



Public Document Pack

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31 October 2018

AUDIT AND GOVERNANCE COMMITTEE

A meeting of the Audit and Governance Committee will be held in Committee Room 1 [the Pink Room] at the Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF on **Thursday, 15 November 2018 at 6.00pm** and you are requested to attend.

Members: Councillors Chapman (Chairman), Mrs Oakley (Vice-Chair), Ambler, Blampied, Brooks, Cates, Dendle, Mrs Porter, Purchase and Wheel

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members and officers are invited to make any declarations of pecuniary, personal and/or prejudicial interests that they may have in relation to items on the agenda, and are reminded that they should re-declare their interest before consideration of the item or as soon as the interest becomes apparent.

Members and officers should make their declaration by stating:

- a) the item they have the interest in
- b) whether it is a pecuniary, personal and/or prejudicial interest
- c) the nature of the interest

3. MINUTES

To approve as a correct record the Minutes of the meeting held on 26 July 2018 (which have been 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. INDEPENDENT REMUNERATION PANEL – RECRUITMENT UPDATE (Pages 1 - 2)
The Committee Services Manager will provide a verbal update on Panel recruitment.

6. ERNST & YOUNG – ANNUAL AUDIT LETTER (Pages 3 - 26)
The Committee is requested to note the **attached** correspondence.

7. ERNST & YOUNG – ANNUAL CERTIFICATION REPORT – 2017/18 (Pages 27 - 34)
The Committee is asked to approve the Annual Certification Report for 2017/18 which is **attached**.

8. TREASURY MANAGEMENT MID-YEAR REVIEW – 2018/2019 (Pages 35 - 52)
Attached is the Treasury Management Interim Report for 2018/2019.

9. FINANCIAL MANAGEMENT SYSTEM – POST IMPLEMENTATION REVIEW (Pages 53 - 76)
The Council implemented a new Financial Management System (FMS) that went live in October 2016.

A post implementation review of the Accounts Payable module of the FMS was carried out as a result of a request by the Corporate Management Team and the

Financial Services Manager, with a report issued in June 2018.

This report is supported by a presentation providing members with an overview of the FMS and more detail on the key findings in conjunction with the associated risks identified during the review.

Improvements identified during the review are included in Appendix 1 to this report.

10. REVISED STRATEGIC RISK REGISTER 2018/19 (Pages 77 - 94)

The Council's Strategic Risk Register has been reviewed and revised to reflect changes since its last update in December 2017.

11. PROGRESS AGAINST THE AUDIT PLAN (Pages 95 - 100)

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 JUNE TO OCTOBER 2018 (Pages 101 - 120)

The Committee is presented with the summary of the significant findings arising from audit reports issued between June and October 2018.

13. FUTURE WORK PLAN FOR THE AUDIT & GOVERNANCE COMMITTEE (Pages 121 - 124)

The Committee is requested to approve the **attached** draft work plan for 2018/19.

14. INFORMATION/ADVISORY DOCUMENTS RECEIVED (Pages 125 - 128)

The Cabinet Office has issued its National Fraud Initiative report covering the period 1 April 2016 to 31 March 2018 – this can be accessed by clicking on this link: [National Fraud Initiative Report](#)

A hard copy of this document has been placed in the Members Room or can be obtained upon request from Committee Services.

CIPFA has issued its Fraud & Corruption Tracker report covering the period 2017/18 – this can be accessed by clicking on this link: [Fraud & Corruption Tracker Report](#)

(Note: Members are also 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.)

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Audit & Governance Committee

Update on appointment of Panel

The Committee will recall that its last meeting held on 26 July 2018, I submitted a report asking the Committee to note the current position that the Panel found itself in as we had received the resignation from one of the Panel Members. Under the Local Authorities (Members' Allowances) (England) Regulations 2003, this meant that the Panel had to cease its work as the Regulations stipulate that a Panel must consist of at least three Members. My report sought the Committee's approval for an immediate recruitment exercise to commence to appoint further members to the Panel and to confirm the Independent Remuneration Panel's Interview Panel.

I am delighted to be able to confirm that since that meeting interviews took place on 8 October 2018 and four new Panel Members have been recruited – making a Panel of 6. All Group Leaders were consulted on the recruitment proposals which were very quickly approved. Both the Chairman and Vice-Chairman of this Committee sat on the interview Panel along with John Thompson as Chairman of the current Independent Remuneration Panel.

The new Panel now consists of:

John Thompson
Roger Hamson
Sarah Miles
Celia Thomson-Hitchcock
Alan Landley
Andrew Kelly

At the start of November, following an Induction process, the Panel immediately started its work on this review and is making good progress. However, it is important for the Committee to understand that the timescale that the Panel is working to, to complete this review is very tight.

In the past Panels have taken between six and eight months to complete their report. The Panel has just three months to ensure that a draft report is ready to bring to this Committee in February 2019 and then recommend onto Full Council on 13 March 2019.

The Panel has just asked me to circulate to Members a questionnaire and interviews will be planned soon.

Between now and this time, the report will also need to go through the consultation process and there is much information gathering for the Panel to do too.

The Panel is willing to work to a timetable that aims to deliver its final report by February 2019, but to achieve this, they will need Members' support, particularly:

- Supporting the process and timescales that will mean that the Panel will ask for interviews over two or three days rather than to suit invited interviewees and it will mean that the draft report consultation process will have to be much shorter. The Panel has already asked for the questionnaires to be completed more quickly than usual

The Committee is asked to note this update report.

Arun District Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letter.

Building a better
working world

Agenda Item 6

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

We are required to issue an annual audit letter to Arun District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 18 July 2018
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2018

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 In November 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.
 We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter
 Associate Partner
 For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 26 July 2018 Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 25 January 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:

- ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit



Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2018. Our detailed findings were reported to the July 2018 Audit and Governance Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>Our work focused on assessing the potential for management overriding controls through the Movement in Reserves Statement (MiRS).</p>	<p>We:</p> <ul style="list-style-type: none"> • Wrote to the s151 officer, Chair of the Audit and Governance Committee and the Head of Internal Audit in this regard and reviewed their responses; • Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed; • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; • Amended our sample sizes when testing journals affecting the MiRS impacting the general fund to reflect the existence of this risk; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any incorrect entries in the MiRS.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other financial statement risk	Conclusion
<p>Valuation of land and buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>The Council has also changed valuer this year and changes in methodology and assumptions will have to be evaluated.</p>	<p>We reviewed the instructions and data provided to the valuer by the Council. We identified no issues.</p> <p>We reviewed the classification and valuation methods used and identified an understatement of depreciation in relation to HRA properties. The valuer used the full life of all properties to calculate depreciation of HRA housing stock. Depreciation should be calculated using remaining useful lives of assets, which would have resulted in a higher depreciation charge which we estimated at £1.2 million. This was not material and did not impact the valuation of the dwellings which is undertaken as at the balance sheet date.</p> <p>Management chose not to correct the misstatement as it was not material and had no impact on the overall financial statements:</p> <p>We reviewed the relationship of the valuer to the Council and identified no issues.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p>
<p>Pension Asset valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.</p> <p>The Council's pension fund surplus contains material estimations and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £21.595m per the draft accounts.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We obtained assurances from the auditors of West Sussex County Council Pension Fund that the information supplied to the actuary in relation to Arun District Council was accurate and complete.</p> <p>We assessed and were satisfied with the competency and objectivity of the Council's actuaries: Hymans Robertson. We reviewed the work of the actuaries, and challenged the actuarial valuation finding no indication of management bias in this estimate.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p> <p>We had one finding in this area. When preparing the actuarial report, the actuary uses an estimated figure for the total net value of the Fund's assets as at 31 March 2018, estimated from data provided earlier in the year. Through our review of the actual net assets figures per the Pension Fund accounts we identified an understatement in the total value of the Fund's net assets, and estimated the proportion attributable for Arun District Council. The Council contacted the actuary for an updated IAS 19 report and amended the accounts.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.825mn (2017: £1.704mn), which is 2% of gross revenue expenditure reported in the draft accounts of £91.252 million. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £0.091mn (2017: £0.085mn)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

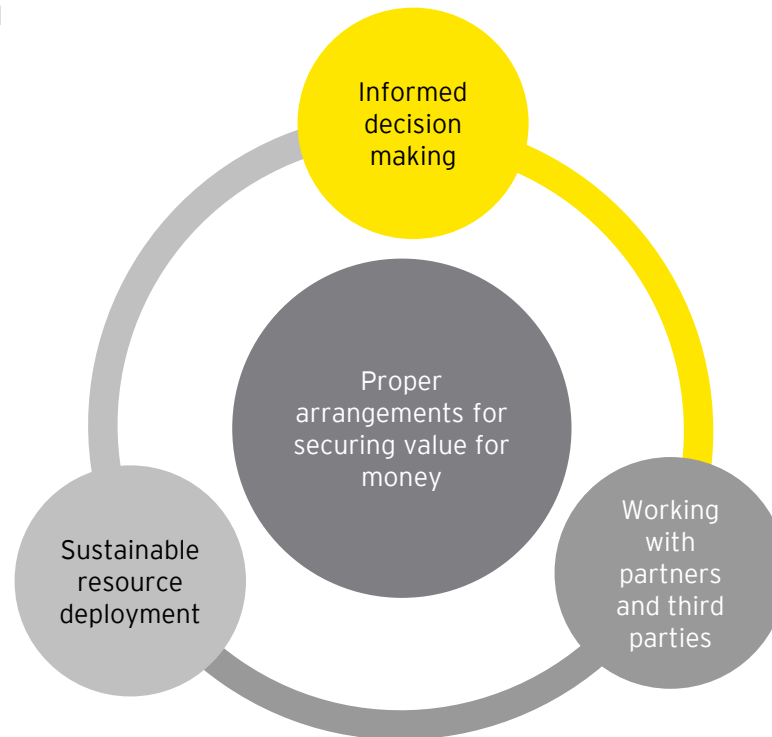


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risk identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 31 July 2018.

Significant Risk	Conclusion
<p>Financial resilience</p> <p>Financial pressures in the public sector continue to mount. As a result of these pressures there is increased focus and wider public interest in the financial resilience of Local Government.</p> <p>The Council does not have many ongoing developments or income generation schemes integrated into its revenue and capital budgets which could have a significant impact on the medium term finances</p>	<p>We reviewed the Council's outturn for 2017/18 to assess the reasonableness of the budget assumptions, and reviewed the assumptions in the 2018/19 budget and 5 year Finance Strategy.</p> <p>The Council achieved a surplus of £1,102k in 2017/18. Our review of the Council's 2018/19 budget and 5 year Finance Strategy identified that the assumptions used appear reasonable.</p> <p>We reviewed the progress made with and achievability of efficiency and savings plans, including the purchase of the commercial property in Bognor Regis and the establishment of the local property company.</p> <p>Savings identified in prior years have been removed from the base budget which has reduced the net service expenditure. No savings have been identified in the MTFs period but the commercial property is forecast to produce annual income streams of £180k per annum. We have reviewed the assumptions used and they appear to be reasonable.</p> <p>There has been no trading activity in relation to the local property company but the Council remains alert for any opportunities that may arise.</p>



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 26 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.



Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We have adopted a fully substantive approach and have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Our audit did not identify any controls issues to bring to the attention of the Audit and Governance Committee.



06

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



07

Audit Fees

Audit Fees

The table below sets out the scale fee for 2017/18 and our final proposed audit fee.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee - Code work	58,103*	57,103	57,103	57,103
Total Audit Fee - Certification of claims and returns	TBC**	8,330	8,330	8,204
Total Audit Fee	TBC	65,433	65,433	65,307

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We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

*The proposed final fee includes £1,000 in respect of additional work required to gain assurance over the restatement of gross income and gross expenditure within the various portfolios as a result of the Council's revised portfolio structure. The restatements affected the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis and the related notes.

**Our fees for the work on the Housing Benefit Subsidy claim will be finalised after the completion of the work, due by 30 November 2018.

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Certification of claims and returns annual report 2017-18

Arun District Council

October 2018

Ernst & Young LLP



Building a better
working world

The Members of the Audit and Governance Committee
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Arun Civic Centre
Maltravers Road
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30 October 2018

Direct line: 023 8038 2159
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Dear Members

Certification of claims and returns annual report 2017-18 Arun District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Arun District Council's 2017-18 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2017-18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2017-18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £48,944,857. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found other errors but these had no effect on the subsidy claim.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017-18 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2017 and are available on the PSAA's website (www.psa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 15 November 2018.

Yours faithfully

Kevin Suter
Associate Partner
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£48,944,857
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2017-18	£10,100
Fee – 2016-17	£8,203
Recommendations from 2016-17	Findings in 2017-18
None	N/A

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

We follow a standard methodology for testing each benefit type, typically an initial sample of 20 cases. The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ or extended testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims.

We found one error in our initial testing of Rent Allowance benefits caused by the incorrect income in the assessment of benefit entitlement.

