

AUDIT AND GOVERNANCE COMMITTEE

22 February 2018 at 9.30 am

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

431. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams to the meeting. He also welcomed John Thompson, from the Council's Independent Remuneration Panel.

The Chairman then extended a warm welcome to the new Engagement Lead/Audit Director from Ernst & Young, (Kevin Suter) as he had replaced Paul King.

432. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Blampied and Wheal.

433. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

434. MINUTES

The Minutes of the meeting held on 7 December 2017 were approved by the Committee as a correct record and signed by the Chairman subject to one small amendment which was to change the name of the Chairman of the meeting from Councillor Clayden to Councillor Chapman.

435. COUNCILLOR DOUGAL MACONACHIE

The Chairman stated that he wished the Committee to join him in giving a minute's silence to Councillor Dougal Maconachie who had sadly passed away on 21 December 2017. This was because he had been a Member of the Committee for many years and had continued to attend meetings of the Committee right up until till his sad passing. The Chairman praised Dougal for his work and input given to previous meetings of the Committee.

The Committee then sat in silence to his memory.

436. MEMBERS ALLOWANCES – PROGRESSING THE NEXT REVIEW AND EXTENSION OF APPOINTMENTS FOR THE INDEPENDENT PANEL

The Chairman again welcomed John Thompson from the Independent Remuneration Panel to the meeting and introduced this report.

The Chairman explained that as the Independent Remuneration Panel was about to embark on undertaking the next review of the Members' Allowances Scheme, it was necessary to inform the Committee of the timetable proposed for this work and to ask Members to agree to extending the terms of office for all three members of the Panel until 31 March 2020

The Committee

RESOLVED – That

- (1) The approach to be taken by the Independent Panel for its next review in terms of the timetable proposed be noted; and
- (2) The terms of office for all three members of the Panel be extended until 31 March 2020.

437. ERNST & YOUNG – AUDIT PLANNING REPORT

The Audit Director from Ernst & Young introduced the Audit Planning report to the Committee setting out how Ernst & Young would carry out their responsibilities as the Council's auditor for the 2017/2018 Accounts. 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 report identified areas of the audit that had been classified as significant risks. The risk of management override was highlighted as a risk of management perpetuating fraud because of its ability to manipulate accounting records and prepare fraudulent statements by overriding controls that otherwise appeared to be operating effectively. The Audit Director explained that an organisation would always be subject to this potential 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.

- Other areas of risk and audit focus were the Valuation of Land and Buildings and Pension Liability Valuation.
- 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.
- The revised Accounts and Audit Regulations introduced a significant change in statutory deadlines for the 2017/18 financial year. The timetable for the preparation and approval of accounts had been brought forward with draft accounts needing to be prepared by 31 May 2018 and the publication of accounts by 31 July 2018.
- It was outlined that these changes provided risks for both the preparers and the auditors of the financial statements – this was because the Council had less time to prepare the financial statements and supporting working papers and Ernst & Young had a more significant peak in their audit work and a shortened period to complete the audit. The risk to them was that as auditors to several other authorities, the revisions to the timetable allowed for no slippage in the delivery date for work. The Committee was reassured that measures were in place to mitigate the risks highlighted.

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

438. ERNST & YOUNG – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016/17

Ernst & Young presented the Certification of Claims and Returns Annual Report 2016/17, summarising the results of the certification work on Arun District Council's 2016-17 claims and returns.

The Audit Manager explained that Section 1 of the report highlighted the significant risks. The Housing Benefit Subsidy Claim had been checked and certified with a total value of £50,130.018. A qualification letter had been issued as an error in rent allowances caused by the incorrect income in the assessment of benefit entitlement had been found. As a result of this, Ernst & Young had had to extend their testing and identified four further cases where similar errors had occurred. This was then extrapolated from their findings to a total error value of £1,435. The Committee was reassured that most Councils were issued with some form of qualification letter. Ernst & Young stated that they wished to have placed on record their thanks to the Benefits Section for their assistance in this matter, which the Committee endorsed.

Looking at the 2016-17 certification, it was explained that the proposed final fee in respect of the additional work required to review and capture extended testing undertaken, due to the errors identified in the qualification letter for the housing benefits subsidy claim, had been sent to PSAA for final approval.

