER 1 REPORT 2017/18

This report updates the Committee on the Treasury Management activities for the 2017/18 year.

9 GOVERNANCE AND RISK GROUP - UPDATE

The Chief Internal Auditor will provide a verbal update in advance of these items featuring on the agenda for the Committee's next meeting in December 2017.

10 REVISED ANNUAL INTERNAL AUDIT PLAN 2017/18

Each year Internal Audit is required to develop an annual audit plan for the following financial year, for agreement by the Committee.

11 PROGRESS AGAINST THE AUDIT PLAN

The Committee is required to oversee the provision of an adequate and effective internal audit service. Part of this process is to monitor delivery of progress against the Audit Plan and to receive summaries of reports issued.

The Committee is requested to note the contents of the reports *attached.*

12 SUMMARY OF FINDINGS FROM REPORTS ISSUED (MAY - SEPTEMBER 2017)

The Committee is requested to consider the *attached* report.

13 SPECIAL MEETING OF THE COMMITTEE - 7 AUGUST 2017 - OUTCOMES

The Chairman will provide a verbal update following the meeting of Full Council on 13 September 2017.

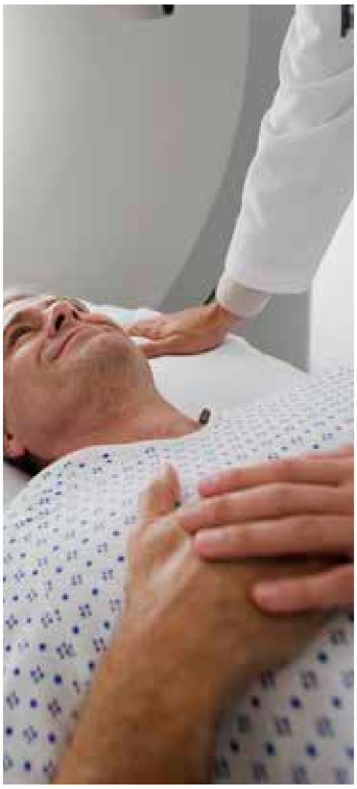
Note: *Indicates report is attached for all Members of the Audit & Governance Committee only and the press (excluding exempt items). Copies of reports can be obtained on request from the Committee Manager or accessed via the website at www.arun.gov.uk

Note: Members are reminded that if they have any detailed questions would they please inform the Chairman and/or relevant Lead Officer in advance of the meeting in order that the appropriate Officer/Cabinet Member can attend the meeting.

Local Government audit committee briefing

Building a better working world

Contents at a glance



This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.

Government and economic news

EY Item Club Forecast

The latest EY Item Club forecast projects that UK GDP will grow by 1.8% this year, in line with last year's outcome. Rather than meaning that nothing has changed in the economy, it masks an underlying shift in the balance of demand following the fall in the pound after last June's Brexit vote – and means the economy is already adjusting to life outside the EU.

It expects growth to slow down during the course of this year, leaving 2018 and 2019 looking weaker at growth rates of 1.2% and 1.5% respectively.

As consumption grows, the shift in demand that's underway essentially involves a rebalancing from consumption to overseas trade. Last year, consumption effectively accounted for all the growth in demand, with overseas trade subtracting 0.4% from UK GDP growth. But with the savings ratio at a record low, this year sees a major slowdown in consumption as inflation bites into spending power. Meanwhile, net trade is projected to add to GDP in every year covered by this forecast.

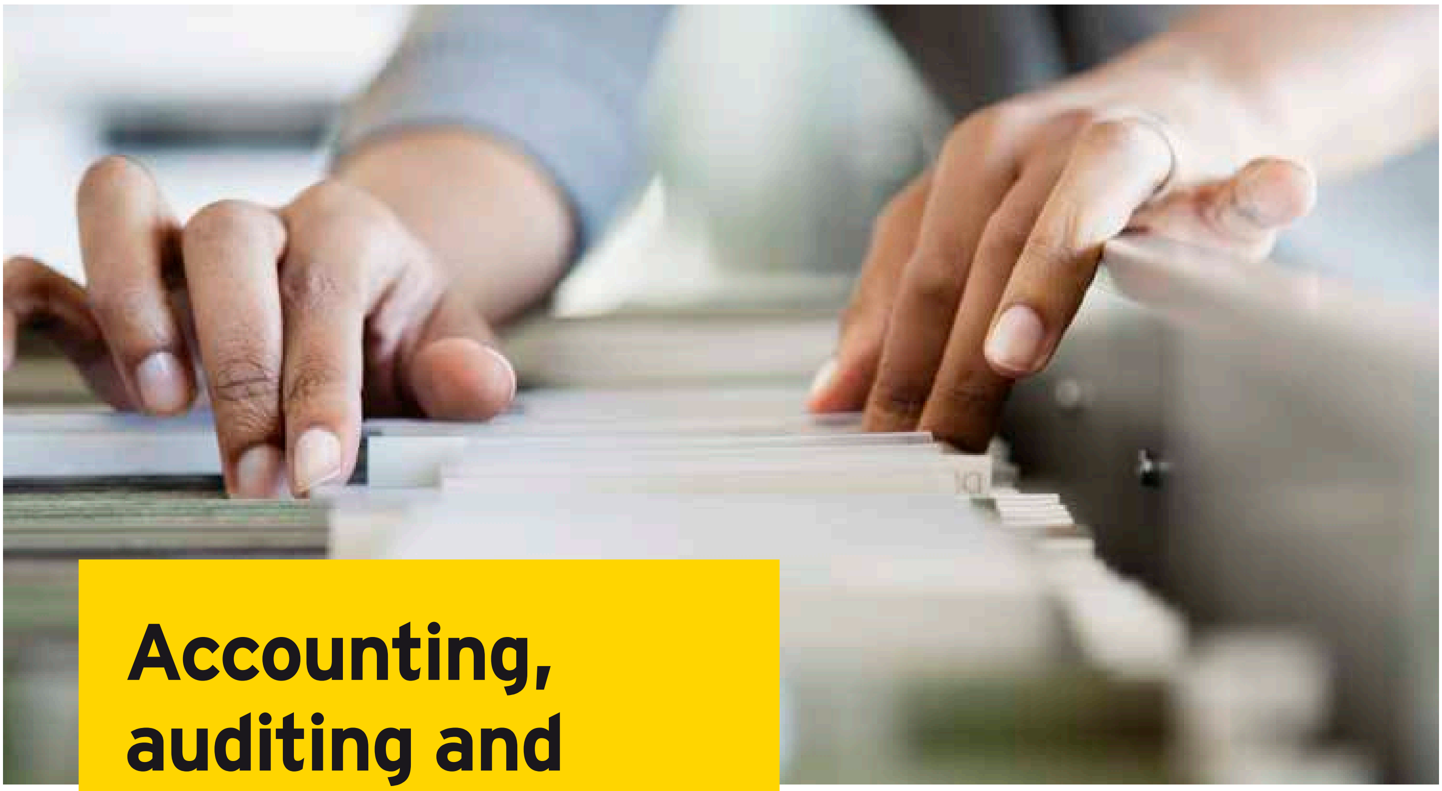
This adjustment is being helped by a timely revival in our overseas markets. World trade and industrial output are growing faster than at any time since 2010, when they bounced back from the recession. For once, the recent economic data has surprised on the upside – not just in the UK but also in the US and Eurozone.