Extended testing identified three further cases where similar errors had occurred in consideration of claimant income in the assessment of entitlement to rent allowance benefit. We extrapolated the financial impact of our findings to determine the total financial impact of the errors on the claim. The total value of extrapolated errors was £5,288. No amendments were made to the claim in respect of this issue. This was because, given the nature of the populations tested, it was unlikely that even significant additional work would result in amendments to the claim that would allow us to conclude it was fairly stated. We reported the extrapolated value of these errors to the DWP in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

2. 2017-18 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2017-18, these scale fees were published by the PSAA in March 2017 and are available on the PSAA's website (www.psa.co.uk).

Claim or return	2017-18	2017-18	2016-17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	10,100	8,330	8,203

The proposed final fee includes £1,770 in respect of additional work required to review and capture extended testing undertaken due to errors identified during our testing and the impact on the qualification letter. We carried out one set of extended testing in 2017-18, compared to no extended testing in 2015-16, which is the year from which the indicative fee for 2017-18 was set by PSAA. The proposed additional fee is subject to approval by the PSAA.

3. Looking forward

2018-19

From 2018-19, the Council is responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance has now been published and the Council has appointed EY as its reporting accountant from 2018-19 for a period of five years, subject to the agreement of an engagement letter.

We were also appointed by PSAA in December 2017 as your statutory auditor therefore able to provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

EY | Assurance | Tax | Transactions | Advisory

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ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE ON 15 November 2018

PART A: REPORT

SUBJECT: Treasury Management - Mid-Year Review Report 2018/19

REPORT AUTHOR: Sian Southerton – Senior Accountant (Treasury)

DATE: November 2018

EXTN: 37861

PORTFOLIO: Corporate Support

EXECUTIVE SUMMARY:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the activities to 30 September 2018. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

RECOMMENDATIONS:

The Committee is requested to recommend Full Council to:

- (i) approve the actual prudential and treasury indicators for 2018/19 contained in the report;
- (ii) note the treasury management report for 2018/19;
- (iii) note the treasury mid-year activity for the period ended 30 September 2018, which has generated interest receipts of £364,203.64(1.18%) year to date, against a budget of £480,000 (1.14%) for the full year.

1. BACKGROUND:

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

A report setting out our Capital Strategy will be taken to Full Council, before 31st March 2019.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. INTRODUCTION

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and covers the first 6 months of the year to 30th September 2018.

It recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement (TMSS), annual report and mid-year report) and covers the following;

- An economic update for the first half of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

3. ECONOMICS AND INTEREST RATES

3.1. Economics update (provided by Link Asset Services)

UK. The first half of 2018/19 has seen UK economic growth post a modest performance, but

sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation is currently running at 2.5% but is expected to fall back towards the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate.

As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PwLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Downside risks to current forecasts for UK gilt yields and PwLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.

Upside risks to current forecasts for UK gilt yields and PwLB rates

- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which

could then spill over into impacting bond yields around the world.

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

4. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 7th March 2018. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. Given the risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low, however the property fund enhances the returns the Council is achieving on its investments. Currently £5M has been invested in this fund achieving a return of approx. 4.35% year to date.

A full list of investments held as at 30th September, 2018 and the authorised counterparties are shown in Appendix 2 and 3 respectively.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The average level of funds available for investment purposes during the quarter was £60m. 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 (WSCC and Sussex Police, approximately £9.4M per month for 10 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £45M core cash balances for investment purposes (i.e. funds available for more than one year).

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2018/19.

Investment performance for period ended 30.09.2018

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	0.44%	1.14%	1.18%	£364,203

The Council's budgeted investment return for 2018/19 is £480,000 (1.14%).

The estimated outturn for 2018/2019 is £650,000 (1.22%), which shows that the original budget will be exceeded, which is due to many factors;

- the bank rate increase on 2nd August,
- the Council taking advantage of some deals for longer durations (earning higher than average rates),
- £5m invested in the CCLA (Churches, Charities and Local Authorities) property fund, and
- higher than anticipated core balances.

The decision to invest periodically into the CCLA property fund is proving to be beneficial as the Council is achieving these enhanced returns and the Council's investment is now valued at £5.02m.

During 2018/19, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	31 March 2018 Actual £000	2018/19 Original £000	2018/19 Current £000	30 Sept 2018 Actual £000
Capital Expenditure				
• Non – HRA	10,957	2,310	19,576	8,008
• HRA	6,226	8,047	10,100	2,474
• TOTAL	17,183	10,357	29,676	10,483
Total Debt	53,180	53,180	53,180	53,180
Capital Financing Requirement at 31 st March:				
• Non-HRA	-3,594	-4,198	n/a	n/a
• HRA	55,401	56,387	n/a	n/a
• Total	51,807	52,189	n/a	n/a
Over / (under) borrowing	1,373	991	n/a	n/a

Other prudential and treasury indicators are to be found in appendix 1.

5. 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.

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 half of the year (2018/19).

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.

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.

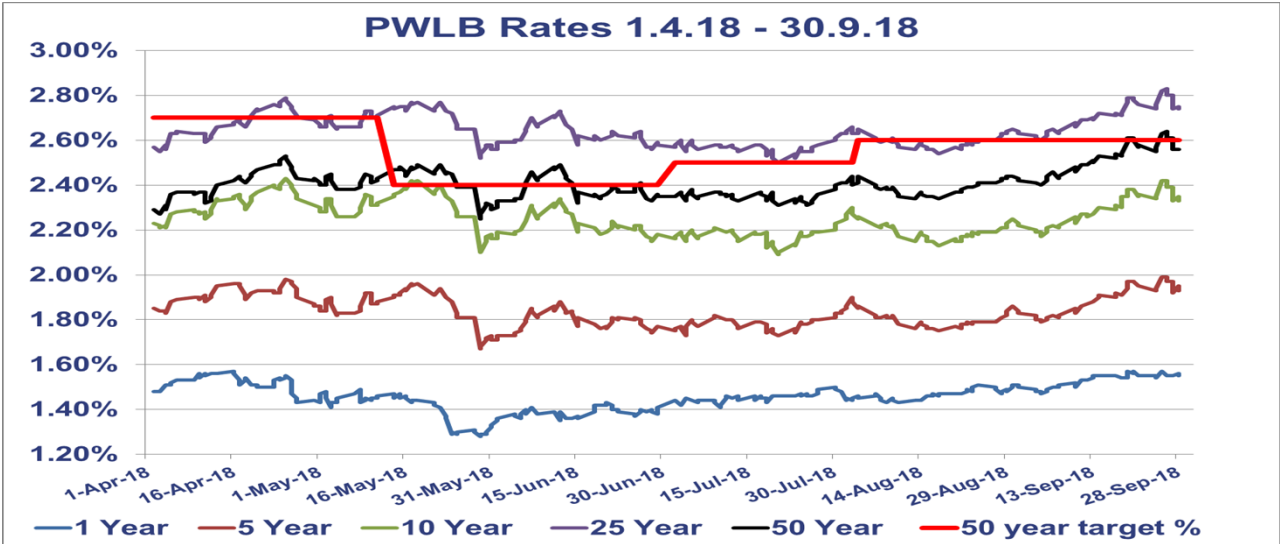
6. BORROWING

No new borrowing was undertaken during the first half of the year. All prior borrowing was for the sole purpose of funding the HRA self-financing settlement payment and all loans are fixed maturity loans, shown in Appendix 4.

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.

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. This Council has therefore not borrowed in advance of need during the period ended 30th September 2018.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.48%	1.67%	2.09%	2.50%	2.25%
Date	29/05/2018	29/05/2018	20/07/2018	20/07/2018	29/05/2018
High	1.77%	1.98%	2.43%	2.79%	2.53%
Date	16/04/2018	25/04/2018	25/04/2018	25/04/2018	25/04/2018
Average	1.65%	1.83%	2.24%	2.63%	2.39%

The Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has borrowings of £53.18m (PWLB) which relates to the HRA Self-Financing settlement (originally £70.9m), and has utilised £3.42m of cash flow funds instead of borrowing externally. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring.

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 borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

7. OTHER

7.1. UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019.

This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

The Council invested £4m with RBS (deal 599 & 620) but that arm of the organisation has now been changed to “non-ring fenced” and these investments are now with NatWest Markets, who do not meet our investment criteria. These investments will run to maturity and no further deposits will be placed with NatWest Markets (previously RBS). The new NatWest and RBS Plc are in Category 6 and investments can be placed with these arms of the organisation.

7.2. IFRS9 accounting standard

This accounting standard came into effect from 1st April 2018. It means that the category of investments valued under the available for sale category will be removed and any potential fluctuations in market valuations may impact onto the Surplus or Deficit on the Provision of Services, rather than being held on the balance sheet. This change is unlikely to materially affect the commonly used types of treasury management investments but more specialist types of investments, (e.g. pooled funds, third party loans, commercial investments), are likely to be impacted. The impact on this authority is likely to be minimal in 18/19 as the £5m invested in the property fund was valued at £5.02m at 30th June 2018.

The Ministry of Housing, Communities and Local Government (MHCLG), are currently conducting a consultation for a temporary override to allow English local authorities time to adjust their portfolio of investments. Members will be updated when the result of this consultation is known.

Contact: Sian Southerton ext 37861
sian.southerton@arun.gov.uk @arun.gov.uk

2. PROPOSAL(S):		
To approve all 3 recommendations.		
3. OPTIONS:		
The Treasury Management Strategy is legislative and under the Local Government act 2003 and therefore the only option is follow the proposal.		
4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		√
Relevant District Ward Councillors		√
Other groups/persons (please specify)	√ Treasury Advisors	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)		
Financial	√	
Legal		√
Human Rights/Equality Impact Assessment		√
Community Safety including Section 17 of Crime & Disorder Act		√
Sustainability		√
Asset Management/Property/Land		√
Technology		√
Other (please explain)		
6. IMPLICATIONS:		
Approval will enable the Council to comply with legislation and provide a Treasury Service		

7. REASON FOR THE DECISION:
Statutory and the limits set, safeguard the Council against financial losses.

8. BACKGROUND PAPERS:
CIPFA'S Treasury Management in the Public Services: Code of Practice (2017) <i>(Link not available as copyright)</i>
The Prudential Code for Capital Finance in Local Authorities (2017) Guidance notes (2018) <i>(Link not available as copyright)</i>
The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19
Extract from budget and rent setting report	Actual	Original	Actual at 30th Sept
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	10,957	2,310	8,008
HRA	6,226	8,047*	2,474
TOTAL	17,183	10,357	10,483
Ratio of financing costs to net revenue stream			
Non - HRA	-2.24%	-1.79%	n/a
HRA	32.82%	33.17%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-3,594	-4,198	n/a
HRA	55,401	56,387	n/a
TOTAL	51,807	52,189	n/a
Annual change in Cap. Financing Requirement			
Non – HRA	173	-216	n/a
HRA	-1,203	-160	n/a
TOTAL	-1,030	-376	n/a

* Increase in HRA Capital expenditure is due to £5m per year for Stock Development (2018-2021)

2. TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2018/19
	Actual	Original	Actual at 30th September 18
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	66,000	63,000	63,000
Other long term liabilities	372	0	0
TOTAL	74,251	66,000	63,000
Operational Boundary for external debt			
Borrowing	63,000	60,000	60,000
other long term liabilities	372	0	0
TOTAL	71,251	60,000	60,000
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	22,000	16,000

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 30/09/18	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	16.66%	0%	40%
24 months and within 5 years	16.66%	0%	50%
5 years and within 10 years	0%	0%	60%
10 years and above	66.68%	0%	100%

