

AUDIT AND GOVERNANCE COMMITTEE

26 July 2018 at 6.00pm

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

116. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams to the meeting. The Chairman then extended a welcome to Kevin Suter and James Stuttaford from Ernst & Young.

117. APOLOGIES FOR ABSENCE

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

118. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

119. MINUTES

The Minutes of the meeting held on 22 February 2018 were approved by the Committee as a correct record and signed by the Chairman.

120. START TIMES

The Committee

RESOLVED

That its start times for meetings during 2017/2018 be 6.00pm.

121. INDEPENDENT REMUNERATION PANEL - RECRUITMENT OF NEW MEMBERS

A report was received from the Group Head of Council Advice & Monitoring Officer informing the Committee of a resignation received from one of the three Panel members serving on the Independent Remuneration Panel. The Committee was requested to endorse the recruitment process that would be required so that the Independent Remuneration Panel could proceed with a review of the Council's Members' Allowances Scheme.

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A question was asked about the position of the Panel in the interim. It was confirmed that the Panel could not operate without a minimum of three members, as this was a legal requirement. Members were asked to promote the vacancy within their community to encourage anyone interested in the role to come forward so the Panel could be reconvened to take forward their review as soon as possible.

Having agreed that the Vice-Chairman would act as the other member of the Interview Panel, the Committee

RESOLVED – That

- (1) the current position be noted and the options for recruiting additional members to the Independent Remuneration Panel be endorsed; and
- (2) the appointment of Councillors Chapman and Mrs Oakley be agreed to sit on the Independent Remuneration Panel's Interview Panel.

122. RESPONSE TO ERNST & YOUNG ON ANNUAL ASSURANCE LETTER REGARDING GOVERNANCE ARRANGEMENTS

The Committee noted the correspondence, dated 3 April 2018, from the Chairman, having written on behalf of the Audit and Governance Committee, to Ernst & Young. This letter responded to Ernst & Young's queries in their letter of 28 February 2018 under the Committee's requirements on International Standards of Auditing.

123. ERNST & YOUNG – ANNUAL AUDIT FEE LETTER 2018/19

Kevin Suter from Ernst & Young presented the Annual Audit Fee letter that informed Members of the audit work they proposed to undertake for the 2018/19 financial year. It also set out the indicative scale of fees that would be applied for this year which showed a reduction of 23% from the previous year.

The Chairman gave an update of his concerns about the deadlines being set nationally for the annual audit. He recognised that this was putting greater, and potentially unrealistic, pressure on both the external auditors and local authority finance teams to finalise their accounts. He was highlighting his concerns nationally.

Having asked a number of questions about the proposals for this audit which were responded to at the meeting, the Committee

RESOLVED

That the Annual Audit Fee Letter which set out the audit and certification work proposed for the 2018/19 financial year by Ernst & Young be approved.

124. ERNST & YOUNG AUDIT RESULTS REPORT

The Committee received Ernst & Young's Audit Results report for the year ended 31 March 2018 which had been circulated separately to the agenda. The report summarised the preliminary audit conclusions.

In introducing the report, Kevin Suter put on record his thanks to the Finance Team for all their support in conducting this audit. He then went on to work through the report and provide the findings of the outstanding matters that had been resolved or were almost concluded since the report had been produced.

Two issues were highlighted for discussion:

1. The decision by management not to adjust the depreciation figure for Housing Revenue Account (HRA) assets. This issue had been flagged for further consideration over the coming year. Having sought clarification and had their questions answered, the Committee supported this decision.
2. The decision by management to adjust for the difference between the estimated Pension Fund liability and the actual at 31 March 2018. The Committee supported this decision.

Mr Suter advised the Committee that he anticipated that all outstanding matters would be concluded by the statutory deadline of 31 July 2018 and that he expected to issue an unqualified audit opinion to the Council so the Statement of Accounts could be signed off by the Chairman.

Turning to the remainder of the report, Mr Suter highlighted the outcomes of their assessments of value for money risks and other reporting issues. He responded to further questions posed by the Committee.

Having thanked Kevin Suter and James Stuttaford, and the Finance Team for all their efforts on this year's accounts, the Committee noted the report.

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125. STATEMENT OF ACCOUNTS – 2017/2018

The Financial Services Manager presented the Council's 2017/18 Statement of Accounts for approval, together with the Letter of Representation submitted on behalf of the Council.

As already highlighted in the previous item, the Committee was advised that Ernst & Young had been unable to conclude all the outstanding matters in their audit of the Statement of Accounts in time for this meeting. As the Statement of Accounts needed to be signed off by 31 July 2018, to meet the statutory deadline, it was proposed that the Committee gave their approval based on the information provided to date; and the Chairman of the Committee be given delegated authority to sign off the Accounts, in consultation with the Group Head of Corporate Support, if any further amendments were necessary. The Committee supported this proposal.

The Financial Services Manager then went through the minor adjustments that had been made to the Statement of Accounts as a consequence of the decision to adjust for the change in the estimate of the Pensions Reserve. The Letter of Representation had also been updated to reflect the decision to amend the Accounts for the Pensions Reserve and the decision not to amend the Accounts to reflect the difference in the estimate for HRA depreciation. The final version of the Letter presented to the Chairman for approval included all these adjustments.

The Committee

RESOLVED – That

- (1) the amendment to the Council's Accounting Policies, be noted;
- (2) the findings of the Ernst & Young Audit Results Report, be noted;
- (3) the Letter of Representation on behalf of the Council be approved;
- (4) the Statement of Accounts for the financial year ended 31 March 2018 which will be signed by the Chairman of the Committee (Appendix 1 as amended), be approved; and
- (5) the Chairman of the Committee be given delegated authority, in consultation with the Group Head of Corporate Support, to sign off the Statement of Accounts for the financial year ended 31 March 2018 if any further amendments are necessary.