This revival partly reflects the knock-on effects of the collapse in commodity prices in 2015. And their recent recovery has pushed inflation back close to target levels almost everywhere, easing worries about deflation, especially in the Eurozone.

Despite the bright spots, political risks remain. In the US, the 'Trump bump' in the financial markets has been followed by another increase in consumer and business confidence. As a result, consumer confidence there is now stronger than at any time since the dot-com boom in 2000. However, as president, Donald Trump is facing political challenges in delivering some of his campaign promises – a situation that makes the likelihood, timing and magnitude of US policy initiatives very uncertain. What's more, any initiatives he does succeed in delivering could either help or hinder the UK's adjustment to life outside the EU.

Against this mixed background, UK exporters are currently enjoying the benefits of Single Market membership as well as the devaluation in sterling and the revival in the world economy. We are assuming they will be trading under World Trade Organisation (WTO) rules in two years' time, although it's possible that the Government will be able to negotiate more favourable transition arrangements, perhaps followed by free trade agreements. These arrangements would make the adjustment smoother than the WTO option and provide some upside potential.

In respect of Brexit, firms may not have the confidence to invest until they see the shape of the new trading and immigration arrangements. The forecast sees investment falling this year and again in 2018, holding back demand and longer-term economic performance. As the countdown to Brexit begins, it's clear that UK businesses will be living with uncertainty for some time to come.



Accounting, auditing and governance

WannaCry ransomware attack

On Friday 12 May 2017, a global ransomware attack occurred across a whole range of sectors, including healthcare, government, telecommunications and gas, spreading to over 300,000 systems in over 150 countries. This affected many NHS Providers throughout the UK including the ability of some to provide a full suite of healthcare.

Over the last five years the number of attacks has grown tremendously as cyber criminals demand relatively small amounts of money in return for the data they hold hostage. However the return of data does not always happen.

WannaCry was used in conjunction with self-propagating malware allowing it to spread aggressively to other computers over an organization's network without requiring further interaction from users. This is the first time ransomware has been used in this way.

Why is this attack significant?

The global scale of indiscriminate targeting emphasizes the need for all companies, private and public, to pay attention to security basics:

- Keep systems up-to-date with software patches
- Make regular backups of data
- Educate users not to click suspicious links

The overall cost of the disruption is significant, but variable by sector and organization. Actual costs to organizations is not yet known, and will differ for every victim, but could have long lasting effects in the NHS if it lead to delayed or cancelled treatments.

Steps to take now

The WannaCry incident highlights the need for organizations to get the cybersecurity basics right:

1. Identify and manage the organization's cyber risks, with a specific focus on the priority cyber threats and breach scenarios that could disrupt operations or have other negative impacts on the organization.
2. Educate the organization's employees in good cybersecurity practices and the use of third-party assessment/assurance programs.
3. Maintain awareness of the cyber threat environment. Cyber criminals and other attackers are constantly evolving their methods to create ever-more effective ways of exploiting vulnerabilities for monetary gain or disruption purposes. Often this involves interfering with data integrity rather than compromising its confidentiality.
4. Maintaining and regularly reviewing elements of a cybersecurity program will provide a strong foundation for building cyber resilience into your organization: patch often, define your cyber incident response process, back up regularly and practice response scenarios.

Preventive measures to reduce the risk of ransomware

EY member firms range of cybersecurity services – including proactive penetration testing, cyber transformation and Managed Security Operations Centers – can be leveraged to prevent a ransomware outbreak within an organization:

- Ensure vulnerability and patch management policies and procedures are up to date and are implemented through appropriate change control procedures. Where out-of-date and legacy operating systems are used, seek guidance from vendors on further steps.
- Maintain an effective enterprise incident response and business continuity plan that is tested and measured for effectiveness against ransomware and other potential attack methods, as well as updated to reflect the current cyber threat environment.
- Ensure the organization has a security awareness training program in place with proactive testing, including screenshots of what to look out for. Clear guidance should be provided on the immediate steps alongside incident reporting guidelines. This should be communicated to all users and third parties who connect to the organization's network.
- Ensure regular, tested backups are in place to mitigate effects of possible infection and speed the recovery process in lieu of succumbing to ransom payment demands.
- Seek assurance from third parties who connect to your network that they are following similar actions to yourself and that they are appropriately protecting themselves.
- Implement endpoint monitoring, giving security operations teams the visibility into malicious behaviour occurring in the environment.
- Identify critical systems and data and confirm these are connected to Internet only when necessary.
- Make sure to test the security program with frequent penetration tests across the estate.
- Review how proactive security monitoring of the entire environment via a Security Operations Center (SOC) could enable faster detection and response to incidents.

Response considerations in the event of an attack

If an organization believes it is compromised, or is in the process of being compromised, then the following activities can help to provide a rapid response, damage containment and communications to end users:

- Disconnect infected machines from the network and take all backups offline. These could become encrypted as well if left connected to the network.
- EY FIDS's Forensic Technology & Discovery Services team can be quickly mobilized to help companies:
  - Forensically analyse network and host systems to detect early indications of penetration by ransomware to allow more rapid response and remediation.
  - Forensically detect, identify and contain ransomware malware based on previous experience with ransomware negotiations and ransomware eradication. Forensically circumvent ransomware and/or recover data from damaged systems and/or backups, and verify that recovered data are clean from ransomware contamination.
  - Forensically image and preserve highly sensitive impacted machines to help ensure the systems and data are not destroyed by ransomware.
  - Collect and preserve IT and business evidence in a forensically sound manner, and then deliver internal or stakeholder investigations and support disputes with customers, service providers, and requirements for regulatory reporting.
- Activate your incident response plan and don't treat the investigation as merely an IT issue; there should be cross-functional representation in the investigation team such as: legal, compliance, information security, business, PR, HR, etc.
- Identify and address vulnerabilities in the environment, sufficiently harden the environment to complicate the attacker's effort to get back in, enhance the ability to detect and respond to future attacks, and prepare for eradication events.
- Activate your business continuity plan. Prepare data based on varying requirements for regulatory inquiries or civil suits.