INVESTMENTS at 30th September 2018
Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	674	Close Brothers Ltd	20/04/2018	22/10/2018	£1,000,000.00	0.90
Fixed Term Deposit	681	Goldman Sachs International	06/06/2018	08/11/2018	£2,000,000.00	0.70
Fixed Term Deposit	682	Lloyds Bank PLC	06/06/2018	08/11/2018	£1,000,000.00	0.72
Fixed Term Deposit	679	Qatar National Bank	25/05/2018	20/11/2018	£2,000,000.00	1.12
Fixed Term Deposit	666	Skipton Building Society	31/01/2018	06/12/2018	£2,000,000.00	0.71
Fixed Term Deposit	673	Qatar National Bank	12/04/2018	06/12/2018	£1,000,000.00	1.23
Fixed Term Deposit	685	Goldman Sachs International	13/07/2018	19/12/2018	£2,000,000.00	0.84
Fixed Term Deposit	678	Goldman Sachs International	23/05/2018	21/12/2018	£1,000,000.00	0.83
Fixed Term Deposit	671	Goldman Sachs International	27/03/2018	03/01/2019	£1,000,000.00	1.175
Fixed Term Deposit	629	Close Brothers Ltd	26/01/2017	04/01/2019	£1,000,000.00	1.05
Fixed Term Deposit	663	Goldman Sachs International	11/01/2018	10/01/2019	£1,000,000.00	0.990
Fixed Term Deposit	684	Santander	06/07/2018	21/01/2019	£1,000,000.00	0.80
Fixed Term Deposit	665	Lloyds Bank PLC	31/01/2018	31/01/2019	£2,000,000.00	0.85
Fixed Term Deposit	687	Development Bank of Singapore (DBS)	09/08/2018	11/02/2019	£1,000,000.00	0.91
Fixed Term Deposit	680	Qatar National Bank	05/06/2018	14/02/2019	£2,000,000.00	1.14
Fixed Term Deposit	686	Qatar National Bank	16/07/2018	14/02/2019	£1,000,000.00	1.20
Fixed Term Deposit	599	Natwest Markets (was RBS)	31/03/2016	18/02/2019	£2,000,000.00	1.50**
Fixed Term Deposit	667	Qatar National Bank	01/03/2018	28/02/2019	£1,000,000.00	1.20
Fixed Term Deposit	668	Close Brothers Ltd	02/03/2018	04/03/2019	£1,000,000.00	1.00
Fixed Term Deposit	689	Development Bank of Singapore (DBS)	06/09/2018	06/03/2019	£3,000,000.00	0.95
Fixed Term Deposit	634	Close Brothers Ltd	17/03/2017	15/03/2019	£1,000,000.00	1.00
Fixed Term Deposit	670	Goldman Sachs International	19/03/2018	18/03/2019	£1,000,000.00	1.20
Fixed Term Deposit	672	Qatar National Bank	28/03/2018	27/03/2019	£1,000,000.00	1.32
Fixed Term Deposit	637	Close Brothers Ltd	18/04/2017	10/04/2019	£1,000,000.00	1.00
Fixed Term Deposit	675	Goldman Sachs International	08/05/2018	07/05/2019	£2,000,000.00	1.10
Fixed Term Deposit	676	Qatar National Bank	09/05/2018	09/05/2019	£1,000,000.00	1.31
Fixed Term Deposit	677	Goldman Sachs International	23/05/2018	22/05/2019	£1,000,000.00	1.10
Fixed Term Deposit	620	Natwest Markets (was RBS)	19/08/2016	19/08/2019	£2,000,000.00	1.10*
Fixed Term Deposit	688	Qatar National Bank	30/08/2018	30/08/2019	£2,000,000.00	1.35
Fixed Term Deposit	690	Close Brothers Ltd	17/09/2018	17/09/2019	£1,000,000.00	1.10
Notice Account	44445	Lloyds Bank PLC - 95DN			£4,000,000.00	0.80
Notice Account	44446	Lloyds Bank PLC - 32DN			£2,000,000.00	0.75
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	4.35
Money Market Fund	110000	Federated			£4,000,000.00	0.70
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£4,000,000.00	0.69
Money Market Fund	1300000	Deutsche Bank			£1,900,000.00	0.62
					£62,900,000.00	

* Yr 1 - 0.8%, Yr 2 - 0.95%, Yr 3 - 1.10%

**Yr 1 -1.20%, Yr 2-1.35%, Yr 3 - 1.50%

LIST OF AUTHORISED COUNTERPARTIES**Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years**

		<u>Long</u>	<u>Short</u>
		<u>Term</u>	<u>Term</u>
<i>Min Criteria</i>	Fitch	AA-	F1+
	Moody	Aa3	P-1
	S&P	AA-	A-1+

All Local Authorities

DBS Bank Ltd (SING)
 HSBC Bank plc (UK)
 Oversea-Chinese Banking Corp Ltd (SING)
 Svenska Handelsbanken (SW)
 United Overseas Bank Ltd (SING)
 National Bank of Abu Dhabi (U.A.E)

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		<u>Long</u>	<u>Short</u>
		<u>Term</u>	<u>Term</u>
<i>Min Criteria</i>	Fitch	A+	F1
	Moody	A1	P-2
	S&P	A+	A-1

Bank of Nova Scotia (CAN)
 Goldman Sachs International Bank (UK)
 Standard Chartered Bank (UK)
 Qatar National Bank (Qatar)

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

<u>Long</u>	<u>Short</u>
<u>Term</u>	<u>Term</u>

Min Criteria	Fitch	A-	F1
	Moody	A3	P-2
	S&P	A-	A-1

Barclays Bank plc (UK)
 Deutsche Bank (GER)
 Nationwide Building Society (UK)
 Santander (UK)
 Close Brothers (UK)

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
 Leeds Building Society (UK)
 Skipton Building Society (UK)
 Yorkshire Building Society (UK)

Category 5 - Council's Bank

NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Banking Group (Bank of Scotland/Lloyds)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years banks effectively nationalised by UK government

		<u>Long</u>	<u>Short</u>
		<u>Term</u>	<u>Term</u>
Min Criteria	Fitch	BBB-	F3
	Moody	Baa3	P-3
	S&P	BBB-	A-3

Royal Bank of Scotland plc/National Westminster Bank plc (UK)(Nationalised)

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) MONEY MARKET FUNDS (CNAV & VNAV) and Government Liquidity Funds

Limit of £4million for each institution

CCLA Investment Management Ltd (Public sector deposit fund) AAmmf Stable NAV

Deutsche Banking Group	Aaa -mf	Stable NAV
Federated Investors Ltd (Fitch Ratings)	AAAmmf	Stable NAV
Fidelity Investments International (Moody's Rating)	Aaa -mf	Stable NAV
Standard Life (Fitch Ratings)	AAAmmf	Stable NAV
Northern Trust	Aaa -mf	Stable NAV

Category 8 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) – Enhanced Money Market Funds

Limit of £4million for each institution

Category 9 - Debt Management Office

Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years

Maximum investment £4 million

Category 11 – Property Funds - 25 Years

Maximum investment £6 million

CCLA

Arun District Council - Loans at 30th September 2018

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

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AGENDA ITEM NO. 9

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 15 NOVEMBER 2018

PART A : REPORT

SUBJECT: Financial Management System: Post- Implementation Review

REPORT AUTHOR: Vicky Ashmore, Senior Internal Auditor

DATE: November 2018

EXTN: 37359

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

The Council implemented a new Financial Management System (FMS) that went live in October 2016.

A post implementation review of the Accounts Payable module of the FMS was carried out as a result of a request by the Corporate Management Team and the Financial Services Manager, with a report issued in June 2018.

This report is supported by a presentation providing members with an overview of the FMS and more detail on the key findings in conjunction with the associated risks identified during the review.

Improvements identified during the review are included in Appendix 1 to this report.

RECOMMENDATIONS:

The Committee is requested to note the key findings from the review in conjunction with the associated risks and endorse the improvements agreed in the management of the risks identified.

1. BACKGROUND:

- 1.1 On the 7 October 2016 the Council implemented a new Financial Management System (FMS). The option to continue using the previous FMS was considered as part of an options appraisal pre-implementation, however this was considered unsustainable.

The implementation of the new FMS was a significant project and has resulted in savings of £35k per annum as a result of salary and license costs being saved.

<p>1.2 Accounts Payable is a key function of a FMS and refers to money that an organisation owes to its creditors for goods and services. The systems for ordering, receipt and payment for goods and services may represent some of the most significant systems within the organisation. Regardless of the expenditure type there is a need to ensure risks are fully identified, assessed and mitigated by applying robust controls to ensure operations run effectively.</p> <p>1.3 The replacement FMS is reliant on the three way matching process, designed to highlight any discrepancies in three key documents related to purchasing:</p> <ul style="list-style-type: none"> • the Order • the Received Note (Goods or Services) • the Invoice. <p>An invoice is automatically paid if the details of the invoice match the order details and a Received Note has been completed by the Buyer. Therefore it is essential that the correct processes and procedures are followed by users to ensure the system works as efficiently and effectively as possible.</p> <p>1.4 A post implementation review of the FMS was carried out as a result of a request by the Corporate Management Team and the Financial Services Manager, with a report issued in June 2018.</p> <p>1.5 This report is supported by a presentation providing the Committee with an overview of the FMS and detail on the key findings in conjunction with the associated risks identified during the review.</p> <p>1.6 Improvements identified during the review are included in Appendix 1 to this report.</p>														
<p>2. PROPOSAL(S):</p> <p>It is proposed that the Committee notes the findings from the review in conjunction with the associated risks and endorses the improvements agreed in the management of the risks identified.</p>														
<p>3. OPTIONS:</p> <p>To endorse the improvements agreed in the management of the risks identified, or not.</p>														
<p>4. CONSULTATION:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Has consultation been undertaken with:</th> <th style="width: 20%;">YES</th> <th style="width: 20%;">NO</th> </tr> </thead> <tbody> <tr> <td>Relevant Town/Parish Council</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Relevant District Ward Councillors</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Other groups/persons (please specify)</td> <td></td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>			Has consultation been undertaken with:	YES	NO	Relevant Town/Parish Council		✓	Relevant District Ward Councillors		✓	Other groups/persons (please specify)		✓
Has consultation been undertaken with:	YES	NO												
Relevant Town/Parish Council		✓												
Relevant District Ward Councillors		✓												
Other groups/persons (please specify)		✓												
<p>5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%;">YES</th> <th style="width: 20%;">NO</th> </tr> </thead> <tbody> <tr> <td style="height: 40px;"></td> <td></td> <td></td> </tr> </tbody> </table>				YES	NO									
	YES	NO												

Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:
N/A

7. REASON FOR THE DECISION:
The Committee notes the key findings from the review in conjunction with the associated risks and endorses the improvements agreed in the management of the risks identified.

8. BACKGROUND PAPERS:
This report is supported by a presentation providing the Committee with an overview of the FMS and detail on the key findings in conjunction with the associated risks identified.

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FMS REVIEW: IMPROVEMENTS IDENTIFIED	
Area	Detail
Training & Awareness	<p>Increased training will be provided on the use of the system and will be supported by user guides for reference purposes.</p> <p>Increased training and awareness of the processes, policies and procedures that support the system will also be provided e.g. Financial Regulations and Procurement Requirements.</p>
System reports and monitoring compliance	<p>Additional reports will be generated from the system for monitoring purposes.</p> <p>Compliance monitoring with processes, policies and procedures will be undertaken. This will be carried out by Finance, Internal Audit, Managers, Budget Holders and Directors as appropriate.</p> <p>Instances of non- compliance (where appropriate) will be escalated to Budget Holders and Directors for appropriate action.</p>
System Changes	<p>Revised authorisation structures by cost centre including new value levels will be implemented.</p> <p>These will be considered on a case by case basis to ensure that values meet operational requirements without placing the Council at undue levels of risk.</p> <p>Improvements of the audit trail maintained within the system will be applied to ensure that any changes made retain an adequate history.</p> <p>User screens will be adjusted to make them more user friendly for the end user.</p>

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FINANCIAL MANAGEMENT SYSTEM Overview & Post-Implementation Review

AUDIT & GOVERNANCE COMMITTEE

15th November 2018

Carolyn Martlew: Financial Services Manager

Alan Smith: Group Accountant



- Improvements identified

FINANCIAL MANAGEMENT SYSTEM Background

£300k original budget

£175k cost

£125k saving over original budget

FINANCIAL MANAGEMENT SYSTEM Background

Other Benefits:

£35k net ongoing savings

£12k licences & maintenance



FMS OVERVIEW

- The Budget
- Accounts Payable
- Accounts Receivable



AUTHORISATION STRUCTURES

- Internal Audit Review 2017/18
 - Summary of findings report presented in February 2018 provided a substantial level of assurance

139	0000	Professional Training	0	310	0	0	0	0	0	0	
Employees In-Direct			2,300	2,396	2,500	5,218	2,600	2,308	4,810	2,210	
340	0000	Car Allowances	350	98	350	155	350	13	0	(350)	
350	0000	Public Transport	1,100	722	1,100	934	1,000	509	1,400	400	
380	0000	Car Parking	40	40	40	38	40	23	0	(40)	
Transportation			1,490	861	1,490	1,126	1,390	605	1,400	10	
401	0000	Equipment Purchase	0	1,137	0	1,351	0	987	0	0	
403	0000	Equipment Maint	1,750	1,645	1,750	1,882	1,750	0	0	(1,750)	
409	0000	Catering	120	72	120	0	120	0	120	0	
416	0000	Books & Publications	4,550	4,576	4,550	3,510	4,320	3,580	3,900	(420)	
417	0000	Stationery	1,000	478	800	555	800	75	300	(300)	
419	0000	Phone	100	30	100	0	50	0	0	(50)	
422	0000	IS&T Hardware	0	4,139	0	1,254	0	137	0	0	
423	0000	Computer Software	15,000	1,846	15,000	12,536	17,310	14,108	17,800	490	
427	0000	Software Purchase	0	0	0	0	0	0	0	0	
430	0000	Professional Fees	2,700	2,695	2,700	4,151	3,300	163	550	(2,750)	
432	0000	Specialist Fees	1,400	850	1,400	4,800	0	3,000	0	0	
435	0000	Legal Fees/Costs	0	5	0	6	0	12	0	0	
440	0000	Subsistence	400	0	300	6	300	0	0	(300)	

ofile

										ing Budget
										21,283.99
										758.98
										(1,372.00)
										(1,109.35)
109	0000	Salaries: Apprenticeship Levy	N/A	2,340	2,340	2,340	0	1,643.05	(696.95)	696.95
110	0000	IAS19: Pension Adjustment	N/A	0	109,910	109,910	0	109,912.65	2.65	(2.65)
133	0000	Training Expenses	N/A	0	0	0	0	3,994.00	3,994.00	(3,994.00)
135	0000	Staff Welfare	N/A	0	0	0	0	34.00	34.00	(34.00)
138	0000	Seminars	N/A	2,500	2,500	2,500	0	1,190.00	(1,310.00)	1,310.00
Employee Costs				598,410	708,320	708,320	0	690,782.10	(17,537.90)	17,537.90
340	0000	Car Allowances	N/A	350	350	350	0	154.82	(195.18)	195.18
350	0000	Public Transport	N/A	1,100	1,100	1,100	0	833.65	(166.35)	166.35
360	0000	Car Parking	N/A	40	40	40	0	37.90	(2.10)	2.10
Transportation				1,490	1,490	1,490	0	1,126.37	(363.63)	363.63
401	0000	Equipment Purchase	N/A	0	0	0	410	1,351.20	1,351.20	(1,761.60)
403	0000	Equipment Maint	N/A	1,750	1,750	1,750	0	1,681.54	(68.46)	68.46



