

AUDIT & GOVERNANCE

15 November 2018 at 6.00 pm

Present: Councillors Chapman (Chairman), Mrs Oakley (Vice-Chair), Ambler, Blampied, Brooks, Mrs Porter and Wheal

Apologies: Councillors Cates and Dendle

256. WELCOME

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

A special welcome was extended to Carley Lavender the Committee's new Committee Services Officer.

257. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

258. INDEPENDENT REMUNERATION PANEL – RECRUITMENT UPDATE

The Committee received a verbal update from the Committee Services Manager on the outcome of the recruitment exercise undertaken to recruit further members to its Independent Remuneration Panel to review the Council's Members' Allowances Scheme.

The Committee was reminded that since its last meeting held on 26 July 2018, a recruitment exercise had been undertaken to recruit new members to the Council's Independent Remuneration Panel – this was following the resignation of one of the Panel Members in July 2018.

The Committee was advised that on 8 October 2018 interviews had taken place and four new Panel Members recruited, making a new Panel size of 6. All Group Leaders had been consulted on the recruitment proposals which were very quickly approved. Both the Chairman and Vice-Chairman of this Committee had sat on the interview Panel along with John Thompson as Chairman of the current Independent Remuneration Panel.

At the start of November, following an Induction process, the Panel immediately started its work on reviewing the existing Members' Allowances scheme and was making good progress. However, it was important for the Committee to understand that the timescale that the Panel was working to, to complete this review, was extremely tight.

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In the past Panels had been allocated between six and eight months to complete a review. The Panel has just three months to ensure that a draft report would be ready to bring to this Committee in February 2019 with recommendations then being forwarded onto Full Council on 13 March 2019.

The Panel had just circulated to Members its questionnaire for Members to complete and it was explained that interviews were planned to take place soon. Between now and this time, the Panel's report outlining its recommendations would also need to go through the consultation process and there was much information gathering for the Panel to do too.

Members were advised that the Panel was willing to work to a timetable that aimed to deliver its final report by February 2019, but to achieve this, they needed Members' support, particularly in delivering the process and timescales.

The Committee having received the Committee Services Manager's presentation then noted the update provided.

259. ERNST & YOUNG – ANNUAL AUDIT LETTER

The Audit Manager presented Ernst & Young's Annual Audit Letter and Progress Report and confirmed that the purpose of the letter was to communicate the key issues arising from Ernst & Young's audit work.

Members were reminded that Ernst & Young had already reported its detailed findings from its 2017/2018 Audit Results Report to the Committee at its last meeting held on 26 July 2018. This letter represented a very brief summary of that work.

The Annual Audit Letter reconfirmed that Ernst & Young had issued an unqualified audit opinion from the 2017/2018 Audit Results Report and an unqualified value for money conclusion in July 2018.

The Audit Manager then drew Members' attention to some sections within the report entitled "Focused on your Future" in terms of Financial Instruments; Revenue from Contracts with Customers; and Leases and some updates were provided to the Committee.

Following some further discussion, the Committee expressed its thanks to Ernst & Young and noted the content of the Annual Audit Letter and Progress Report.

260. ERNST & YOUNG – ANNUAL CERTIFICATION REPORT – 2017/18

The Committee received and noted Ernst & Young's Annual Certification Report for 2017/2018.

261. TREASURY MANAGEMENT MID-YEAR REVIEW – 2018/2019

The Senior Accountant and Investment Officer presented to the Committee the Treasury Management Mid-Year Review Report for 2018/2019 and advised that this covered activities to 30 September 2018 in detail.

Some updates were provided to the Committee. The Treasury Management update provided to Members prior to this meeting had outlined the changes happening in treasury management.

It was reported that the Council was still doing well in terms of its investment return which had outperformed its benchmark. Updates were also provided on the Housing Revenue Account (HRA) self-financing regime as the Government has placed a limit on the amount of housing debt which could be held by each local housing authority. The limit for this Council was £81,630,000. An update was also provided on the Property Fund Valuation.

The Committee, in receiving the report, wished to have recorded its thanks to the Treasury Team for the returns that had been achieved in a particularly difficult economic environment.

The Committee then

RECOMMEND TO FULL COUNCIL – That

(1) the actual prudential and treasury indicators for 2018/2019 contained in the report be approved;

(2) the treasury management report for 2018/2019 be noted;
and

(3) the mid-year treasury activity for the period ended 30 September 2018, which has generated interest receipts of £169,920 (0.97%) for the quarter and £364,203.64 (1.18%) for the year to date be noted against a budget of £480,000 (1.14%) for the full year.

262. FINANCIAL MANAGEMENT SYSTEM – POST IMPLEMENTATION REVIEW

Prior to receiving the Senior Internal Auditor's report, the Committee received a presentation from the Financial Services Manager explaining that a post implementation review of the Council's new financial management system had been undertaken to ensure that the system was operating efficiently and effectively.

The presentation also provided Members with an overview of the new system; information outlining the key findings from the review and associated risks which had been identified during the review. The improvements identified looked at:

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- Training and Awareness
- System Reports and Monitoring Compliance; and
- System Changes

The Committee having asked some questions noted the key findings from the review and it endorsed the improvements agreed in the management of the risks identified.

263. REVISED STRATEGIC RISK REGISTER 2018/19

The Committee received a report from the Chief Internal Auditor outlining that the Council's Strategic Risk Register had been reviewed and updated to reflect changes since its last publication in December 2017.