Women and leadership

The King's Fund recently drew attention to a couple of reports on women in leadership roles:

- NHS Women on Boards: 50:50 by 2020 (see http://www.nhsemployers.org/case-studies-and-resources/2017/03/nhs-women-on-boards-5050-by-2020)
- Women in finance

These reports draw attention to the problems some women face in obtaining senior leadership positions within the NHS and other organisations. While there are typically more women that start in finance roles than men there are few women that move up the management ladder. The main reason for this is thought to be organisational culture.

A study in 2016 across a range of sectors found that unsupportive workplace cultures present the most significant barrier for women to progress their career. This was the case for female respondents in most age categories. Gender inequality and discrimination were reported with women feeling that they have to over-perform simply because of their gender. Recommendations following this study included building closer relationships between men and women in the workplace, and the provision of opportunities to discuss gender issues experienced within the organisational culture.

Organisational culture, such as the drive for a more inclusive approach to leadership development, is currently receiving considerable attention in the NHS. Given the NHS is made up of a predominantly female workforce, the impact of such a culture is largely upon women. Despite 77 percent of the NHS workforce being female there is generally a much lower percentage of women in senior leadership positions. For the NHS Improvement/NHS Employers target of 50:50 representation on boards to be achieved 500 more women would need to be appointed to board-level positions by 2020.

The NHS report also advocates gender-specific learning in NHS training programmes, covering topics such as unconscious bias, management of flexible working practices and specific female coaching, mentoring and sponsorship.

Within the EY Assurance service line we have many experts in Culture and have provided various services across the NHS and Local Government. If you would like to discuss any of these past projects, or a new one for your body, please contact your local engagement lead who can provide more information.

2018/19 Code of Practice on Local Authority Accounting Consultation

CIPFA/LASAAC are consulting on the 2018-19 Code of Practice on Local Authority Accounting in the United Kingdom.

The consultation closes on 6 October 2017 with responses direct to CIPFA. The following changes are being consulted on:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Narrow scope amendments to International Financial Reporting Standards
- Legislative and policy changes.

Further information is available from Paul Mayers, Audit Manager, on 07972 221 078 or paul.mayers@nao.gsi.gov.uk.

Other news

Use of Housing Companies

Housing lawyer Ian Doolittle has stated that there are over 40 councils which have or are currently working towards setting up housing companies, with this figure expecting to increase over the coming years.

The reasoning behind setting the companies up can vary from building homes to sell and rent at market rates, to building social housing separate to the HRA. The message from central government regarding this is that any means to help the current housing crisis is welcomed.

Deputy Chief of the Chartered Institute of Housing (CIH) Gavin Smart spoke about the benefits housing companies can have in serving different market segments, however was wary regarding whether the new homes are genuinely affordable.

He stated that councils must prioritise building new home at social rent levels.

An interesting aspect around the housing companies being set up is that responsible borrowing of money from the General Fund does not count towards the HRA Debt cap. This is being seen as an attractive option for many councils who have reached the debt cap which was introduced in 2012.

With private developments not meeting demand and private housing carrying a high cost it seems Housing Companies could be seen as an important mechanism in achieving the Government's aim to build one million new homes over the next five years.

For advice on the implications of setting up a Housing Company please speak to your audit engagement team.

EY Local government audit committee members governance forum

Between April and July we held five events across the country for local government audit committee chairs and members to meet, network, gain some EY insights and learn from each other on topical governance challenges facing the sector. We've met almost 80 members some with a few weeks experience and others with many decades, some who may well have been just out of school, others far wiser but all passionate about their local communities their roles as elected officials.

In this section of the briefing we share with you the benefits members obtained from attending our events and our plans for the future.

We focused each forum on the current hot topic in the sector – commercialisation and what it means for audit committees. Notwithstanding the challenge posed by the simple question of 'what does commercialisation mean', the variety of ongoing and emerging activities was striking ranging from advertising on roundabouts to building new crematorium and establishing housing development companies. Some key threads for members was public perception of authorities acting commercially, the need for authorities to ensure that they have the right capabilities, capacity, are focused on the long term and that the organisational culture matches the direction of travel.

Audit committee members had some concerns that they only tend to see commercial activities after they had been signed and sealed rather than providing challenge on governance and accountability before deals are completed.

Members valued the opportunity to meet peers, network and connect and hear how others are tackling similar issues using different approaches. Members also valued the insights that EY brings from our engagement with a wide range of authorities and other organisations around the country.

Next steps

Following the overwhelmingly positive feedback from attendees we plan to run these forum every six months. We will seek input from members to set the agenda but ensure sufficient time for networking and sharing and suspect the commercialisation agenda will remain the hot topic. Please liaise with your engagement partner and audit manager for details of dates and venues.

Outcome of Local Government Tender Process

The Public Sector Audit Appointments Limited (PSAA) announced the results of the Local Government tender on 20 June 2017, and we are delighted to say that we have been successful in retaining our 30% share of the Local Government external audit market. Details of the announcement can be found on the PSAA website.

Since 2012, we have invested and committed to the growth of our public sector assurance team, and we believe this outcome reflects the feedback our clients and the PSAA have given us on the quality, efficiency and effectiveness of our service. This is also evidenced by our AQRT scores, which is discussed below. We are committed to the public sector and going forward we are extremely pleased that we are the leading Big 4 firm delivering audit services to the local government sector.

Between now and the end of December 2017, PSAA will be consulting with audited bodies on the proposed appointed auditor to determine the allocation of audit clients. We will be actively participating in the process, with our primary focus on ensuring the allocations safeguard independence, objectivity, and ensuring we are able to continue to deliver high quality, efficient and effective audits.

In the meantime, we are continuing to work to support our clients in preparing for the faster closure of accounts from the 2017/18 financial year. We recognise the journey our local government clients are making to transform and ensure sustainable public services. We are committed to work with our clients to share our insights from the vast range of services we provide in the public sector.

Financial Reporting Council's (FRC) Audit Quality Inspection Results

Executing high quality audits continues to be our highest priority. Ensuring that we deliver high quality audits is fundamental to our business and our public service obligation. We are therefore committed to a significant and sustained investment in audit quality.

EY's investment continues to be reflected in the FRC's inspection results

The firm is subject to external inspection by the FRC's Audit Quality Review Team (AQRT), the ICAEW's Quality Assurance Department (QAD) and the Public Company Accounting and Oversight Board (PCAOB) from the US. The AQRT's scope is the audits of FTSE 350 and other public interest companies in the UK and it issues public reports outlining its work and conclusions.

We are delighted that 88% of our audits inspected by the AQRT this year were assessed as requiring no more than limited improvements and that once again no audits subject to review were identified as requiring significant improvements. The results of the FRC AQRT report published in June 2017, as presented in the chart below, reflect our sustained investment in audit quality.