ACCOUNTS PAYABLE

- A key function of FMS
- Ordering, receipt and payment for goods and services
- Risks are fully identified, assessed and mitigated
- Compliance with procedures



Order

Received
Note

Invoice

Payment



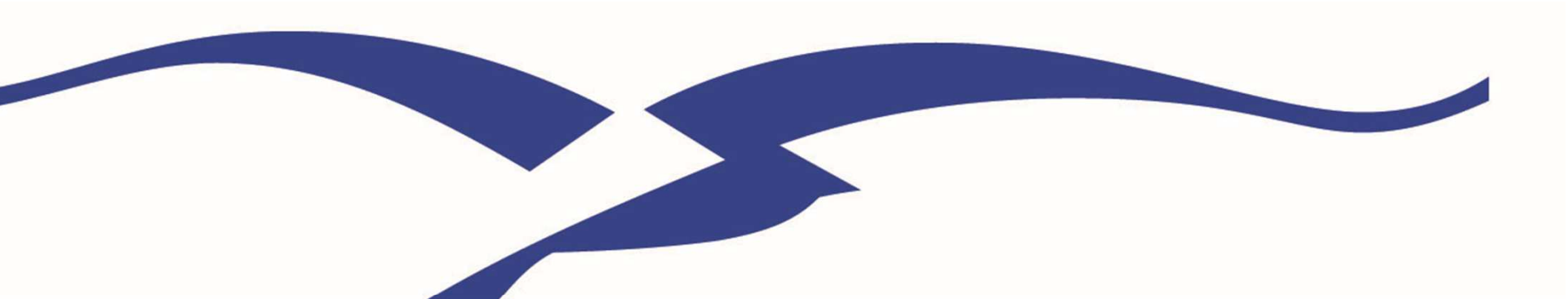
ACCOUNTS PAYABLE

Statistics on use

- 330 Users
- 8,992 Orders raised
- 94,693 Payment transactions



2017/18 (Full Year)	4,313	c. £33.9m
2018/19 (6 Months)	2,543	c. £7.6m



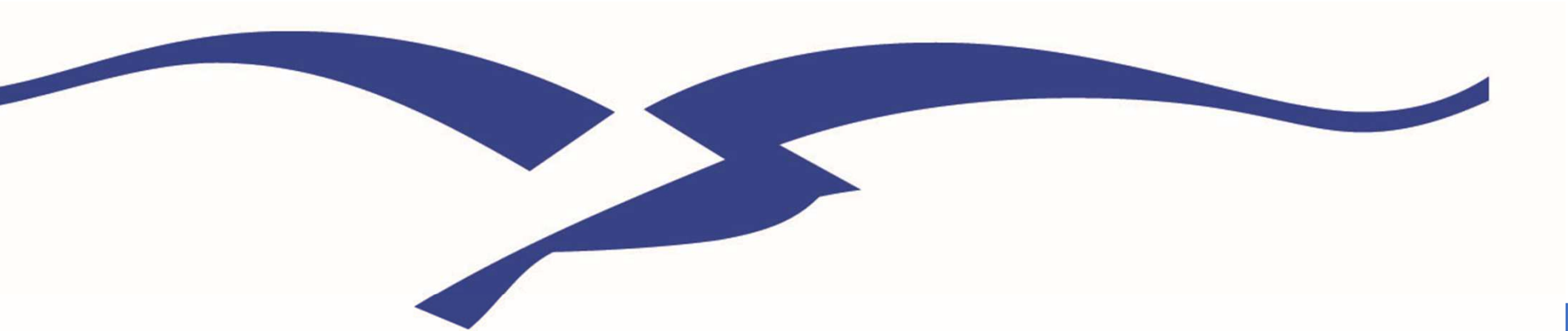
ons

2017/18 (Full Year)	46,697	c. £53.8m
2018/19 (6 Months)	24,276	c. £36.5m



ACCOUNTS RECEIVABLE

- Included within the new FMS
- Accounts Receivable Team
- Internal Audit Review 2017/18
 - Summary of findings report presented in February 2018 provided a substantial level of assurance



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reflective of committed or actual expenditure). This impacts our ability to monitor budgets effectively and could lead to poor financial management/ overspends.

There is evidence that orders are raised on behalf of others (in an administrator role).

This has the potential to circumvent the segregation of duties control on the ordering/ authorisation process (if the true buyer then authorises the order).

The system audit trail does not reflect the true buyer.



essary

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Certain changes in the system do not maintain an adequate audit trail e.g. increasing the value of an order.

Reduced control and a lack of accountability/ responsibility for adjustments/ amendments.

Increasing order values

Poor ordering processes at the outset i.e. costs are not properly known

Changes could result in non- compliance with the Council's Financial and Procurement requirements.

POST-IMPLEMENTATION REVIEW

Key Improvements Identified

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



AGENDA ITEM NO. 10

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 15 NOVEMBER 2018

PART A : REPORT

SUBJECT: Revised Strategic Risk Register 2018/19

REPORT AUTHOR: Stephen Pearse, Chief Internal Auditor

DATE: November 2018

EXTN: 37561

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

The Council's Strategic Risk Register has been reviewed and revised to reflect changes since its last update in December 2017

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to note and approve the revised Strategic Risk Register

1. BACKGROUND:

The Council's Risk Management Strategy requires that the Strategic Risk Register (SRR) should be reviewed periodically and risks re-scored where necessary. It is also required to be reviewed at least annually by the Lead Officer and Lead Member for risk management. The Audit & Governance Committee has Member oversight of the risk management arrangements within the Council and last reviewed the SRR at its December 2017 meeting.

The SRR has been reviewed, updated and re-scored by the members of the Council's Governance & Risk Group in September 2018. The updated document has also been considered by the Corporate Management Team and by the Lead Officer and Lead Member for risk management.

The SRR update has considered significant changes that will affect the Council going forward, progress relating to risk areas identified (e.g. adoption of the Local Plan) and mitigating actions that are in place to reduce the level of the risks. It must, however, be recognised that the strategic risks are largely long-term and that the impact of external factors (e.g. Government policy and funding changes, etc.) remains uncertain.

The updated SRR document uses the same Excel format and scoring criteria as in recent years. However, it should be noted that the Council has now implemented

new performance and risk management software (Pentana Performance) and it is anticipated that the format and content of the SRR and operational risk registers will be considered going forwards.		
2. PROPOSAL(S): It is proposed that the Committee notes and approves the revised Strategic Risk Register		
3. OPTIONS: To note and approve the revised Strategic Risk Register, or not		
4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION: The Committee notes and approves the revised Strategic Risk Register
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8. BACKGROUND PAPERS: N/A

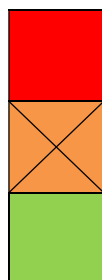
ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2018/19

ARUN DISTRICT COUNCIL – Risk Profile

Likelihood	4 Certain		X	16, 18	1, 6a
	3 Probable		6b	3	8, 13
	2 Possible		5,10	2, 4, 7, 9, 11	12
	1 Unlikely			14, 15	17
Impact	1 Insignificant	2 Marginal	3 Significant	4 Severe	

The overall risk rating score is Likelihood x Impact

The matrix has 3 filters – red, amber and green:-



Red risks are those which cause the Council or service greatest concern, are in need of closer attention and may require more frequent scrutiny, review and reporting


Amber risks are those that should be reviewed periodically to determine if practical steps can be taken to reduce the scoring to 'green' and the control measures in operation regularly reviewed

Green risks are likely to require no further action but should still be subject to review

Risk No.	Risk Scenario Title
1	Finance
2	Change Management and Service Transformation
3	Regeneration and Economic Development
4	Contracts Management
5	Member Engagement and Capacity
6a	Homelessness
6b	Affordable Housing Development
7	Local Plan
8	Partnerships
9	Information and Data Security
10	Community Engagement and Customer Insight
11	Coastal Protection & Land Drainage
12	Corporate Business Continuity
13	Cybersecurity
14	New Littlehampton Leisure Centre
15	Local Authority Trading Companies
16	Corporate Stock Compliance Issues
17	Elections
18	Brexit Implications

Updated following review at Audit & Governance Committee meeting 15 November 2018

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2018/19

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
1	16 	<ul style="list-style-type: none"> Uncertainty around outcome on business rates changes Uncertainty over future central government funding CIL funding changes Reduction in government grants going forward Impact of changes in immigration rates Impact of squeeze on HRA rents Uncertainty around outcome of welfare reform '2020 Vision' work fails to achieve required level of savings Leaving the European Union – increased uncertainty over the economy Possible multiple future borrowing requirements for General Fund and HRA Significant external funding required to progress regeneration proposals 	<p>Finance</p> <p>The council faces a great deal of financial uncertainty which could result in budget deficits, loss of HRA & General Fund balance etc.</p> <p>Deficit worsens and balances reach minimum level in a shorter period of time</p> <p>Although Article 50 has been triggered, options and timescales for the progress of Brexit remain uncertain</p>	<ul style="list-style-type: none"> Financial insecurity and possible extra local funding to be found Possible pressure to further outsource service areas The council may fail to realise capital investment and/or income generation opportunities Additional savings to be made in future years National and institutional investment uncertainty – UK credit ratings reduced Ongoing low interest rates, reducing treasury investment returns Loss of EU grant funding (regeneration impact) Further pressure on demand-led services e.g. benefits, homelessness, etc. Possible negative impact on housebuilding, etc. Interest and capital repayments to be made on borrowing Ability to maintain minimum reserve level will be threatened Major regeneration projects cannot be progressed 	<ul style="list-style-type: none"> ADC initially accepted the 10% loss in Council Tax Support funding. New scheme implemented for 2017-on and subject to review for 2019-on Good culture of financial management previously = strong position going forward Medium Term Financial Strategy (MTFS) regularly reviewed and reported to Cabinet Strong asset management Appetite to invest capital strategically Treasury strategy / good investment performance – monitoring of available investment opportunities Savings in 2020 Vision Plan being monitored Outstanding 'review of service' programme areas to be completed – aim being better service, at reduced cost Innovative schemes being considered to generate future revenue e.g. Property Investment Fund Updated HRA Business Plan produced and monitored Leader involvement in LGA and DCN lobbying, etc. Monitoring of possible changes to Government policy, legislation, etc. Other more innovative investment schemes being considered, but higher risk to obtain rewards Efficiency Plan in place to obtain 4 year funding settlement WSCC engaged with the Council to progress the Arun Growth Deal – more weight to requests to the LEP for funding
2	6	<ul style="list-style-type: none"> Ineffective prioritisation in a 	Change Management and	<ul style="list-style-type: none"> Knowledge gaps are not filled 	<ul style="list-style-type: none"> The Arun Improvement Programme (AIP)

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2018/19

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<p>smaller organisation</p> <ul style="list-style-type: none"> Residual '2020 Vision' work and management/operational restructures stretching resources and possibly leading to conflicting outcomes Limited specialist project management staff for future major developments Uncertainty surrounding Government's 'devolution' agenda 	<p>Service Transformation</p> <p>The council may not have the resource capacity (numbers, knowledge, expertise); and staff and members may have inherent resistance to change which will make it difficult to deliver the strategic outcomes</p>	<p>(loss of experienced managers / staff)</p> <ul style="list-style-type: none"> If capable staff are not developed internally and given opportunities they are more likely to leave – long term recruitment and retention issues Lower morale and motivation (may increase in areas of potential outsourcing) Possible increase in sickness absence, stress claims etc. Potential governance issues in unfamiliar roles Loss of strategic vision as operational duties (the day job) takes over Political and management change harder to implement and embed There may be lost opportunities for sharing services and work Reliability of service delivery Customer dissatisfaction / loss of trust or confidence within community Potential reputational issues More financial pressure on services Projects / new initiatives fail to deliver desired outcomes Limited budget for capital projects 	<p>reviews all major ICT and business change requests to ensure we invest in the right projects (board consists of officers and Members)</p> <ul style="list-style-type: none"> ICT Service Strategy being progressed in 2018 which will provide direction in terms of future capability Separate Digital Strategy to be developed Customer Access Strategy being reviewed and updated Training and development plans considered in annual performance review Senior Management Development Programme and New Manager programmes to be progressed Short vs Long term sickness absence reported to Cabinet Capital project plan agreed by Cabinet to allow for initial work load prioritisation Outstanding 'review of service' programme areas to be completed – aim being better service, at reduced cost Council will continue to investigate partnering opportunities with other Councils Elements of shared services with other public bodies are working well Council open to looking at more shared services and partnerships in future
3	9 	<ul style="list-style-type: none"> Lack of visible progress with Bognor Regis developments Failure to resource and implement the action plan to 	<p>Regeneration and Economic Development</p> <p>The plans to develop Bognor Regis and Littlehampton are</p>	<ul style="list-style-type: none"> Developers and investors could be deterred Possible legal issues from developer plans submitted in 	<ul style="list-style-type: none"> Options for Regis Centre and Hothampton sites considered by consultants and outline design options agreed Funding and development options being

