

AUDIT & GOVERNANCE COMMITTEE

28 July 2022 at 10.00 am

Present: Councillors Clayden (Chair), Chapman (Vice-Chair), Chace, Oliver-Redgate and Gunner (Substitute for Staniforth)

199. WELCOME

After welcoming Members, Officers and guests to the meeting, the Chair noted thanks to Councillor Northeast, who had now left the Audit & Governance Committee, for his service to the Committee.

200. APOLOGIES

Apologies for absence had been received from Councillors Bennett, Brooks, Goodheart and Oppler and Staniforth.

201. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

202. MINUTES

The Minutes of the meeting held on 22 February 2022 were approved by the Committee. These would be signed at the end of the meeting.

203. ITEMS 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 CIRCUMSTANCE

The Chair confirmed that there were no urgent matters for this meeting.

204. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

205. START TIMES

The Chair Proposed that start times for the Audit & Governance Committee meetings for 2022/23 be 10.00am. This was Seconded by Councillor Chapman.

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The Committee

RESOLVED

That its start times for meetings for 2022/23 be 10.00am.

206. ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2021

The Chair invited the Audit Manager, James Stuttaford, from Ernst & Young LLP (E&Y) to present the report. He explained that the Auditors Annual Report replaced the Annual Audit Letter. The report summarised the audit, and so there was not much to update the Committee on at this stage, as the Annual Audit Report had been provided on the same day as signing the Opinion. The report also provided a detail of Value for Money work that E&Y had completed, which did not identify any risk of significant weaknesses in the council's Value for Money arrangements for 2021. This document would be built upon and more detail would be provided in future years. The Audit Fees had been submitted to Public Sector Audit Appointments (PSAA) and would be confirmed in due course.

Members thanked E&Y for the thorough report. Attention was drawn to statements made under Value for Money from page 24-26, particularly 'We note that this level of borrowing has not increased during the Covid-19 period and the council have sufficient levels of cash to pay off the short term borrowing without the need to borrow further.' It was felt that this was a valuable statement for the financial sustainability of Arun.

There were no questions from Members.

The Committee agreed that they had received the Auditors Annual Report for the year ended 31 March 2021.

207. OUTLINE EXTERNAL AUDIT PLAN 2021/22

The Chair invited the Audit Manager, James Stuttaford, from E&Y to present the Outline Audit Plan for 2021/22 . He explained that an outline had been provided at this stage as they had not yet fully completed the planning work. The main audit visit would take place in a couple of months and was expected to be completed towards the end of the year. The plan outlined what they expected to be the significant risks. There was no significant change in the audit focus for 2021-22. The risks were shown on page 7 of the Outline Audit Plan, which included the fraud risks, Misstatements due to fraud or error; Risk of fraud in revenue recognition – capitalisation of revenue expenditure. The risks were Valuation of Land and Buildings; and Pension Liability Valuation. The one change from the prior year was the accounting for Covid-19 related government grants, which they no longer considered to be an inherent risk.

The Chair then invited Member questions. It was noted that under Auditor Responsibilities under the Code in Value for Money, E&Y were required to consider whether the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This was a wide topic, and it was asked how E&Y proposed to achieve this. The Audit Manager from E&Y explained that the Auditors Annual Report set out the process of how they had looked at the council as a whole. There were currently no specific risks identified with this, and they did not plan to drill down to any specific areas at this time.

The Committee noted the external audit, commencing in September 2022; and the remainder of the Outline Audit Plan.

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

Upon the invitation of the Chair, the Internal Audit Manager presented this report to the Committee. He explained that on an annual basis, the council's external auditors requested assurance regarding governance arrangements from a number of Officers and also from the Chair of the Audit & Governance Committee. In previous years, this response had been provided earlier in the year and noted at the next meeting of the Committee. However, as the external audit had been delayed, the deadline for the response had allowed the draft, agreed by the Chair, to be presented to the Committee for approval before it was sent.

There were no questions from Members.

The recommendation was Proposed by Councillor Chapman and Seconded by Councillor Chace.

The Committee

RESOLVED

That they approved the response to be sent to the external auditors by the Chair.