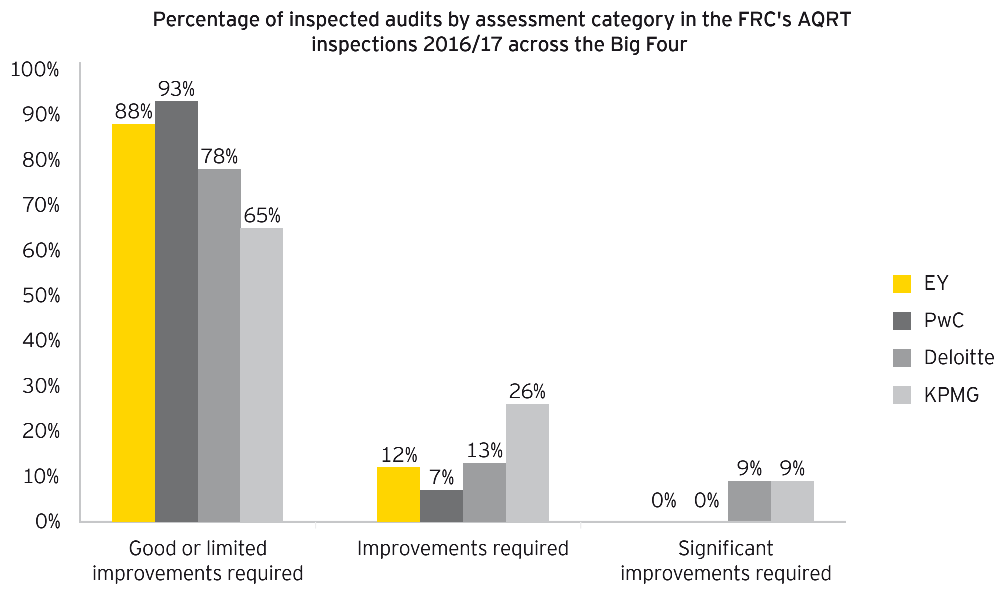


Figure 1. Bar chart showing the FRC Audit Quality Review Team inspection results for EY, PwC, Deloitte and KPMG

Key questions for the Audit Committee

Does your organisation and its partners have in place IT security arrangements which minimise the risk and impact of cyber attacks?

Is your culture allowing women to progress to senior positions?

Are you aware of the commercial activities of your authority? What assurance have you sought on the adequacy of risk identification, effectiveness of risk management and the arrangements for optimising benefits realisation?

Are you assured that all financial considerations have been addressed? Including appropriate due diligence, staying within state aid rules, understanding the impact on the minimum revenue provision and clarity on the longer term revenue implications of capital investments.

Do you know about the significant commercial activities in the pipeline? What assurance do you have that business cases are robust and realistic?

Has your authority recently discussed and agreed its risk appetite?

Find out more

EY Item Club Forecast

http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections

WannaCry ransomware attack

http://www.ey.com/gl/en/services/advisory/ey-wannacry-ransomware-attack

Women and leadership

http://www.nhsemployers.org/case-studies-and-resources/2017/03/nhs-women-on-boards-5050-by-2020

Use of Housing Companies

http://www.publicfinance.co.uk/feature/2016/10/company-houses-how-councils-are-constructing-new-model-housing

Notes

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ED None

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AGENDA ITEM NO. 8

ARUN DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE
28 SEPTEMBER 2017

Decision Paper

Subject : Treasury Management – Quarter 1 Report 2017/18

Report by : Sian Southerton, Senior Accountant (Treasury)

Report date : August 2017

EXECUTIVE SUMMARY

To report on the Treasury Management activities for the quarter ended 30 June 2017 and updated to include more recent information.

RECOMMENDATIONS

The Committee is requested to recommend Full Council to:

(i) note the treasury management report for 2017/18;
(ii) approve the actual prudential and treasury indicators for 2017/18 contained in the report;
(iii) approve the amendment to the 2017/18 treasury management strategy (appendix 4)
(iv) note the treasury activity for the quarter ended 30 June 2017, which has generated interest receipts of £164,860 (1.12%) against a budget for the year of £530,000 (1.02%); and
(v) note interest receipts generated to the end of August 2017 of £281,040 (1.06%)

1.0 INTRODUCTION

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members should be updated on treasury management activities regularly, (Strategy Statement, annual and mid-year reports) but preferably quarterly. The reporting quarters follow convention, however, the dates are not practicable for the timing of Audit and Governance Committees as these are determined by other factors such as the formal approval of the Annual Governance Statement and the Statement of Accounts. This report covers the quarter ended June 2017 in detail but has been updated to include the interest received to the end of August 2017 to provide members with more up to date information where practicable.

2.0 ECONOMIC BACKGROUND

The UK GDP annual growth rates in each calendar year 2013 – 2016 of 1.9%, 3.1%, 2.2% and 1.8%, have all been the top rate, or near top rate, of any of the G7 countries in every year. It is particularly notable that the UK performance was repeated in 2016, a year in which the Bank of England had forecast in August 2016 that growth would be near to zero in the second half of the year due to the economic shock it expected from the result of the Brexit referendum in June. However, it has had to change its mind and in its February and May 2017 Inflation Reports, the Bank upgraded its forecasts for growth (May Report - 2017 1.9%, 2018 and 2019 1.9%). However over these years, it also expects inflation to accelerate towards nearly 3% as increases in costs as a result of the fall in the value of sterling since the referendum, gradually feeds through into the economy, though it should fall back to 2.2% in 2019. Provided those cost pressures do not feed through into significantly higher domestically generated inflation within the UK, the MPC is expected to 'look though' this one off blip upwards in inflation. Wage inflation, which is a key driver of domestically generated price pressures, is currently subdued. There is, though, a potential risk that the MPC might muster a majority to reverse the emergency 0.25% rate cut before embarking on a progressive trend of increases in Bank Rate at a later time.

GDP growth in the US has been highly volatile in 2016 but overall mediocre, at an average of 1.6% for the year. Quarter 1 in 2017 has also been mediocre at 1.4% but current indications are that growth could rebound strongly in quarter 2. The disappointment so far has been the lack of decisive action from President Trump to make progress with his promised fiscal stimulus package. The Fed has, therefore, started on the upswing in rates now that the economy is at or around "full employment" and inflationary pressures have been building to exceed its 2% target. It has, therefore, raised rates four times, with the last three following quickly on one another in December 2016 and March and June 2017. One or two more increases are expected in 2017 and possibly four in 2018.