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2018/19

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<p>deliver the long term regeneration strategies (for Bognor Regis and generally throughout ADC)</p> <ul style="list-style-type: none"> • Lack of funding to deliver major regeneration projects • Decisions not made swiftly enough – political will? • Lack of public/partner acceptance of, and buy-in to strategies • Legal challenges increase • Multiple major projects running simultaneously – resource stretched • Impact of growth of Butlins and Chichester University influencing local market conditions • Other Council borrowing priorities • Uncertainty surrounding major Government schemes impacting the area e.g. Arundel by-pass, Chichester by-pass 	<p>vulnerable to challenge and delays. The council may also be unable to agree a wider mid-long term strategy for economic development and regeneration across the district</p>	<p>advance of Council consideration of schemes</p> <ul style="list-style-type: none"> • Missed opportunities to invest in areas of development potential • Reputational issues around non-delivery • Development of council land (car parks, etc.) could mean loss of income stream • Lack of growth • Increase in economic stagnation • Area turns into a commuter belt and is not regenerated leading to decline • Financial and reputational risk / poor publicity 	<p>progressed</p> <ul style="list-style-type: none"> • Revised Sir Richard Hotham planning application rejected following Council determining its position as landowner, but approved on appeal • ADC leadership commitment to regeneration objectives to drive the project forward • Some capital spend projects progressed (East Bank, River Arun, Hotham Park café, etc.) • Bognor Regis Seafront Delivery Plan to progress • Further funding bid to be progressed for Littlehampton regeneration ideas • Central funding obtained and significant progress made on some regeneration schemes (Bognor Regis public realm, BR station) • National supermarket chains investing in the district • Rolls Royce investment programme at Bognor Regis Enterprise Zone • New planning applications for Salt Box site and bid to LEP for infrastructure grant • Bognor Regis Town Centre BID established • Continued working with key partners (e.g. Butlins, Chichester University) • Projects prioritised to best use available resource • Investment prospectus prepared for Bognor Regis • Investment Conference for Bognor Regis held in September 2017
4	6	<ul style="list-style-type: none"> • Major contracts let (waste collection, leisure, greenspace) - 	<p>Contracts Management The Council has recently let</p>	<ul style="list-style-type: none"> • Tension between existing contractors and the council 	<ul style="list-style-type: none"> • Contract specialists used for the re-tender processes

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
	↕	<p>contractors may not be making the expected savings, achieve the level of external investment, or provide service to the expected standard</p> <ul style="list-style-type: none"> • Other major contracts under review/approaching re-tender • Public health transition may put leisure services under more pressure and scrutiny • Political commitment to weekly waste collections impacting future contract costs • Council may be reliant on third party (e.g. WSCC) timescales • Major IT systems due for re-tender 	a number of its most significant contracts (leisure, waste management, grounds maintenance, services for the elderly)	<p>through tendering / change periods</p> <ul style="list-style-type: none"> • Poor publicity / reputational issues • Cost savings are not achieved • Service quality deteriorates • Possible major projects and operational changes required if it is decided to change long-established IT systems 	<ul style="list-style-type: none"> • Procurement Strategy in place • Leisure management officer resource in place • Clearer communication of council's expectations of contractor(s) • Strategic view going forward • Leisure Management and Greenspace contracts awarded with significant savings and investment commitment • Waste management contract extended to allow additional savings • Services for activities for the elderly being progressed as joint procurement exercise with WSCC
5	↕	<ul style="list-style-type: none"> • Historically, some members have failed to engage wholeheartedly with processes (don't attend training, fail to embrace electronic working practices / revised IT systems, etc.) • Small opposition • Some lack of understanding of resource requirements and change issues • Unwillingness by many members to communicate unpopular changes and decisions to the public • Lack of interest by backbenchers • Some members are county councillors and Parish/Town Councillors leading to "twin-hatting or triple hatting" • Uncertainty concerning potential 	<p>Member Engagement and Capacity</p> <p>The complexity of current legislation could lead to some members not having the necessary skill-set to meet the demands of the changes and increasing financial and service delivery pressures facing the council</p>	<ul style="list-style-type: none"> • Strained relationships between officers and members • Potential DPA / FOI issues • More vulnerability to governance and compliance failures • Decisions held up by process • Less ownership and leadership at local levels through lack of engagement 	<ul style="list-style-type: none"> • Overall member desire to see council move forward • Common goals clearly understood and agreed – Member involvement in '202 Vision' work and consideration of alternative service delivery mechanisms • Cabinet Working Party review of scheme of delegation of authority completed • Review of Constitution and Codes of Conduct progressing • Agreed Corporate Plan with focus on key issues (to act as a "temperature gauge") • Induction plan for new members to be developed in 2018 for May 2019 elections • New committees system and equipment approved by Full Council for use by Members post the 2019 elections

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2018/19

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		future 'devolution'			
6a	16 ↕	<ul style="list-style-type: none"> Overarching homelessness strategy – but service needs to be more proactive Increase in demands on the Council 'Squeeze' on rents will have an impact on HRA, Council house building and RSLs in the area Uncertainty over Government 'levies' (e.g. pay to stay, sale of high value properties, etc.) Increase in immigration due to current EEC Policy on free movement and current crises in Middle East and Africa Increase in demands from the Welfare Reform Act Significant increase in university campus at Bognor will impact availability of accommodation Uncertainty over government benefit changes – Universal Credit, etc. Lack of internal officer capacity to deliver changes in addition to existing capital programme Impact of HMO's becoming student or staff accommodation on local rental market stock Additional responsibilities under the Homelessness Reduction Act 2017 Continuing loss of HRA properties through Right To Buy (RTB) Potential loss of WSCC funding 	<p>Homelessness</p> <p>The council may not be able to provide sufficient affordable housing and/or temporary accommodation, at a time when the community in general is under great pressure from the Welfare Reforms</p>	<ul style="list-style-type: none"> More vulnerable people and increase on council demands Future increase in number of homeless Less capacity within charities/voluntary organisations Extra bed and breakfast costs being incurred again in future Council may not fulfil statutory obligations Universal Credit leading to tenancies ending & mortgage costs increasing leading to foreclosure Increased demand on customer services – enquiries, complaints, etc. Failure to increase Council housing stock Increased borrowing Poor publicity / reputational risk 	<ul style="list-style-type: none"> New strategy to cut waiting lists realistically including re-definition of the qualification criteria More effective processes (including prevention) and additional software being obtained, leading to reduction in B&B costs incurred New Housing & Homelessness Strategy being progressed Housing contracts being examined and reviewed Council commitment toward building new affordable homes and bringing empty homes into re-use Purchase of properties by the Council in 2017 as part alternative to continued use of private bed & breakfast accommodation Updated HRA Business Plan produced and monitored. Commitment to deliver 250 new homes in period to 2027/28 to offset RTB sales Some additional Government grant funding Council investigating development of General Fund land for .e.g. student accommodation to ease pressure on rental market LGA/Councils lobbying Government regarding changes to RTB legislation/receipts Council Chief Executives liaising with WSCC to identify impact and consequences on local Councils and voluntary organisations

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		for 'commissioned services'/to voluntary organisations			
6b	6 ↕	<ul style="list-style-type: none"> Lack of in depth internal development expertise for house building Internal legal and finance teams capacity is stretched Lack of available and fit for purpose properties (council able to build or buy but requirement is for smaller properties) Lack of Council-owned land for further development New developments vulnerable to challenge from members and community Uncertainty over changes to Government Right to Buy Scheme and additional Government 'levies' Reduction in the amount of stock from RTB release, leading to reduced rental income Significant negative impacts of Government changes to national rent setting policy on HRA Business Plan Reduction in HCA grants for affordable housing Possible clawback of Right To Buy (RTB) 1:1 receipts if not used in time Delay in new house build program Government legislative changes not encouraging Local Authorities to build at social rents 	<p>Affordable Housing Development</p> <p>The council may not be able to fulfil the development targets for building new homes</p>	<ul style="list-style-type: none"> Reputational issues for council & revenue investment not maximised Delays in building new Council housing / reduction in proposed scheme due to lack of finance Reviews and changes are resource intensive Impact on council legal team resource / extra costs of external resource Significant reduction in HRA rent income until rent increases allowed Development schemes are less economically viable and not progressed by landowners Area is not seen as a viable market for development Potential return to Government of 1:1 receipts Forced sale of properties to meet Government requirements 	<ul style="list-style-type: none"> as 6A above New Housing & Homelessness Strategy being progressed Requirement for proportion of new developments to be affordable housing (e.g. via S106) Review of Council-owned land for possible development Engagement with appropriate partners to attract funding and development Monitoring / reporting of RTB 1:1 receipts to CMT and Cabinet

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Infrastructure deficit (e.g. GP reductions) could lead to lower take up of housing in the area 			
7	6 ↓	<ul style="list-style-type: none"> Delivery delayed at recommendation of Planning Inspector – adopted by Full Council (subject to modifications required by the Inspector) in July 2018 Housing numbers are a 'starting point', not a target. Land supply and Local Plan must be kept under review to ensure Housing Delivery Test and 5-Year Housing Land Supply requirements are met Loss of planning led infrastructure investment funding from developers Loss of funding from New Homes Bonus (NHB) to sustain Council's delivery of services More neighbourhood plans are being developed at Parish/Town Council level Council vulnerable to planning decisions being overturned on appeal Loss of Community Infrastructure Levy contributions 	<p>Local Plan</p> <p>Although the Local Plan has been adopted, the Council could still be vulnerable to developers. There is also the possibility of loss of corporate identity & inward infrastructure funding</p>	<ul style="list-style-type: none"> If ongoing test and supply requirements are not met, there will be less ability to make strategic planning decisions, with random developments and no cohesion within the area, Objectively Assessed Needs numbers already increased and are not a fixed target Possible additional requirements transferred from neighbouring authorities Increased staff and consultant costs Wrong type of investment for area Loss of corporate control and reputational damage Financial risk – loss of CIL monies until charges are agreed and implemented Potentially significant financial shortfall if NHB is removed or reduced Loss of developer funding 'Made' Neighbourhood Plans may need redevelopment and referenda Increased infrastructure deficit 	<ul style="list-style-type: none"> More information to members (seminars and workshops, etc.) to explain the issues & Government planning requirements and implications thereof Planning department resource remains under review – LGA Peer Review in June 2018 Revised studies and policies consulted on and agreed by Members, prior to submission to the Inspector Schedule of Main Modifications (MM's) submitted to Inspector and being included in adopted Local Plan Land supply and strategic sites to be kept under review Funding for revision of 'made' Neighbourhood Plans once the Local Plan is agreed identified CIL charging schedule being developed
8	12 ↑	<ul style="list-style-type: none"> Council may enter into arrangements which do not serve its longer-term best interests Informal and voluntary partnership arrangements do not 	<p>Partnerships</p> <p>If key partnerships are not robustly governed, they may not offer the best longer-term value for ADC. There may</p>	<ul style="list-style-type: none"> There may be lost opportunities for sharing services and work Reliability of service delivery Customer dissatisfaction / loss of trust or confidence within 	<ul style="list-style-type: none"> The Council will continue to investigate partnering opportunities with other Councils Engagement with external partner agencies

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> produce benefits / synergy Public health transition will mean partnership working with NHS clinical commissioning groups – significant local concerns in respect of GP practice closures and lack of overall co-ordination of activities within the NHS Government impetus to share more, leading from funding reductions & potential lessening of political control Lack of understanding of potential opportunities in the market places Increased financial pressure on all parties Increased partnership complexity – both contractually and through service delivery Lack of definition surrounding the constitution of a partnership, grants and shared service Reduction / lack of commitment from external partner agencies Impact of Local Policing Plan putting greater pressure on specific Council services e.g. Community Safety, Environmental Health, Housing, etc. Potential loss of WSCC funding for 'commissioned services'/to voluntary organisations 	<p>also be missed opportunities by not exploring enough options</p>	<p>community</p> <ul style="list-style-type: none"> Potential reputational issues Lack of governance and clarity around objectives of partnerships New responsibilities for council with the public health transition Funding reductions means having to find different income streams More financial pressure on services Projects fail to deliver desired outcomes Less capacity within charities/voluntary organisations 	<ul style="list-style-type: none"> Roles and responsibilities, priorities, finances, etc. defined as part of arrangements 'Partnership' definition agreed by CMT to inform relevant discussions on Vision Group Head of Policy to progress 2015 audit findings Voluntary and support sector funding subject to ongoing review Council Chief Executives liaising with WSCC to identify impact and consequences on local Councils and voluntary organisations
9	6 ↓	<ul style="list-style-type: none"> Increasing FOI and DPA requests (national issue) / complexity and limited resources 	<p>Information Governance and Data Security</p> <p>The council is facing an</p>	<ul style="list-style-type: none"> Increased vulnerability to breach of Data Protection Act / GDPR leading to reputational damage / 	<ul style="list-style-type: none"> Trained resource to handle FOI / DPA requests DPA / FOI training programme progressed