209. ANNUAL GOVERNANCE STATEMENT 2021/22 AND CODE OF CORPORATE GOVERNANCE

Upon the invitation of the Chair, the Internal Audit Manager presented this report to the Committee. He explained the Annual Governance Statement was a mandatory document required to accompany the Annual Accounts, and the draft had been approved for signature by both the Chief Executive and Leader of the council. The

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document would be passed to the external auditors and published on the website with the draft Accounts and the final version would then be presented to the Committee when the audited Accounts were approved. The Annual Governance Statement was supported by some minor updates to the council's published Code of Corporate Governance, shown on pages 107-112.

Page 87 referenced the review of the Local Plan recommencing in 2022, which had been recommended by the Planning Policy Committee. However, at the Full Council meeting on 13 July 2022 it was resolved not to support this recommendation. The Internal Audit Manager therefore suggested that the wording of the document should be altered to remove both "subject to review after 6 months", which has taken place, and "the review is now expected to recommence in 2022".

Councillor Gunner stated that although he had been involved in the preparation of this Statement, the Monitoring Officer had confirmed he was happy that Councillor Gunner stay in the meeting for the item and to participate in discussions.

The Committee agreed to note the council's draft Annual Governance Statement for 2021/22, with the suggested changes, pending approval of the final version at a future meeting when the audited Annual Accounts were presented.

210. TREASURY MANAGEMENT ANNUAL REPORT 2021/22

Upon the invitation of the Chair, the Senior Accountant (Treasury) presented this report to the Committee. The purpose of the report was to present the treasury activity for the year 2021-22. Points highlighted included that the interest earned was £460,000 against a budget of £332,000, the addition was largely due to having more money to invest but at lower rates. The additional funding largely came from grants; point 4 on page 120 showed the maturity of Public Works Loan Board (PWLB) loans, making up the £35million currently of Arun's borrowing; the second table showed investments at the 31 March 2021 at £62million and the 31 March 2022 at £69million; Page 123 showed the interest rate forecast and how much it had changed over the previous 12-18 months. The current base rate was at 1.25%, and this was anticipated to rise again next month.

Members then took part in a question-and-answer session and the following points were made:

- Was it getting harder or easier to get counterparties for treasury agreements? The Senior Accountant (Treasury) explained it had been consistent.
- It was asked whether we were too cautious as a council. It was confirmed that although slightly cautious, Arun took slightly more risk than some other councils. The council was bound by some very strict codes that specified levels of risk – Security, Liquidity then Yield (SLY).
- It was asked how the fixed-rate interest rate was obtained. The Senior Accountant (Treasury) explained Link Group were the treasury advisors, and the council took their advice on interest rates but also that of capital economics.

The recommendations were Proposed by Councillor Oliver-Redgate and Seconded by Councillor Chace.

The Committee

RECOMMEND TO FULL COUNCIL that

1. the actual prudential and treasury indicators for 2021/22 contained in the report be approved
2. they note the annual treasury management report for 2021/22
3. they note the treasury activity during 2021/22 which has generated interest receipts of £460,000 (0.59%). Budget £332,000 (0.64%)

211. INTERNAL AUDIT - ANNUAL REPORT & OPINION 2021/22

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. He explained the Annual Report and Opinion was required under the Chartered Institute of Public Finance and Accountability (CIPFA's) Public Sector Internal Audit Standards (PSIAS). This summarised the work of internal audit through the year 2021/22 for the information of the Committee. From April 2022 the internal audit services were being provided by the Southern Internal Audit Partnership (SIAP) and a similar report would be provided in SIAP's format in future years.

Members welcomed the resolution of the formation of the internal audit services and offered thanks to all concerned.

There were no questions from Members.

The Committee agreed they had received the Annual Report & Opinion 2021/22.

212. ANNUAL INTERNAL AUDIT CHARTER 2022/23

The Chair welcomed Iona Bond from Southern Internal Audit Partnership (SIAP), who then presented the Charter to the Committee. She explained the document was similar to those presented in previous years by the Internal Audit Manager as part of the Annual Planning. In line with requirements of the PSIAS, the document set out the purpose of internal audit, and formally defined the internal audit activities, purpose, authority and responsibility. It outlined all the various elements that contributed to how they carried out the audit, SIAP's responsibilities and Arun's responsibilities.

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The Chair then invited Member questions. It was asked who the Chief Internal Auditor was. It was confirmed that this was Neil Pitman, who was the Head of Partnership at SIAP.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

that the Internal Audit Charter for 2022/23, attached at Appendix A, be approved.