Growth in the EU improved in 2016, to 1.7%, after the ECB cut rates into negative territory and embarked on massive quantitative easing during the year. The ECB is now forecasting growth of 1.9% in 2017, 1.8% in 2018 and 1.7% in 2019. It has committed to continuing major monthly quantitative easing purchases of debt instruments, though in April 2017 it reduced the rate from €80bn per month to €60bn, to continue until the end of 2017, in order to stimulate growth and to get inflation up to its 2% target.

There are major concerns about various stresses within the EU; these could even have the potential to call into question the EU project. The Dutch and French elections passed off without creating any waves for the EU but we still have a national election in Germany on 22 October; this is not currently expected to cause any significant change. What could be more problematic is the general election in Austria on 15 October where a major front runner is the Freedom Party which is strongly anti-immigration and anti EU. There is also a risk of a snap general election in Italy before the final end possible date of 20 May 2018. A continuing major stress point is dealing with the unsustainable level of national debt in Greece in the face of implacable opposition from Germany to any further bail out. High levels of unemployment in some EU countries and the free movement of people within the EU, together with the EU's fraught relationship with Turkey in controlling such people movements, are also major stress issues. On top of which the EU also now has to deal with Brexit negotiations with the UK.
China is expected to continue with reasonably strong growth, (by Chinese standards), of 6.5% in 2017. However, medium term risks are increasing. Japan has only achieved 1% growth in 2016 and is struggling to get inflation to move from around 0%, despite massive fiscal stimulus and monetary policy action by the Bank of Japan.

3.0 INTEREST RATE FORECAST

The Council's treasury advisor, Capita Asset Services, has provided their most recent (August 2017) interest rate forecast:

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. However, since then, growth has been robust until dipping in quarter 1 of 2017 to 0.2%. Also, CPI inflation has risen substantially as a result of the sharp fall in the value of sterling since the referendum. Consequently, Bank Rate has not been cut again, and market concern has switched to whether the MPC could get together a majority to reverse the August emergency 0.25% rate cut before embarking on a progressive trend of increases in Bank Rate at a later time when the economic and political / Brexit situation is more robust to withstand such increases. There is much uncertainty at this time over the slender majority the Conservative Government has, which is dependent on DUP support, and also over what form of Brexit will transpire and how difficult the EU could be in setting terms. There are therefore a multiplicity of ifs and buts at the current time and depending on how things transpire, then this will materially influence MPC decision making as to when Bank Rate will rise.

Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after the Brexit negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

4.0 ANNUAL INVESTMENT STRATEGY

The Treasury Management Strategy Statement (TMSS) for 2017/18, which includes the Annual Investment Strategy, was approved by the Council on 8 March 2017. It sets out the Council's investment priorities as being:

Security of Capital;
Liquidity; and
Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to lock into some longer term investments with highly rated financial institutes to achieve the best yield possible, but also to invest shorter to cover short term cash flow needs and ensure that when the rates do increase (based on the forecast) the Council is in a position to lock into higher rates for longer.

A full list of investments held as at 31 August 2017 are shown in Appendix 2. The approved limits within the Annual Investment Strategy were not breached during this period.

Investment rates available in the market were on a slight declining trend during the quarter but over 3 month rates then rose during the last half of June.

The average level of funds available for investment purposes during the quarter was £66M. A proportion of these funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds approximately £54M core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 30.06.2017

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	0.11%	1.02%	1.12%	£164,860

As illustrated, the authority outperformed the benchmark by 101 bps. The Council's budgeted investment return for 2017/18 is £530,000 and performance for the year to date is above budget based on a straight line profile. Currently the estimated outturn shows that the budget is likely to be exceeded, however, rates have dropped significantly again. Every effort will be made to achieve the budgeted figures by investing in highly rated counterparties for longer periods and ensuring diversification for security and yield. The property fund continues to increase the returns the Council is achieving on its investments and currently £4M has been invested in this fund achieving a return of approx. 4.35%, however the Capital value is down 3% (at 30 June 2017) following a dip after the Brexit vote, but there is a gradual trend upwards of 1 or 2% per year.

Having higher than anticipated core balances due to capital slippage and increased domestic rate receipts will also aid the returns.

Investment performance as at 31.08.2017 (Year to date)

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	0.11%	1.02%	1.06%	£281,040

To the end of August 2017 the benchmark is outperformed by 95 bps and investment income continues to be above original budget.

5.0 AMENDMENT TO 2017/2018 ANNUAL INVESTMENT STRATEGY

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

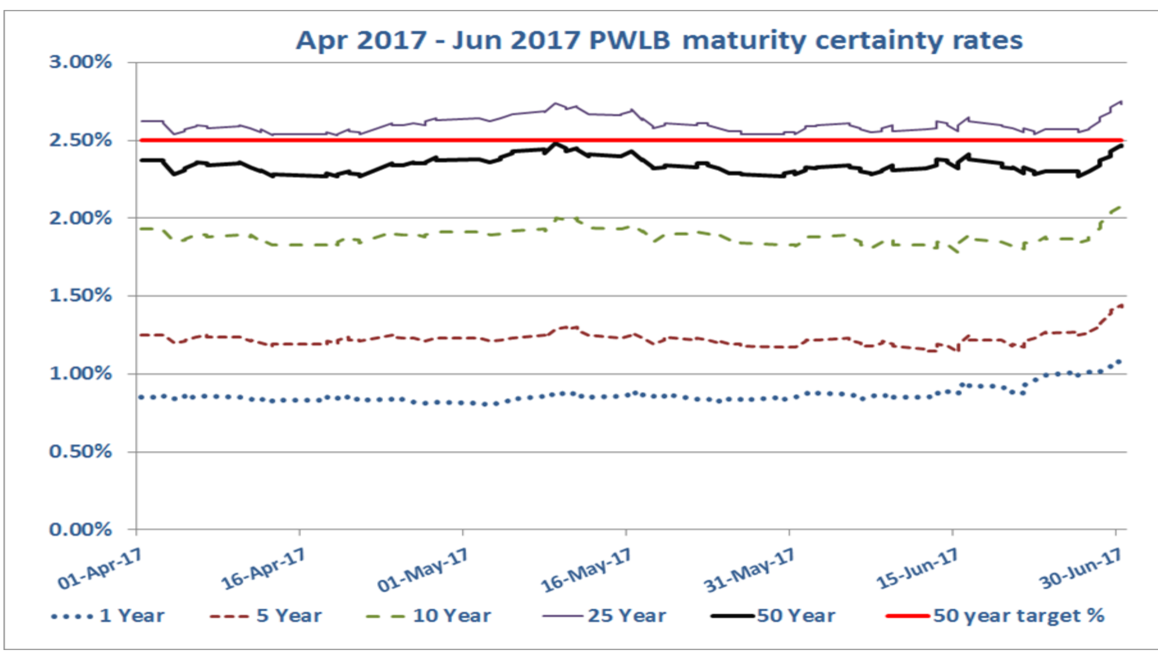
The Annual Investment strategy, as approved by full Council on 8th March 2017, defines the Investment policy, creditworthiness policy and Country and sector limits.