126. ANNUAL GOVERNANCE STATEMENT 2017/18 AND LOCAL CODE OF CORPORATE GOVERNANCE 2018/19

The Annual Governance Statement for 2017/18 was presented to the Committee by the Chief Internal Auditor for approval, supported by the Code of Corporate Governance for 2018/19.

The Chief Internal Auditor gave an update on minor amendments needed to the Code of Corporate Governance to reflect the completion of the Vision 2020 project, as agreed by Full Council. These changes would be made before the document was published to the Council's website.

In terms of the Annual Governance Statement, the Chief Internal Auditor advised that since the document had been prepared, the Arun Local Plan had been adopted by Full Council on 18 July 2018 and this governance risk had therefore been addressed.

Questions were asked about the resilience arrangements for ICT across the organisation. The Chief Internal Auditor explained the work underway by Group Heads to review Business Continuity Plans based on the new management structure so resilience requirements could be assessed by the Group Head of Neighbourhood Services. No significant concerns had been expressed by the ICT and Service Improvement Manager about the resilience of any ICT systems. Further, the Information Security Officer Group was monitoring compliance with the requirements of the General Data Protection Regulation to minimise any risk to the Council.

Having received satisfactory responses to further comments and questions posed, the Committee

RESOLVED – That

- (1) the minor change to the local code of Corporate Governance be endorsed, and;
- (2) the Council's Annual Governance Statement for 2017/18 be approved.

127. TREASURY MANAGEMENT ANNUAL REPORT – 2017/18

The Group Head of Corporate Support presented the Treasury Management Annual Report for 2017/2018 to the Committee to scrutinise before making a recommendation to Full Council. The report summarised:

- capital activity during the year;
- impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);

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- reporting on the required prudential and treasury indicators;
- overall treasury position identifying how the Council has borrowed in relation to this indebtedness and the impact on investment balances;
- summary of interest rate movements in the year;
- detailed debt activity; and
- detailed investment activity.

In concluding his presentation, Members were made aware of a proposed further briefing on Treasury Management to be held ahead of the next meeting, which they would be notified of shortly.

Having received responses to questions posed, the Committee

RECOMMEND TO FULL COUNCIL – That

- (1) the actual prudential and treasury indicators for 2017/18 contained in the report, be approved;
- (2) the treasury management report for 2017/18, be noted; and
- (3) the treasury activity during 2017/18 which has generated interest receipts of £695,980 (1.05%). (Budget £530,000 – 1.02%), be noted.

128. COUNTER FRAUD REPORT – 2017/18

As the designated body for overseeing the Council's anti-fraud culture, the Committee received the annual report from the Chief Internal Auditor on counter fraud activity. In presenting the report, the Chief Internal Auditor highlighted the key areas of activity, particularly the successful work of the Housing Fraud Investigator which had brought considerable benefit to the Council.

The Chairman welcomed the activities introduced by the officer team and the successful achievements to date.

A question was asked on whether the Committee should support further resources being allocated to counter fraud activities. The Chairman suggested that whilst the merit of increased activity was supported, the work underway was already proving successful and the Committee would be updated as further projects were developed.

The Committee

RESOLVED

That the Counter Fraud Report 2017/18 be noted and the counter fraud work performed by the Council in 2017/18 be endorsed.

129. CHAIRMAN'S ANNUAL REPORT TO COUNCIL – 2017/18

The Committee received the Chairman's Annual Report to the Council for 2017/18 from the Chief Internal Auditor and, having supported its contents,

RECOMMEND TO FULL COUNCIL

That the Chairman's Annual Report for 2017/18 be presented for approval.

130. INTERNAL AUDIT REPORT AND OPINION 2017/18

The Chief Internal Auditor presented the annual Internal Audit Report and Opinion for 2017/18. The report summarised the work undertaken by the Internal Audit Team during the year ended 31 March 2018.

In presenting the report, the Chief Internal Auditor confirmed that the Council was following the requirements of CIPFA guidance and that the annual report had been finalised in consultation with the Chairman of the Committee to confirm the independence of the review process.

The Committee

RESOLVED

That the Internal Annual Report & Opinion for 2017/18 be noted and the work carried out by Internal Audit in 2017/18 be endorsed.

131. PROGRESS AGAINST THE AUDIT PLAN

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

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132. PROGRESS AGAINST THE AUDIT PLAN : SUMMARY OF FINDINGS FROM REPORTS ISSUED FEBRUARY – JUNE 2018

The Committee received and noted the progress report on the Audit Plan summarising findings from audit reports issued between February and June 2018.

133. ANNUAL UPDATE ON THE USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2010

As required by the Council's Constitution, the Committee noted that no activity had been authorised under the Regulation of Investigatory Powers Act (RIPA) 2010 in the 2017/18 financial year.

134. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Committee received and noted the following information/advisory document:

- Ernst & Young Local Government Audit Committee Briefing

135. FUTURE WORKPLAN FOR THE AUDIT & GOVERNANCE COMMITTEE

The Committee received a draft work plan for 2018/2019 from the Chief Internal Auditor which Members were asked to approve.

The Committee

RESOLVED

That the Committee's future work plan for 2018/2019 be approved.

136. VOTE OF THANKS

Members recorded their thanks to Erica Keegan, Democratic Services Officer, who would be leaving the Council on 31 July 2018, for her support to the Committee.

(The meeting concluded at 7.37 pm)