In looking forward to the work for 2017/18 period, the Audit Manager confirmed that the Certification work programme had been delegated to PSAA by the Secretary of State for Communities and Local Government. The Council's indicative fee for 2017-18 was £8,330.

Some questions were asked about housing benefit fraud and successful prosecutions with the Committee stating that it would be interested to receive a full update on housing benefit fraud at a future meeting of the Committee.

The Chairman thanked Ernst & Young and the Committee then noted the report and endorsed the comment on the performance of the Benefits Subsidy Team.

439. APPROVAL OF ACCOUNTING POLICIES – 2017/18

The Committee was asked to consider and agree the Accounting Policies that would be applied to the Statement of Accounts for 2017/18 which would be agreed by the Committee in July 2018.

The Committee then

RESOLVED

That the Accounting Policies could be applied to the Statement of Accounts for 2017.2018.

440. TREASURY MANAGEMENT STRATEGY STATEMENT & ANNUAL INVESTMENT STRATEGY – 2018/19

The Senior Accountant (Treasury) presented to the Committee the Annual Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19.

In presenting this report, the Senior Accountant (Treasury) drew Members' attention to the following key points:

- The report highlighted changes to last year's report and new inclusions. In December 2017, the Chartered Institute of Public Finance & Accountancy (CIPFA) had issued revised Prudential and Treasury Management Codes which meant from 2019-20, all Councils would be required to prepare an additional report being a Capital Strategy report. This would ensure that all Members fully understood the overall Strategy, governance procedures and risk appetite entailed by this Strategy.
- The Senior Accountant (Treasury) hoped that Members had found the Link Asset Services (Treasury Advisors) workshop held on 7 December 2017, informative. This training adhered to the CIPFA code that ensured Members with responsibility for treasury management received adequate training.
- 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 £63M in 2018/19.
- It was noted that Link Asset Services, as the Council's treasury advisor, predicted interest rates to increase by another 0.25% in June 2018.
- The Committee was advised that changes in the treasury and prudential codes meant that the treasury management role for the Section 151 Officer had increased, the additions had been listed in the report at Appendix 10

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 2018/19 be approved;
- (2) the Annual Investment Strategy for 2018/19 be approved, and;
- (3) the Prudential Indicators for 2018/19, 2019/20 and 2020/21 as contained in appendix 1 and the body of the report, be approved.

441. CHANGE TO THE ORDER OF THE AGENDA

At the request of the Chief Internal Auditor, the Chairman proposed and the Committee agreed to a change in the order of the agenda in that Agenda Items 10 [Annual Internal Audit Plan – 2018/19, 11 [Progress Against the Audit Plan]; 12 [Summary of Findings from Reports Issued November 2017 to January 2018; and 13 [Workplan for the Audit & Governance Committee – 2018/19] be considered together.

442. ANNUAL INTERNAL AUDIT PLAN – 2018/19, PROGRESS AGAINST THE AUDIT PLAN, SUMMARY OF FINDINGS FROM REPORTS ISSUES NOVEMBER 2017 TO JANUARY 2018 AND WORKPLAN FOR THE AUDIT & GOVERNANCE COMMITTEE 2018-19.

The Committee received and noted the above reports from the Chief Internal Auditor.

Firstly, the Chief Internal Auditor presented the Annual Internal Audit Plan 2018/19.

It was noted that the current 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 important areas, as agreed with Senior Management/Members.

It was also noted that the Council had still to finalise all of the changes resulting from the Vision 2020 work. In view of this, as in previous years, an outline plan had been compiled which needed 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 2018/19 be approved.

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

The Committee then received and noted the Summary of Findings from Reports Issued November 2017 to January 2018.

Finally, the Committee in receiving and noting its Workplan for the new Municipal Year 2018/19 asked the Chairman if he could consider arranging for the Committee to receive updates on the following matters:

- Were the Council's Consultation exercises robust and valid?
- Could the Committee look at the tow hour free parking scheme in Bognor Regis?
- Could the Committee investigate what had happened to the sale of redundant sound equipment that used to be in the Council Chamber?

The Chairman advised the Committee that he would investigate the possibility of future updates and advise Members accordingly before the next scheduled meeting of the Committee.

#### 443. INFORMATION/ADVISORY DOCUMENTS RECEIVED

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

- CIPFA Fraud & Corruption Tracker 2017 Summary Report.

(The meeting concluded at 10.37 am)