In this Strategy the Council had determined that it would only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch (or equivalent). This has now been amended to AA- along with the Council's treasury management advisors to allow investments with Qatar National Bank to continue. The list of countries that qualify using this amended credit criteria as at the date of this report are shown in Appendix 4.

6.0 BORROWING

As depicted in the graph and table below, PWLB rates varied little during the quarter until rising sharply in the last week of June.

During the quarter, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50%.



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As part of the HRA self-financing regime, the Government has placed a limit on the amount of housing debt which can be held by each local housing authority. Arun's limit is £81,630,000.

PWLB certainty rates, quarter ended 30 June 2017

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.80%	1.14%	1.78%	2.53%	2.27%
Date	03/05/2017	15/06/2017	15/06/2017	13/04/2017	13/04/2017
High	1.08%	1.44%	2.08%	2.75%	2.48%
Date	30/06/2017	30/06/2017	30/06/2017	30/06/2017	09/05/2017
Average	0.87%	1.23%	1.89%	2.60%	2.34%

The Council has no immediate plans to borrow for capital expenditure in the current year although funding will need to be arranged for a programme of Council house development and a Leisure centre scheme in Littlehampton.

This Council has not borrowed in advance of need during the quarter ended 30 June 2017.

The borrowing activity is constrained by prudential indicators for net borrowing, the Capital Financing Requirement (CFR), and by the authorised limit.
Currently Arun's only borrowing relates to the HRA Self-Financing settlement (£62.04m currently). Prior to this borrowing being undertaken Arun had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result of this Arun's gross debt exceeds its CFR and is likely to continue to do so in the short term.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The authorised limit was not breached in the first quarter 2017/18 as no capital borrowing took place.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The operational boundary was not breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

7.0 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year to date the Council has operated within the treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 1.

Background Papers:

CIPFA'S Treasury Management in the Public Services: Code of Practice (2011)
(Link not available as copyright)

The Prudential Code for Capital Finance in Local Authorities (2011) Guidance notes (2013) *(Link not available as copyright)*

The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content

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Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2016/17	2017/18	2017/18
Extract from budget and rent setting report	**Actual**	**original**	**Actual 30th June**
	£'000	**£'000**	**£'000**
Capital Expenditure			
Non – HRA	1,373	17,306	794
HRA	4,221	5,778	1,466
TOTAL	5,594	23,084	2,260
Ratio of financing costs to net revenue stream			
Non – HRA	-2.51%	-1.91%	n/a
HRA	32.63%	32.79%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-4,978	-1,293	-1,293***
HRA	57,772	55,365	55,365***
TOTAL	52,794	54,072	54,072
Annual change in Cap. Financing Requirement			
Non – HRA	-42	3,685	n/a
HRA	-3,544	-1,172	n/a
TOTAL	-3,586	2,513	n/a
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum	5.45	26.37**	26.37
Increase in average housing rent per week	2.99*	0.10	0.10

* *Increase due to HRA acquisition/new build*
** Increase due to L'ton Centre build
*** Estimated to 31/3/18

2. TREASURY MANAGEMENT INDICATORS	2016/17	2017/18	2017/18
	actual	Original	Actual 30th June
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	73,000	66,000	66,000
other long term liabilities	1,251	0	997
TOTAL	**74,251**	**66,000**	**66,997**
Operational Boundary for external debt -			
Borrowing	70,000	63,000	63,000
other long term liabilities	1,251	0	997
TOTAL	**71,251**	**63,000**	**63,997**
Actual external debt	53,180	53,180	53,180
Maximum HRA Debt limit	81,630	81,630	81,630
Upper limit expressed as a proportion of total interest earned:			
Fixed interest rate exposure	100%	100%	100%
Variable interest rate exposure	40%	40%	40%
Upper limit for total principal sums invested for over 364 days	26,000	26,000	26,000

Maturity structure of fixed rate borrowing - upper & Lower limits	**Actual at 30/06/17**	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	33.32%	0%	50%
5 years and within 10 years	0%	0%	60%
10 years and above	66.68%	0%	100%

INVESTMENTS at 31st August 2017

Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	622	Lloyds Bank PLC	09/09/2016	08/09/2017	£1,000,000.00	1.00
Fixed Term Deposit	624	Lloyds Bank PLC	05/10/2016	04/10/2017	£1,000,000.00	1.00
Fixed Term Deposit	651	Lloyds Bank PLC	04/07/2017	20/11/2017	£2,000,000.00	0.27
Fixed Term Deposit	650	Skipton Building Society	05/07/2017	07/12/2017	£1,000,000.00	0.35
Fixed Term Deposit	649	Skipton Building Society	05/07/2017	20/12/2017	£1,000,000.00	0.44
Fixed Term Deposit	652	Santander	07/07/2017	11/01/2018	£2,000,000.00	0.70
Fixed Term Deposit	653	Goldman Sachs International	18/07/2017	11/01/2018	£1,000,000.00	0.595
Fixed Term Deposit	631	Goldman Sachs International	09/02/2017	08/02/2018	£2,000,000.00	0.905
Fixed Term Deposit	632	Lloyds Bank PLC	08/03/2017	07/03/2018	£1,000,000.00	0.90
Fixed Term Deposit	633	Santander	08/03/2017	07/03/2018	£1,000,000.00	0.85
Fixed Term Deposit	635	Goldman Sachs International	28/03/2017	27/03/2018	£2,000,000.00	0.985
Fixed Term Deposit	636	Goldman Sachs International	13/04/2017	12/04/2018	£2,000,000.00	0.95
Fixed Term Deposit	638	Goldman Sachs International	09/05/2017	08/05/2018	£2,000,000.00	0.94
Fixed Term Deposit	640	Qatar National Bank	10/05/2017	09/05/2018	£1,000,000.00	0.83
Fixed Term Deposit	639	Lloyds Bank PLC	11/05/2017	10/05/2018	£1,000,000.00	0.80
Fixed Term Deposit	641	Goldman Sachs International	24/05/2017	23/05/2018	£2,000,000.00	0.87
Fixed Term Deposit	642	Skipton Building Society	24/05/2017	23/05/2018	£1,000,000.00	0.76
Fixed Term Deposit	643	Santander	24/05/2017	23/05/2018	£1,000,000.00	0.85
Fixed Term Deposit	644	Santander	24/05/2017	23/05/2018	£2,000,000.00	0.85
Fixed Term Deposit	572	Royal Bank of Scotland	29/05/2015	31/05/2018	£2,000,000.00	1.70*
Fixed Term Deposit	645	Lloyds Bank PLC	06/06/2017	05/06/2018	£2,000,000.00	0.800
Fixed Term Deposit	646	Qatar National Bank	06/06/2017	05/06/2018	£2,000,000.00	0.81
Fixed Term Deposit	647	Skipton Building Society	06/06/2017	05/06/2018	£1,000,000.00	0.75
Fixed Term Deposit	648	Santander	15/06/2017	14/06/2018	£2,000,000.00	0.85
Fixed Term Deposit	621	Close Brothers Ltd	24/08/2016	24/08/2018	£2,000,000.00	1.210
Fixed Term Deposit	629	Close Brothers Ltd	26/01/2017	04/01/2019	£1,000,000.00	1.05
Fixed Term Deposit	599	Royal Bank of Scotland	31/03/2016	18/02/2019	£2,000,000.00	1.35**
Fixed Term Deposit	634	Close Brothers Ltd	17/03/2017	15/03/2019	£1,000,000.00	1.00
Fixed Term Deposit	637	Close Brothers Ltd	18/04/2017	10/04/2019	£1,000,000.00	1.00
Fixed Term Deposit	620	Royal Bank of Scotland	19/08/2016	19/08/2019	£2,000,000.00	0.95***
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	4.48
Money Market Fund	110000	Federated			£4,000,000.00	0.21
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£3,850,000.00	0.19
Money Market Fund	120000	Standard Life			£380,000.00	0.17
Callable deposit	88889	Lloyds Bank PLC			£13,078.78	0.15
Callable deposit	44446	Lloyds 95DN			£3,000,000.00	0.45
Callable deposit	44445	Lloyds 32DN			£2,000,000.00	0.32
					£63,243,078.78	