213. ANNUAL INTERNAL AUDIT PLAN 2022/23

Upon the invitation of the Chair, the Interim Group Head of Finance presented the report to the Committee. She explained the Plan had been agreed under the delegated authority provided by the Committee. She thanked SIAP for getting the contract moving quickly.

The Interim Group Head of Finance then handed over to Iona Bond, SIAP, who introduced the Internal Audit Plan. It was confirmed that they conformed to the internal audit standards and were free of any conflicts of interests. She explained that they had arrived at the Audit Plan in discussion with the Corporate Management Team of the council and with an overview of what the strategic risks were within the council's risk register. Page 174 outlined what they felt were the auditable areas for the council. She explained this was the plan, however this would be subject to change. The proposed audits of the first year had been given indicative timings for which quarter they would be carried out, however as with the plan as a whole this was subject to change, and some audits would be carried out in separate quarters than stated, which was not unusual. Changes to the plan would come to the Committee as part of the progress report.

Members then took part in a question-and-answer session and the following points were made:

- Whether the top twenty risks listed had been produced by Arun. The Internal Audit Manager explained that the main risks had been taken from the Strategic Risk Register, which had been presented to this Committee last November. The Risk Management Strategy and the Strategic Risk Register were currently being revised and would come back to this Committee.
- Should Capital Programme Delivery be audited this year. The Interim Group Head of Finance explained that this would not be audited, however it was being reviewed.
- Should Planning and Development Control, Void Properties and Corporate Property Portfolio be audited this year. The Interim Group Head of Finance said

that these suggestions could be taken to Corporate Management Team for review, as the Audit Plan was dynamic and subject to change.

- A separate meeting involving the Audit Team and the Interim Group Head of Finance, to point out some of the residual issues still to be addressed regarding the Hannaby Review would be welcomed.
- Business Continuity Planning and Emergency Planning were scheduled for Quarter three this year, which was welcomed.

The recommendation was Proposed by Councillor Chapman and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That the outline Annual Internal Audit Plan for 2022/23, attached at Appendix A, be approved.

214. CHAIR'S ANNUAL REPORT TO FULL COUNCIL 2021/22

Upon the invitation of the Chair, the Internal Audit Manager presented this report to the Committee. He explained CIPFA best practice was that an annual report on the activities of the Committee was presented to Full Council. The draft report outlined the work of the Committee through the 2021/22 Municipal Year.

There were no questions from Members.

The recommendation was Proposed by Councillor Chace and Seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That the content of the report be endorsed and to recommend its presentation to Full Council by the Committee Chair.

215. COUNTER-FRAUD REPORT 2021/22

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. He explained this was an advisory report, as per CIPFA best practice. This followed on from a more detailed report on Housing Tenancy Fraud activity presented to the Committee at its last meeting. The report outlined the main

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areas of fraud work undertaken within the council. There was still a considerable amount of work being done on counter-fraud activity relating to Covid-19 business grants. There was now also ongoing work on fraud checking in terms of the Council Tax Energy Rebate payments being made.

The Chair invited questions from Members. It was noted by one Member that on page 203 under the Housing Tenancy Section, the estimated savings were £380,000, however it was felt this was a conservative estimate. It was hoped the Officer would be kept in post to continue that work.

The Committee agreed they had received the Counter-Fraud Report 2021/22.

216. ANNUAL UPDATE ON THE COUNCIL'S USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Upon the invitation of the Chair, the Internal Audit Manager presented the report to the Committee. He explained it was a requirement of the Investigatory Powers Commissioner's Office (IPCO) that the Committee be advised as to any use of allowable powers under the Regulation of Investigatory Powers Act (RIPA). It was confirmed that no use of RIPA powers had been made in the 2021/22 municipal year.

The Chair invited questions from Members. It was asked whether more use should be made of these powers. The Internal Audit Manager explained that in order to use RIPA powers certain strict criteria must be met, and it was the preference to use overt surveillance. Another Member expressed support for the fact that RIPA powers had not been used.

The Committee noted the report.

217. WORK PROGRAMME

Upon the invitation of the Chair, the Internal Audit Manager presented the Work Programme to the Committee. Many of the items were required on an annual basis, and the timing of some items were still to be finalised. There would also be a requirement for a review of Member allowances by the Independent Members' Remuneration Panel. However, this could not yet be planned until any potential changes to the Committees structure and responsibilities had been considered by the Constitution Working Party and agreed by Full Council.

The Work Programme was noted.

(The meeting concluded at 10.53 am)