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<p>which are stretched</p> <ul style="list-style-type: none"> • Council may be recording or have access to more data as a result of public health transition, etc. • More information sharing can lead to less control • Lack of Member awareness on information governance and data security requirements and standards. • Lack of formal mandatory training and staff awareness of new requirements • Increasing Cabinet standards in relation to information governance and data security • Additional burdens from EU General Data Protection Regulation (GDPR) – concern over resources available to meet these • Increase in home and mobile working • Limited specialist resource to investigate data breaches – ICT support is not (formally) 24x7 	<p>increased risk of a breach of Data Protection Act / General Data Protection Regulation</p>	<p>financial penalties</p> <ul style="list-style-type: none"> • Less time within Council Advice & Monitoring team to deal with issues could lead to mistakes, etc. • Lack of clarity around what information is where and who is responsible for it • Certain Council services being unable to function without PSN compliance • Potential ICO censure / financial costs from the GDPR • Poor publicity / reputational issues • Incident management of possible breaches will require corporate / CMT support and will impact existing work 	<p>for staff</p> <ul style="list-style-type: none"> • Council networks reviewed by consultant and certification to Public Services Network (PSN) standard achieved (with annual re-certification being progressed) • ICO guidance on preparation for General Data Protection Regulation (GDPR) reviewed and Action Plan progressed. Additional, external advice obtained • Data audit conducted and policies updated for GDPR compliance • Data Protection Officer (DPO) appointed and trained • Policy updates being completed and regular briefings provided to CMT and staff • GDPR training provided to all staff and Members • Information Security Group (ISG) oversight of GDPR and security compliance • Incident management process to be developed and advised to staff / management • Additional skilled data protection resource to be obtained • Availability arrangements for ICT out-of-hours incident response accepted by CMT
10	4 ↕	<ul style="list-style-type: none"> • Understanding of customer/community “needs” vs “wants to have” can be patchy across the council • Council commitment to digital strategy, but direction unclear - over reliance on web-based systems could alienate public and councillors 	<p>Community Engagement and Customer Insight</p> <p>Risk of failure to engage effectively with the community, either by communicating the council's objectives and service plans or understanding and managing customer</p>	<ul style="list-style-type: none"> • More difficult to formulate and deliver major initiatives that are effective and relevant (e.g. Local Plan, regeneration) • Difficulty communicating changes to service delivery • Failure to maximise opportunities within the community • Rural opportunities could be 	<ul style="list-style-type: none"> • Your Council – service area objectives extended for 2018-2021 • Corporate Plan reviewed / updated for 2018-on • Customer Services changes resulting from Vision work / service transformation • Council commitment to providing more digital opportunities. Further work on website development and social media

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Council not maximising social media and other communication methods The next generation of council service users will have different needs and expectations and could become alienated by traditional methods of delivery of information If changes not progressed effectively, then risk will be increased Challenge / poor publicity surrounding housing proposals by developers 	expectations	<ul style="list-style-type: none"> overlooked Poor publicity / lack of community support 	<p>channels required, but delayed by 2016 consideration of possible shared service arrangements for IT and Customer Services. New Arun ICT Service Strategy 2018-2022 being progressed and a separate Digital Strategy is to be developed</p> <ul style="list-style-type: none"> Social media policies reviewed and updated Customer Access Strategy to be reviewed Planning Peer Review undertaken in 2018
11	6 ↕	<ul style="list-style-type: none"> Multiple agencies / property owners involved – requirement for individual decisions delaying actions Bad weather increases rate of erosion / chances of flash flooding Longer term – climate change and sea level rise <p>Coastal Protection:-</p> <ul style="list-style-type: none"> Delays due to legislative / regulatory requirements e.g. environmental studies Conflicting opinions as to required solution Insufficient funding to deliver scheme(s) Rapid deterioration of short-term improvements <p>Land Drainage:-</p>	<p>Coastal Protection & Land Drainage</p> <p>Some areas of the District are subject to significant erosion issues, with a high risk to dwellings</p> <p>The Council must fulfil its responsibilities as landowner (riparian) under the Land Drainage Act to ensure that its part of the whole network functions effectively</p> <p>The Council has powers (under the Coastal protection Act) and also responsibilities for maintenance of assets on its controlled land</p>	<ul style="list-style-type: none"> Loss of residents' homes Flood damage to property, land and infrastructure H&S issues Increased costs Reputational issues / poor publicity Need for temporary housing <p>Coastal Protection:-</p> <ul style="list-style-type: none"> Increased risk of problem extending to neighbouring coastal areas Environmental impact 	<p>Coastal Protection:-</p> <ul style="list-style-type: none"> Council installed additional short-term defences (heavy rocks and shingle recycling) Engaging with residents and Parish Councils Engaging with other relevant authorities (e.g. Environment Agency, Chichester DC) Lobbying central government Some partnership grant funding (flood and coastal erosion grant from the EA) provided to approved major flood and coastal risk management schemes Pagham – spit breached in 2016 and the community now has an approved planning application to cut through the remaining part, although it currently unlikely if this work will proceed The Council has a forward capital programme (informed by the Shoreline management Plan and Coastal Defence

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> All parties (across the network) need to be aware Possible removal of Internal Drainage Boards may lead to responsibilities being passed back to the Council 			<p>Strategies) and a year-on-year revenue programme</p> <p>Land Drainage</p> <ul style="list-style-type: none"> Working with EA (automated flood warning) and WSCC (LLFA) Monitoring weather forecasts and noting / responding to Met Office alerts Engaging with Parishes and flood groups across the District Emergency Planning engages with relevant bodies Drainage Engineer appointed to progress Council land responsibilities and to assist other parties
12	8 ↑	<ul style="list-style-type: none"> Threat of loss of buildings / infrastructure through fire, flooding or other incident Continued uncertainty over the future of BRTH, which would act as recovery site for the Civic Centre, as part of the ongoing Accommodation Strategy work 	<p>Corporate Business Continuity</p> <p>The Council is facing increased risk of cyber attack</p> <p>There is a risk to business continuity from a major incident either directly impacting the Council's infrastructure / services or the provision of key services, etc. by contractors / suppliers</p> <p>Mass loss of staff through illness e.g. pandemic</p>	<ul style="list-style-type: none"> Loss of buildings or access to buildings through fire damage, flooding or other serious environmental incident, etc. Loss of major contractors / suppliers through a major incident affecting their infrastructure / staff Inability to provide key services / reputational issues 	<ul style="list-style-type: none"> Advice obtained from Council's insurers Corporate Business Continuity Plan under development Service Business Impact Analysis (BIA) and Business Continuity Plans (BCP) being reviewed and updated in order to identify critical service and IT requirements Revised evacuation / incident procedures due after Civic Centre bomb scare incident Workspace recovery plans to address identified impacts and plans Regular testing of 'Day 1' critical plans to be implemented Procurement tender processes require major contractors to have business continuity plans in place
13	12 ↔	<ul style="list-style-type: none"> Increased threat of cyber attacks (viruses, malware, ransomware, etc.) 	<p>Cybersecurity</p> <p>The council is facing an</p>	<ul style="list-style-type: none"> Loss of key systems / inability to provide key services Loss or corruption of data 	<ul style="list-style-type: none"> Proprietary security software in use on pc's, networks and mobile devices ICT deploy appropriate security measures

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Increased vulnerability through extended use of internet and cloud facilities Poor working practices by staff / partners could lead to security breaches 	increased risk of cyber threat	<ul style="list-style-type: none"> Financial loss Reputational damage Costs / time spent to recover 	<p>to minimise cyber risks (e.g. firewalls, anti-virus checking, etc.)</p> <ul style="list-style-type: none"> Additional security products (e.g. using artificial intelligence) under review Security and ICT usage policies in place and regularly updated Rolling process is in place to patch all systems to the latest versions Vulnerability testing undertaken to meet certification requirements Additional education for staff being considered due to repeat nature of malware issues Incident response and reporting mechanisms being reviewed Cybersecurity certification being progressed National initiatives (e.g. LGA cybersecurity 'stocktake') will be considered Future use of 'cloud' services included in ICT Service Strategy, which will improve resilience
14	3 ↕	<ul style="list-style-type: none"> Planned costs of project exceeded Timescales for delivery not met Unexpected additional work is required at the site 	<p>New Littlehampton Leisure Centre</p> <p>There is a risk to the Council from the size and complexity of the project to deliver the new facility</p>	<ul style="list-style-type: none"> Failure to provide key services Additional costs Financial loss Reputational damage 	<ul style="list-style-type: none"> Development agreed by Full Council as part of wider Leisure Strategy and regular progress reporting to Members Specialist advice obtained and dedicated resource allocated through all stages of delivering the project Construction contract let and costs agreed following tendering, with approval of Full Council Detailed risk register maintained by project management staff and risks / progress regularly reviewed with contractor Liaising with key partners regarding construction issues and interim/future

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					leisure activity provision
15	3 ↕	<ul style="list-style-type: none"> Lack of technical knowledge in the Council in respect of the establishment and operation of arms-length companies Companies are poorly managed Additional legal and operational requirements Companies fail to deliver required services, income or cost savings Substantial external borrowing may be required by the Council Council liable for trading company debt 	<p>Local Authority Trading Companies</p> <p>There are risks to the Council from the establishment of arms-length trading companies in order to provide key services and / or to increase income streams / reduce costs</p>	<ul style="list-style-type: none"> Services are not provided Lack of Council control Financial loss Non-repayment of loans Reputational damage Failure to meet additional legal requirements (e.g. Companies Act) Companies eventually wound-down, leading to additional costs (e.g. redundancy) 	<ul style="list-style-type: none"> External advice obtained from other Councils / consultants regarding business cases Specialist advice obtained e.g. regarding legal issues Business cases being developed for approval by CMT and Members – Local Property Company currently dormant Formal agreements to be put in place for trading companies, including financing, involvement of officers / members as Directors, etc. Constitution changes made in respect of monitoring and reporting to the Council
16	12 (New)	<ul style="list-style-type: none"> Lack of knowledge / management oversight of compliance issues Inadequate Council monitoring systems Lack of technically competent staff to complete checks Recent restructure and staff losses Compliance requirements differ across various areas of the Council 	<p>Corporate Stock Compliance Issues</p> <p>There are risks to the Council, its staff and its residents where key compliance checks have not been satisfactorily completed for social housing, corporate buildings, etc. and any issues addressed (e.g. fire, water, gas, etc.)</p>	<ul style="list-style-type: none"> Death or injury to staff or residents Destruction / damage to corporate premises / housing stock Regulatory censure / intervention Corporate manslaughter prosecution Reputational damage Additional costs 	<ul style="list-style-type: none"> Different senior management now responsible under new structure External consultant review undertaken and issues identified Action plan agreed with Regulator of Social Housing Data sources identified and new software obtained Existing data being loaded Program of work to be undertaken by competent staff / contractors to complete missing or out-of-date compliance checks
17	4 (New)	<ul style="list-style-type: none"> Changing electoral registration practices Potential future changes to voting processes being piloted UK Disenfranchisement of voters Challenge to election results Electoral fraud Lack of preparation for 'snap' 	<p>Elections</p> <p>There are risks to the Council and its staff when acting on behalf of the Government/Electoral Commission in the conduct of elections/referenda</p>	<ul style="list-style-type: none"> Legal action against Returning Officer Reputational loss Election petition or judicial review Community unrest 	<ul style="list-style-type: none"> Detailed planning performed for elections Electoral Commission regulatory issues and guidance reviewed Detailed risk register maintained Annual canvass progressed to update Electoral Roll Experienced staff used where possible Training provided to polling and count staff

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		election <ul style="list-style-type: none"> Increased burden for multiple Neighbourhood Plan referenda Full District Council elections due in May 2019 Insufficient and/or inexperienced elections staff available for poll/count 			<ul style="list-style-type: none"> Established processes for e.g. postal voting Robust count and verification procedures established Liaison with other relevant authorities where voting regions overlap (e.g. Parliamentary elections) or where results are regional rather than local
18	12 (New)	<ul style="list-style-type: none"> Significant revision of legislation to take place Uncertainty over future EU funding available Impact on availability/costs of consumer items is not known Changes to procurement regulations Uncertain impact on EU citizens in UK/breakdown of communities Potential for delay of leaving date/second referendum Potential for change of Government Economic upheaval – changes to interest rates, inflation, etc. 	Brexit Implications Although Article 50 has been triggered and the UK is due to leave the EU on 29 March 2019, there is still no agreement on how this will be achieved and the impact locally, on the UK, the EU and globally	<ul style="list-style-type: none"> Legislative changes may impact Council services and operations Increased costs Negative impact on tourism Changes required to Council processes and documentation Lack of funding for projects e.g. infrastructure, regeneration Lack of consumer items, leading to panic buying/stockpiling Additional enquiries to Council staff Changes to benefits regime Loss of 'key' workers in some sectors Potential increase in homelessness Potential for further referendum/snap election Protests/civil unrest 	<ul style="list-style-type: none"> Council monitoring progress towards leaving and advice from Government (e.g. on 'no deal' preparation) Council monitoring advice from appropriate other sources e.g. LGA, CIPFA, etc. and any reports/initiatives obtained from e.g. other councils Contingency plans for snap election, etc.