*Yr 1- 1%, Yr 2 - 1.35%, Yr 3 - 1.70%
**Yr 1 -1.20%, Yr 2-1.35%, Yr 3-1.50%
*** Yr 1 - 0.8%, Yr 2 - 0.95%, Yr 3 - 1.10%

Appendix 3

Arun District Council - Loans at 31st August 2017

Reference	Lender	Start Date	Maturity Date	Principal	Rate
499495	Public Works Loan Board	28/03/2012	28/03/2020	8,860,000	1.99%
499488	Public Works Loan Board	28/03/2012	28/03/2022	8,860,000	2.40%
499493	Public Works Loan Board	28/03/2012	28/03/2030	8,870,000	3.21%
499494	Public Works Loan Board	28/03/2012	28/03/2035	8,870,000	3.40%
499491	Public Works Loan Board	28/03/2012	28/03/2050	8,860,000	3.53%
499490	Public Works Loan Board	28/03/2012	28/03/2062	8,860,000	3.48%
				53,180,000	

Appendix 4

Approved Countries for Investments

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands (S&P AA+)
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A. (S&P AA+)

AA+

- Finland
- Hong Kong

AA

- Abu Dhabi (UAE)
- France
- ~~Qatar~~
- U.K. (Moody Aa1)

AA-

- Qatar

Based on a majority rule of available ratings.

AGENDA ITEM NO. 10

ARUN DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE
28 SEPTEMBER 2017

Decision Paper

Subject : Revised Annual Internal Audit Plan 2017/18

Report by : Chief Internal Auditor Report date : 7 September 2017

EXECUTIVE SUMMARY

Each year Internal Audit is required to develop an annual audit plan for the following financial year, for agreement by the Audit & Governance Committee

1. INTRODUCTION

Each year Internal Audit is required to develop an annual audit plan for the following financial year.

This provides the opportunity for the Chief Internal Auditor, in consultation with senior managers within the Authority and with the members of the Audit & Governance Committee, to determine where best the limited resources available to Internal Audit should be directed.

In order to prepare the plan, consideration has been given to accepted best practice, as promulgated by both CIPFA and the Chartered Institute of Internal Auditors.

2. POINTS TO NOTE

At the Committee's February meeting an outline-only plan was agreed by the Committee (based upon 2.4 FTE) and recognising there would need to be considerable flexibility through the year as to the assignment of resource to specific tasks.

As at September 2017, the management restructure has been completed but lower level structures are still being finalised. Following the decision not to proceed with shared services in a number of support areas, alternative methods of transforming services to make cost saving in line with the Vision 2020 Programme are being proposed / progressed, with a report now due to members of the Overview Select Committee (OSC) in September 2017. Therefore, the considerable degree of uncertainty in the work that Internal Audit might be required to undertake in the year (as advised previously) still persists.

As from 1 September 2017, the Internal Auditor (0.4 FTE) has left the Council and the section will operate with 2 FTE in the short-term, with the focus on mandatory and high priority work. This will allow time for the Council's revised structures / operations to be finalised before a longer-term resourcing solution is decided upon. This resource reduction results in the loss of 42.7 chargeable days for the year, with a revised Plan (see below) of 409.5 chargeable days.

3. CONCLUSION

The Committee is requested to consider the contents of this report.

4. DECISION

The Audit & Governance Committee is requested to agree the revised outline Annual Internal Audit Plan.

Background Papers: **Audit & Governance Committee agenda / minutes of 23rd February 2017**
http://www.arun.gov.uk/audit-governance-committee

Contact: **Stephen Pearse** **ext 37561**

<u>Outline Internal Audit Plan for 2017/18</u>

3/4/17- 1/4/18 (52 weeks)

Based upon 2.4 FTE to 31/8/17 and 2.0 FTE thereafter and in line with the number of days per auditor / classification of assignments that had been considered for a

Key Financial Systems	75
Computer Audit (including projects)	70
Business Systems Audit	146.5
Contract Audit	4
Follow-Ups	8
PSIAS / QAIP (includes reviewing & updating audit procedures)	9
Total Chargeable Days (Audit)	**312.5**
Governance / AGS	8
NFI	11
Corporate Fraud	6
Audit Advice	15
External Audit Liaison	4
Committee Representation	9.5
Planning & Control	23
Contingency (e.g. for special investigations)	7.5
Meetings (Corporate)	9
RIPA	2
FOI	2
Total Chargeable Days (Non-Audit)	**97**
Total Chargeable Days	**409.5**

(Chargeable days are those after allowance for bank holidays, leave, sickness admin, etc. which are an overhead and not directly relevant to Council service areas)

AGENDA ITEM NO. 11

ARUN DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE
28 SEPTEMBER 2017

Information Paper

Subject : Progress Against the Audit Plan

Report by : Chief Internal Auditor Report date : 7 September 2017

EXECUTIVE SUMMARY

Each year Internal Audit is undertakes its work against an annual audit plan, as approved by the Audit & Governance Committee at the beginning of the financial year.