Since then it had been reviewed, updated and re-scored by the Council's Governance & Risk Group in September 2018. The updated document had also been considered by the Corporate Management Team (CMT); the Lead Officer (the Chief Executive) and Lead Member for risk management (the Cabinet Member for Corporate Support) and their comments had been incorporated.

Since the last update, significant changes had taken place nationally that would affect the Council going forward. Some of the risks identified as high risk last year had been downgraded to a lower risk this year – an example of this was the Council's Local Plan now that this had been adopted by Full Council in July 2018.

The key issues brought to Members' attention were that Finance, Homelessness, Partnerships, Cybersecurity, Corporate Stock Compliance Issues and Brexit implications had been identified as significant risks for the Council.

As the Committee was being asked to note the content of the report and to approve the revised Strategic Risk Register it agreed to focus on each of the risk categories and their relative positioning starting with Finance at Risk 1 and ending with Brexit Implications at Risk 18.

The points brought to the Committee's attention are set out below:

- Risk 1 – Finance – due to much uncertainty surrounding government funding this was a major risk. There was still uncertainty around the outcome on business rate charges and Community Infrastructure Levy (CIL) charges. Members were reminded that Cabinet had received the Financial Prospects 2018/19 to 2023/24 report in September 2018 with subsequent reporting to Full Council and that this report included details of the risks.
- Risk 2 – Change Management and Service Transformation - the Chief Internal Auditor explained why this risk had been set at amber. This was down to the outcome of the management

restructuring. The Council was still undertaking an ongoing programme of service transformation work affecting a number of service areas. No comments or questions were asked.

- Risk 3 – Regeneration and Economic Development – The Director of Place had requested that level of risk for this area be increased. Members were aware of the Council's major initiatives progressing for the redevelopment of areas such as Hothamton in Bognor Regis, the purchase of the Bognor Regis arcade and also major infrastructure proposals affecting the area, such as the A29 realignment and the Arundel By-pass.
- Risk 4 – Contracts Management – this focused upon major contracts let such as waste collection, leisure and greenspace. The decision had been made this year to feature as a separate risk the Littlehampton Leisure Centre rebuild. The Council's Insurance Contract was also due to go through a procurement exercise. No comments or questions were raised by the Committee.
- Risk 5 – Member Engagement and Capacity – this risk had been included within the Register for a while now and would remain within the Register as the Council planned for the District Elections in May 2019. Various issues were highlighted by Members such as the make-up of the Council post May 2019 and the effect of changing to the new Committee Management System – ModernGov. The review of the Members' Allowances Scheme was also mentioned.
- This led to a discussion on the engagement of Members; and concern was expressed and poor attendance by some Members to meetings; seminars and other briefings. It was felt that the role of the Councillor within the Corporate Body needed to be clearly defined. The Chairman stated that it was now necessary to undertake some work in the area of Member engagement and attendance and he stated that in preparing for the next review of the Members' Allowances scheme some work on attendance at meetings by Members would be undertaken.
- Risk 6a – Homelessness – it was accepted that more and more demands were being made on Councils. The outcome of the Homeless Reduction Act 2016 placed additional responsibilities for Councils to meet. West Sussex County Council's grant funding review could also have major issues for the Council to consider. Due to the level of detail that the Strategic Risk Register held, the Chairman suggested that the remaining elements of the register be deferred and brought back to the Committee's next meeting on 14 February 2019 – this would cover Risks 6b [Affordable Housing Development through to Risk 18 [Brexit Implications] and in proposing this he thanked the Chief Internal Auditor for the level of information covered.

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The Committee then

RESOLVED

That the Revised Strategic Risk Register for 2018/19 covering Risks 1 to 6a be approved.

264. PROGRESS AGAINST THE AUDIT PLAN

The Chief Internal Auditor presented a report which monitored the delivery of progress made against the Internal Audit Plan. The annual plan had been presented to the Committee at its meeting held in February 2018, this was an outlined plan only as although the revised management structure had been finalised, some lower level organisational changes were still being progressed and there was uncertainty as to where audit resource might be required in the year.

The aim of the Plan was to ensure that mandatory work was completed and there was appropriate involvement in the progress of the Vision 2020 initiative and ongoing transformation and to progress audit work on the priority/highest risk areas identified.

The appendix attached to the report set out the main areas of work undertaken by the Internal Audit since February 2018 which the Committee then noted.

In discussing the report, the Committee wished to have placed on record its thanks to the Internal Audit Team for the professional work that it had undertaken during 2018, especially with the audit review of the E5 system.

265. SUMMARY OF FINDINGS FROM REPORTS ISSUED JUNE TO OCTOBER 2018

The Committee received and noted the summary of findings from reports issued June to October 2018. A background page on Audit Entity REO4 2018-19 - Purchase Ledger for Corporate Credit Cards was circulated at the meeting as this had been omitted from the agenda.

266. FUTURE WORK PLAN FOR THE AUDIT & GOVERNANCE COMMITTEE

The Committee received and noted its Work Programme covering meetings from February to July 2019.

The Chief Internal Auditor confirmed that at its next meeting the Committee would receive an update on the Council's Property Investment Fund. This would also be an opportunity for the Committee to suggest items for its work programme for 2019/2020. The Committee also requested an update on the Partnerships review.

267. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Committee received and noted the information/advisory documents received from the Cabinet Office and CIPFA.

(The meeting concluded at 7.45 pm)