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↑ - risk score increased

↓ - risk score reduced

↔ - no change

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AGENDA ITEM NO. 11

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 15 NOVEMBER 2018

PART A : REPORT

SUBJECT: Progress Against the Audit Plan

REPORT AUTHOR: Stephen Pearse, Chief Internal Auditor

DATE: November 2018

EXTN: 37561

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

Each year Internal Audit undertakes its work against an annual audit plan, as approved by the Audit & Governance Committee prior to the start of the financial year

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

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to note the content of the report on progress made against the outline Audit Plan agreed by the Committee at its February meeting

1. BACKGROUND:

An outline Audit Plan was presented to, and approved by, the Committee at its February 2018 meeting reflecting the resource currently available. The aim of the plan was to ensure that mandatory work is completed, that there is appropriate involvement in the progress of the 2020 Vision initiative / ongoing transformation and to progress audit work on the priority / highest risk areas identified.

However, the Committee was advised that, although the revised management structure has been finalised, some lower level organisational changes are still being progressed and there is still 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 to November 2018.

2. PROPOSAL(S):		
It is proposed that the Committee notes the content of the report on progress made against the outline Audit Plan agreed by the Committee at its February meeting		
3. OPTIONS:		
To note the contents of the report, or not		
4. CONSULTATION:		
Has consultation been undertaken with:		
	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)		
	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION:
The Committee notes the content of the report on progress made against the outline Audit Plan agreed by the Committee at its February meeting

8. BACKGROUND PAPERS:
N/A

Audit Progress

At the Audit & Governance Committee meeting of 22 February 2018, the Committee agreed an outline plan for the section for 2018/19.

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

<u>Code</u>	<u>Title</u>	<u>Work performed</u>
RE03	Main Accounting	<ul style="list-style-type: none"> • Audit review of Budget processes under the e5 system Reported to A&GC 26/7/18 • Input to revised Financial Regulations progressed by Finance which have been reviewed by the Constitution Working Party and are due for approval by Full Council in July 2018
RE04	Purchase Ledger	<ul style="list-style-type: none"> • Review of processes for corporate credit cards Reported to A&GC 15/11/18
RE08	Payroll	<ul style="list-style-type: none"> • Monthly joiners and leavers checks • Enhanced key control checks review being progressed
CS16	Housing Benefit (& Council Tax Reduction)	<ul style="list-style-type: none"> • Liaison with Finance, Procurement, Benefits and external audit in respect of arrangements for future Housing Benefit Subsidy Claim certification • Monthly new claim calculation checks
CS17	Council Tax	<ul style="list-style-type: none"> • Annual test checks on CT precept calculations
CP03 MS01	Corporate Governance Annual Governance Statement	<ul style="list-style-type: none"> • Annual review of compliance against the Council's local Code of Corporate Governance • Identification of updates required to the Council's Code of Corporate Governance • Preparation of the updated Annual Governance Statement • Draft AGS published on website with draft Accounts (by 31 May) and provided to external audit Reviewed by G&R Group 4/18 Reported to A&GC 26/7/18
MS03	RIPA	<ul style="list-style-type: none"> • Advice provided to service areas in respect of queries concerning possible use of surveillance, whether this would fall within the scope of the RIPA legislation and other options available • Review of (Home Office) Code changes • Updates to Council's RIPA Policy being drafted
MS04	NFI	<ul style="list-style-type: none"> • The NFI Council Tax Single Person Discount exercise reports were received in December 2017. Review was delayed awaiting an updated version of the Electoral

		<p>Roll to assist in the identification of records that have already been altered</p> <p>This has now been completed – large numbers of ‘false’ matches have been excluded and the remaining cases passed to Revenues for consideration. Revenues have removed SPD from 77 cases and re-billed c.£61k</p> <p>‘Rising 18’ cases were also reviewed and a small number of queries passed to Revenues</p> <p>Information on the NFI is included in the Annual Counter-Fraud Report</p> <ul style="list-style-type: none"> • Liaison with service areas / preparation for files to be submitted in October 2018. Checking of files received and liaison with service areas regarding issues prior to submission to the Cabinet Office
RE07	Income Collection / Systems	<ul style="list-style-type: none"> • Notes drafted and circulated on electronic payment processing and PCI-DSS issues outstanding. AllPay contract is due to expire in 2020 and a corporate decision / project will be required to consider future electronic payment processing (currently mix of AllPay and Capita) in line with future ICT Strategy and Customer Access Strategy
CP02	Information & Data Governance	<ul style="list-style-type: none"> • Liaison with relevant staff in respect of GDPR preparation requirements and review of draft policies / changes, prior to their presentation to CMT <i>Regular updates are being provided to CMT by the Group Head of Council Advice & Monitoring Officer</i> • Consideration of the legal basis for Internal Audit holding and ‘processing’ personal data and relevant Privacy Notices (e.g. for the NFI) – published on Council website • Review of data and documents held by Internal Audit and destruction in line with agreed retention strategies
CP04	Risk Management	<ul style="list-style-type: none"> • Review of Strategic Risk Register and proposals for update for agreement by Governance & Risk Group • Updated SRR discussed with CMT and lead officer and member for risk • Updated SRR presented to A&GC 15/11/18
CS12	Information Technology	<ul style="list-style-type: none"> • Review and update of the work performed in 2014 on Disclosure & Barring Service (DBS) checks for staff (linked to the Council’s Public Services Network certification and use of DWP and GCSx services). Results were passed to the HR Manager for review and update • Draft ICT Service Strategy reviewed and comments provided • Attended initial presentations on Office 365 – consideration of ‘cloud’ security issues to be progressed
CS14	Information Security Policies	<ul style="list-style-type: none"> • Linked to GDPR, Information Security Group (ISG) discussion and review of policies e.g. Information Security Policy and the Internet & Email Acceptable Usage Agreement • Review and update of policies for approval by CMT and ICM

		<ul style="list-style-type: none"> Liaison with ICT staff regarding the processes for staff testing on the policies via e-form
CS15	PCI-DSS Compliance	<ul style="list-style-type: none"> Confirmation with Contact Centre management that the Red Box software installed as part of the telephony upgrade operated effectively in muting call recording when card payments are being taken by telephone to meet PCI-DSS compliance requirements Notes on outstanding PCI-DSS issues circulated – ICT to obtain a consultant update on the 2014 assessment, to consider the viability of potential alternative methods of handling payments (e.g. chip & pin, IVR, call hand-off, etc.)
PR07	FMS Support / Replacement	<ul style="list-style-type: none"> A review of 'lessons learnt' from the implementation of the new e5 system has been progressed, together with consideration of changed budget preparation processes. (The draft report was discussed at CMT on 17/7/18) Reported to A&GC 15/11/18 As a result of this, a number of control issues regarding the alteration and re-authorisation of orders were discussed with staff in Procurement, Finance and a number of service areas. Data extracts were used to identify the extent of the issue and to identify the areas involved Further monthly data testing on order amendment issues
IN02 CP05	Fraud & Corruption Fraud & Corruption	<ul style="list-style-type: none"> Compilation of data for publication to meet Government Data Transparency Code requirements Compilation and submission of data for CIPFA annual fraud survey Preparation of Annual Counter-Fraud Report Reported to A&GC 26/7/18
AD08	Audit Standards & Quality (PSIAS/QAIP)	<ul style="list-style-type: none"> Update of appropriate Arun internal audit documents Preparation of self-assessment to be used in Arun's future EQA Undertaking the External Quality Assessment (EQA) for Wealden DC and providing a report on the outcome (this is on a mutual support basis across the Sussex Audit Group)
ES01	Environmental Health	<ul style="list-style-type: none"> Liaison with Project Manager in respect of testing / development and preparation of data for migration to the new system The amount of work involved and resourcing issues have now required the implementation of Phase 1 of the project to be put back to September 2018, after which Phase 2 will progress
ES06	Leisure Strategy / Management	<ul style="list-style-type: none"> A governance review of the new leisure centre project is being progressed
CP06	Ethics	<ul style="list-style-type: none"> A review of ethical issues (as recommended by CIPFA) is being progressed
CP08	Travel & Subsistence	<ul style="list-style-type: none"> Analytical review of car use / mileage commenced at the request of the CEO

CP13	Grants & External Funding	<ul style="list-style-type: none"> Sample testing of disabled facilities grant cases in order to provide certification to WSCC on the use of the Integration and Better Care Fund: Disabled Facilities Grant Capital Determination 2017-18
CS01	Housing Services - Homelessness	<ul style="list-style-type: none"> A review of the processes in place for dealing with homeless cases has been progressed and interim finding reported to Housing management. Further work is on hold, pending a possible restructure and review of processes in the area
CS06	Human Resources	<ul style="list-style-type: none"> At the request of the Human Resources Manager a review of the Council's Job Profiling scheme to ensure that it is being applied consistently / decisions was undertaken, in conjunction with Unison
MS05	Contract Checking	<ul style="list-style-type: none"> Sample checks on contract compliance with Council Standing Orders and contract management in respect of financials
RE05	Value Added Tax	<ul style="list-style-type: none"> Review and update of the work performed in 2015 on validity and recording of VAT Registration numbers (now in the e5 financial management system). Results were passed to the Council's Insurance & Risk Officer for review

AGENDA ITEM NO. 12

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 15 NOVEMBER 2018

PART A : REPORT

SUBJECT: Summary of Findings From Reports Issued (June – October 2018)

REPORT AUTHOR: Stephen Pearse, Chief Internal Auditor DATE: November 2018 EXTN: 37561 PORTFOLIO AREA: Corporate Support
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EXECUTIVE SUMMARY:

To present a summary of the significant findings arising from audit reports issued between June and October 2018

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to note the Summary of Findings from reports issued (June – October 2018)

1. BACKGROUND:

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.

2. PROPOSAL(S):

It is proposed that the Committee notes the content of the Summary of Findings From Reports Issued (June - October 2018)

3. OPTIONS:

To note the contents of the Summary of Findings From Reports Issued (June – October 2018), or not

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓

Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION:
The Committee notes the Summary of Findings From Reports Issued (June – October 2018)

8. BACKGROUND PAPERS:
N/A

Summary of Internal Audit Report Findings - Reports Issued 14/06/2018 To 14/10/2018

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Orders Not Raised In Advance</p> <p>All staff need to be reminded that orders must be raised before goods are ordered or services commissioned.</p> <p>Order authorisers must be vigilant when authorising orders and ensure that any issues or concerns are raised with the order requestor, and where necessary the Budget Holder / Budget Manager.</p>	Medium	Carolyn Martlew	<p>Agreed: A report will be generated capturing instances where it appears that an order has not been raised prior to ordering goods or commissioning services. This will be distributed to Directors and Budget Holders for further investigation/ necessary action to be taken.</p> <p>Directors and Budget Holders need to ensure that buyers/ authorisers within their cost centres are complying with the Council's Financial Regulations when procuring goods and services on behalf of the Council.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Orders Not Raised By True Buyer</p> <p>The “Create User” facility should be tested by the Finance Department to ensure that it operates effectively and follows the appropriate authorisation process. It is critical to maintain adequate controls that the Buyer selected is then required to complete the GRN or SRN as part of the process. An adequate audit trail must be in place to evidence this.</p> <p>If (after testing) this facility is deemed appropriate, the option for departments to nominate a “Create User” within their departments can be provided. Clear guidance on how this facility works should be issued by the Finance Department.</p> <p>In the event that the facility is not deemed appropriate, users should be reminded that the practice of raising orders on behalf of others is not permitted.</p>	Medium	Alan Smith & Simon Ball	The “Create User” function will be tested to ensure it follows an appropriate authorisation process and that an adequate audit trail is in place to evidence this.