The Committee is required to oversee the provision of an adequate and effective internal audit service.

1. INTRODUCTION

An outline Audit Plan was presented to, and approved by, the Committee at its February 2017 meeting. The aim of the plan was to ensure that mandatory work is completed, that there is appropriate involvement in the progress of the Vision 2020 initiative and to progress audit work on the priority / highest risk areas identified.

However, the Committee was advised that with the recently implemented revised management structure and the requirement for further phases of the Vision 2020 work to be progressed, there is considerable uncertainty as to where audit resource may be required in the year.

The attached report identifies the main areas of work undertaken by the Internal Audit section in the last quarter.

2. CONCLUSION

The Committee is requested to note the content of the progress report provided.

Contact: **Stephen Pearse** **ext 37561**

ARUN DISTRICT COUNCIL

Audit Progress

At the Audit & Governance Committee meeting of 23 February 2017, the Committee agreed an outline plan for the section for 2017/18.

Since the plan was provided to the Committee, work has been undertaken in the following areas:-

Code	Title	Work performed
RE03	Main Accounting	• Annual key controls testing on behalf of external audit (in 2016/17 Audit Plan) ***Results passed to E&Y 3/17***
RE04	Purchase Ledger	
RE08	Payroll	
CS03	Housing Finance	
CS16	Housing Benefit (& Council Tax Reduction)	
CS17	Council Tax	
CS18	NDR	
CS19	Income: Sundry Debtors	
RE08	Payroll	• Monthly joiners and leavers checks
CS16	Housing Benefit (& Council Tax Reduction)	• Monthly sample checks on new HB claims for E&Y (as part of full-year sample for 3/18)
CS17	Council Tax	• Annual test checks on CT precept calculations
CS18	NDR	• Brief data review for potentially invalid small business relief cases • Confirmation of testing / reconciliation by R&B of VOA 2017 full revaluation
CP18	Vision 2020	• Ongoing liaison with Officer working group and involvement in 'due diligence' work e.g. risks, etc. in connection with the business case for the Local Property Company (LPC) *Relevant Officers presented Business Case presented to OSC 25 July, Cabinet 31 July and Special A&GC meeting 7 August. A decision is now due at Full Council on 13 September* • A update on proposals across services to contribute towards the required cost savings is also due (to Cabinet on 16/10/17)
CP03 MS01	Corporate Governance Annual Governance Statement	• Annual review of compliance against the Council's local Code of Corporate Governance • Review of the requirements of the new CIPFA/SOLACE Code • Preparation of a revised Code of Corporate Governance and the Annual Governance Statement under the new Code ***Reviewed by G&R Group 18/5/17*** ***Reported to A&GC 29/6/17***

MS04	NFI	• Commencement of Internal Audit involvement in review of reports received in 2/17 from the 10/16 exercise and liaison with service areas over potential issues (Benefits are responsible for review of most of the benefits-related matches)
CP02	Information & Data Governance	• Liaison with relevant staff in respect of GDPR preparation requirements and review of draft policies / changes, prior to their presentation to CMT *Some updates presented to OSC 25/7/17 with more being drafted*
CS14	Information Security Policies	• Linked to GDPR, Information Security Group (ISG) discussion and review of policies e.g. Information Security Policy • Liaison with Service Development Manager on new Home Working Policy – Regular Non-Contracted *To be presented to OSC 26 September*
PR07	FMS Support / Replacement	• Testing of reports set up for audit purposes in 2016 on the test Jasper system prior to its upgrade and confirmation they operate correctly after upgrade applied to the live system • Resolution of outstanding queries from external audit testing with Finance
IN02 CP05	Fraud & Corruption Fraud & Corruption	• Compilation of data for publication to meet Government Data Transparency Code requirements • Compilation of data for annual fraud surveys • Preparation of Annual Counter-Fraud Report ***Reported to A&GC 29/6/17*** • An audit assessment of the Council's counter-fraud arrangements against the provisions of the CIPFA Code of Practice on managing the risk of fraud and corruption is under way. This will include consideration of other relevant strategies (e.g. Fighting Fraud & Corruption Locally) and requirements for any updates to relevant Council policies (The requirement for this outstanding review has been advised to the Committee in recent Annual Governance Statements)
AD08	Audit Standards & Quality (PSIAS/QAIP)	• Update of appropriate Arun internal audit documents • Undertaking the External Quality Assessment (EQA) for Rother DC and providing a report on the outcome (this is on a mutual support basis across the Sussex Audit Group)
ES01	Environmental Health	• Liaison with Project Manager over business requirements and tender process for new system *Cabinet decision to award contract for new IT system to preferred supplier 19/6/17*
ES06	Leisure Strategy / Management	• An initial review of the project for the new leisure management contract, covering the progress on the contract letting process was undertaken and the A&GC updated in February 2016 • The new contract was subsequently let to Freedom Leisure from April 2016 and the project review has been completed after its first year of operation to consider the ongoing contract monitoring and reporting processes ***Reported to A&GC 28/9/17***

CS04	Council House Sales	• A review of the processes in place for council houses sales (under right to buy legislation) has been completed ***Reported to A&GC 28/9/17***

AGENDA ITEM NO. 12

ARUN DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE
28 SEPTEMBER 2017

Information Paper

Subject : Summary of Findings From Reports Issued (May – September 2017)

Report by : Chief Internal Auditor Report date : 7 September 2017

EXECUTIVE SUMMARY

Each year Internal Audit is required to undertake an annual audit plan, as approved by the Audit & Governance Committee at the beginning of the financial year.

The Committee is required to oversee the provision of an adequate and effective internal audit service. Part of this process is to monitor delivery of the plans and to receive summaries of reports issued.

1 INTRODUCTION

Please find attached:-

- A summary of the significant findings arising from audit reports issued between May and September 2017.

2. CONCLUSION

The Committee is requested to note the content of this report.

Contact: **Stephen Pearse** **ext 37561**

AGENDA ITEM NO.

Summary of Internal Audit Report Findings - Reports Issued 01/05/2017 To 03/09/2017

Audit Entity	Level Of Assurance From Audit	Recommendations	Priority	Responsibility	Management Response
ES06 2016/17 – Leisure Strategy / Management	Substantial	Post-implementation review: Leisure Management Contract **No High or Medium priority items for reporting to Committee** *The contract management spreadsheet which has been devised with assistance from the Sports Consultancy is an excellent contract management framework tool and should be looked upon as an exemplar for other areas of the Council implementing similar contracts*			
CS04 2016/17 – Council House Sales	Substantial	**No High or Medium priority items for reporting to Committee**			

Note: Assurance Level may be Full, Substantial, Moderate, Limited or None