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Authorisation Levels</p> <p>Based on the order analysis, it is recommended that additional authorisation levels should be included. Levels of £250k, £500k and £1m should be introduced. Directors and Group Heads should then assess the delegated levels within their areas.</p> <p>In particular, the authorisation levels for Directors and Group Heads should be reviewed. It is suggested that £1m may be more appropriate.</p> <p>The users who appear to have inappropriate levels for their roles will be highlighted to the relevant Director for review.</p> <p>Increases to authorisation levels must be requested by the associated Director and authorised by the S151 Officer. Increased levels should not be requested unless there is a justifiable need. There needs to be a balance between effective service delivery and the risks associated with providing an increased authorisation level.</p>	Medium	Carolyn Martlew	<p>Agreed:</p> <p>A review of the authorisation levels allocated to the Senior Management Team (the Chief Executive, Directors and Group Heads) will be undertaken. Recommendations will be made to the Group Head of Corporate Support to discuss with Directors any revisions to the authorisation levels currently allocated.</p> <p>Internal Audit Comment:</p> <p>The users who appear to have inappropriate levels for their roles will be highlighted to the Group Head of Corporate Support to incorporate into discussions with Directors.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Audit Trail</p> <p>The audit trail function should be improved in the system; this should be tested by the Finance Department to ensure there is an adequate trail for changes that occur.</p> <p>Users should be reminded that any amendments to orders must provide the authoriser with adequate detail for the authorisation to be given. Ideally, if possible, the system should flag the order as an increase to the authoriser.</p> <p>The mandatory requirement for the Procurement Compliance form should be implemented for applicable orders. Orders should not be able to proceed if the user fails to complete this</p> <p>Notification should also be sent to the Procurement Department if the increase is greater than 10% (subject to a minimum original order value of £50,000). Advice must be obtained from the Procurement Department before progressing as additional actions for compliance with procurement requirements and other internal procedures may be appropriate.</p> <p>Authorisers must be satisfied that the increase is justifiable before authorising any increases.</p> <p>In instances where an order is reallocated to an alternative authoriser (because the original authoriser has left the Council), notification should be issued to the new authoriser.</p>	Medium	Alan Smith & Simon Ball	<p>Agreed: The audit trail function within the system will be tested including investigating whether amended orders can be flagged to users.</p> <p>Agreed: The system does not have the facility to make the Procurement Compliance Form mandatory. Finance will liaise with Procurement to develop a report to meet requirements.</p> <p>Agreed A notification will now be sent to users in respect of reallocated orders (because the original authoriser has left the Council).</p> <p>Internal Audit Comment: As an interim measure, whilst Finance investigates system changes, Internal Audit will run monthly comparison reports to identify order increases and seek explanations from appropriate managers.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Variance Tolerance Level</p> <p>It is recommended that the variance tolerance level is reviewed and if deemed appropriate it should be increased. An appropriate variance level should be adopted and no manual intervention should be undertaken by Finance if this variance is exceeded. This should remain subject to review.</p> <p>The known exceptions should be reviewed to assess whether they can follow the standard process.</p>	Medium	Carolyn Martlew	<p>Agreed:</p> <p>This function should not be used; any mismatches should follow the standard process and be sent back to the order originator for investigation/ resolution. The absence of the audit trail makes it difficult to identify the cases where this has been undertaken and the associated variances/ values. At this time, the tolerance level will remain at 2p.</p>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Different Processes For Goods And Services</p> <p>It is recommended that the GRN process is removed to make the process less complicated for users and reduce the mismatches that occur. This should only be completed once it has been tested by the Finance Department to ensure there are no negative implications.</p>	Medium	Alan Smith & Simon Ball	<p>Agreed:</p> <p>This will be investigated with the intention that there is only one process for ordering/ receipting that is applied to goods and services. Once completed, User Guides and training can be carried out.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Invoice Processing Delays</p> <p>All users should be reminded that:</p> <ul style="list-style-type: none"> •Invoices should be promptly passed to the Finance Department if received by the originating department •The order value accuracy is critical to the automatic processing of invoices. Inaccuracies cause additional work for the original buyer, the authoriser, the Finance Department and potentially a delay in payment to the supplier •The GRN and SRN should be completed when the goods and/or services are received, the invoice should not be the prompt for the GRN/SRN <p>Finance should investigate the benefits of scanning taking place within the Finance Department, including the option of scanners with the facility to capture data for automatic upload.</p>	Medium	Alan Smith & Simon Ball	<p>Agreed: This will be re-emphasised to users.</p> <p>Agreed: Initial enquiries will be made into scanning including scanners with the facility to capture data for automatic upload.</p> <p>Additional Comment: There have been issues where invoices are received without an order number. When the system was implemented users were advised that if this occurs the invoice will be sent back to the supplier. To date this has not been applied. However, if deemed necessary this will now be actioned as a means of educating users and suppliers that an order must be obtained by the user and quoted by the supplier</p>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>System Issue Processing Credit Notes</p> <p>Whilst it is recognised why it was necessary to increase the order value to process the subsequent invoices, the issue regarding credit notes needs to be resolved with the vendor as soon as possible.</p> <p>Where Finance staff are required to make alterations within the system under their 'administration' role to facilitate processing, notes and supporting documentation should be held on the system to support actions taken to ensure that other users can identify the status of an order</p>	Medium	Alan Smith & Simon Ball	<p>Agreed: The issue in relation to this case has now been resolved. Finance will monitor the application of credit notes to ensure the system balance is adjusted accordingly.</p> <p>Where applicable, documents will be paper clipped on to the system to support actions taken. The audit trail (when applied) will improve traceability.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	System Reports Further work on the system reports should be undertaken by the Finance Department in consultation with the vendor where necessary. It is important that these reports are complete and accurate.	Medium	Alan Smith	Agreed: The specific issue detailed above has been raised with the vendor. Future reporting requirements will be agreed with users and actions taken to ensure they meet user requirements and that reports are complete & accurate
PR07 2017/18 - FMS Support / Replacement	Limited	User Friendly Screens Investigations into 'soft painting' the end-user screens should be undertaken. It is recognised that resources available to complete this may be limited. Therefore, the Finance Department will need to assess the benefit that would be derived from investing the resources in achieving this.	Medium	Alan Smith	Agreed: This will be investigated

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Corporate Procedure</p> <p>1. The Corporate Credit Card Procedure should be updated and increased in content that is specific to the Council with procedures for cardholders. The procedure should include what expectations there are from the Council in terms of use, approval of and evidence of expenditure. All existing cardholders must sign up to the new procedures for retention of their current cards.</p> <p>2. Expenditure should be subject to review and sign off by an appropriate manager within the department. A template document and guidance should be provided for managers to achieve consistency across the Council.</p> <p>3. Compliance should be monitored by the Finance Department. In the event of non-compliance with the procedures (following appropriate communication and escalation), the individual's credit card should be cancelled.</p>	Medium	Sian Southerton/ Carolyn Martlew/ Kevin Beacher	<p>1. Agreed</p> <p>2. Agreed: This will form part of the procedures and be monitored by Finance.</p> <p>3. Agreed</p>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Authorisation and cancellation</p> <p>4. Notification of leavers should be sent to the Finance Department by the Human Resources Department. This will enable Finance to liaise with the individual cardholder and manager to initiate an appropriate date for cancelling the card.</p>	Medium	Karen Pearce	<p>4. Agreed: appropriate members of the Finance Department have now been identified and added to the notification email.</p> <p>Comment from the Senior Accountant: this process should avoid delays in the cancellation of cards which could place the Council at unnecessary risk of unauthorised expenditure.</p> <p>There are also additional areas within the Finance Department that would benefit from this notification.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Approval and Evidence</p> <p>5. The Corporate Credit Card Procedures should include the requirement that expenditure is reviewed within the department by an appropriate manager before being passed to the Finance Department. The creation of a template document to assist in the completion of this will aid consistency across the Council.</p> <p>It should also detail the requirements for evidence/ receipts to be included by the cardholder for management review and information for the Finance Department.</p> <p>6. In the event that a receipt was not obtained or cannot be provided to managers/ Finance Department then the reason for this must be documented.. This should be reviewed by the manager as part of the overall review and passed to the Finance Department.</p> <p>The combination of a Corporate Procedure, sign off by managers within the department and monitoring by the Finance Department should ensure that the requirements for receipts/ evidence become an embedded part of the process.</p>	Medium	Sian Southerton/ Kevin Beacher	<p>5. Agreed</p> <p>6. Agreed</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Cash withdrawals</p> <p>7. Receipts for cash expenditure should be submitted to a manager for approval (along with receipts to support other transactions as per Recommendation 2) and then passed to the Finance Department for allocation on the financial management system. This will enable any VAT to be reclaimed where appropriate. This requirement should be included in the Corporate Procedure.</p> <p>8. In the event that a receipt was not obtained or cannot be provided to managers/ Finance Department then the reason for this must be documented. This should be reviewed by the manager as part of the overall review and passed to the Finance Department. A petty cash balance should also be recorded and reported to Finance.</p> <p>9. Overall monitoring of compliance with the procedures should be undertaken by the Finance Department.</p> <p>10. A suspense account should be set up by the Finance Department to maintain a balance of the petty cash held by the Community Safety Department. A similar approach should be adopted for other departments that withdraw cash where deemed necessary.</p> <p>11. A formal process should be established within the department for cash held by employees that are leaving the Council. It is recommended that an appropriate manager reviews the final statements of the cardholder. This should be undertaken before they leave so that any queries and discrepancies can be appropriately investigated/ resolved. In the event that a cash balance is held and reallocated within the department an adequate</p>	Medium	Finance & all relevant credit cardholders	<p>7 & 8. Agreed in part: expenditure should be supported by receipts and provided to the department. However, the nature of the funding arrangements in the specific circumstance/ area that has been identified is not VAT reclaimable.</p> <p>9. Agreed</p> <p>10. Not Agreed: due to the value of these transactions, it is not deemed necessary to create a suspense account. It will be possible to derive and monitor the balance of petty cash held by individuals via the template form once implemented.</p> <p>11 & 12. Agreed</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
		<p>audit trail should be maintained and the Finance Department should be notified.</p> <p>12. If (in exceptional circumstances only) it is necessary for cash to be transferred to another employee within the team, this should be formally approved by a manager and Finance should be notified.</p>			

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards - Sufficient Department Payment Methods</p> <p>13. Departments need to ensure there are sufficient methods of payment available to meet operational requirements. Individual employees should not be in a position where it is necessary to use their personal financial resources, albeit temporarily.</p>	Medium	Georgina Bouette/ Satnam Kaur	<p>Georgina Bouette</p> <p>13. Agreed: an extension on the limit for this particular cardholder has now been applied. It has not been necessary for personal finances to be used since the extension.</p> <p>It would be useful for the new Corporate Credit Card Procedure to include timescales for administering cards/ adjustments to limits so that managers are aware/ can consider this.</p> <p>Satnam Kaur</p> <p>Agreed: The entire service is undergoing wholesale review. For obvious reasons some areas have been given greater priority i.e. Health & Safety. Within the next 12 months the credit card issue will be resolved as it forms part of a bigger picture in terms of the use of emergency/ temporary accommodation.</p> <p>In the two cases identified, it was not possible for a corporate credit card to be used. In the first case there was no corporate credit cardholder available as it was out of office hours. In the second case, the accommodation provider would only accept payment in person. There was no corporate credit cardholder available to complete this.</p>

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards - Approval</p> <p>14. The Corporate Credit Card Procedure should reiterate to cardholders that they must never pass their card for use to another employee. The card is for use by the individual and is not a department card. In the event that a request to pay using the card is made to the cardholder, they must only do so only upon receipt of a formal documented request with appropriate approval.</p> <p>15. Finance should establish alternative arrangements for a card to be available in the absence of the named cardholder. It may also be appropriate to make staff aware that there is a corporate credit card held by the Finance Department for certain types of payments (subject to the appropriate approval/ authorisation within their department).</p>	Medium	Sian Southerton/ Carolin Martlew	<p>14. Agreed: This will be incorporated into the procedure. The cardholders are also currently provided with instructions on viewing their accounts online so that they can monitor the transactions. This guidance will be reissued with the new procedure.</p> <p>15. Agreed: an alternative cardholder will be identified.</p>

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Audit Progress

At the Audit & Governance Committee meeting of 22 February 2018, the Committee agreed an outline plan for the section for 2018/19.

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

<u>Code</u>	<u>Title</u>	<u>Work performed</u>
RE03	Main Accounting	<ul style="list-style-type: none"> • Audit review of Budget processes under the e5 system Reported to A&GC 26/7/18 • Input to revised Financial Regulations progressed by Finance which have been reviewed by the Constitution Working Party and are due for approval by Full Council in July 2018
RE04	Purchase Ledger	<ul style="list-style-type: none"> • Review of processes for corporate credit cards Reported to A&GC 15/11/18
RE08	Payroll	<ul style="list-style-type: none"> • Monthly joiners and leavers checks • Enhanced key control checks review being progressed
CS16	Housing Benefit (& Council Tax Reduction)	<ul style="list-style-type: none"> • Liaison with Finance, Procurement, Benefits and external audit in respect of arrangements for future Housing Benefit Subsidy Claim certification • Monthly new claim calculation checks
CS17	Council Tax	<ul style="list-style-type: none"> • Annual test checks on CT precept calculations
CP03 MS01	Corporate Governance Annual Governance Statement	<ul style="list-style-type: none"> • Annual review of compliance against the Council's local Code of Corporate Governance • Identification of updates required to the Council's Code of Corporate Governance • Preparation of the updated Annual Governance Statement • Draft AGS published on website with draft Accounts (by 31 May) and provided to external audit Reviewed by G&R Group 4/18 Reported to A&GC 26/7/18
MS03	RIPA	<ul style="list-style-type: none"> • Advice provided to service areas in respect of queries concerning possible use of surveillance, whether this would fall within the scope of the RIPA legislation and other options available • Review of (Home Office) Code changes • Updates to Council's RIPA Policy being drafted
MS04	NFI	<ul style="list-style-type: none"> • The NFI Council Tax Single Person Discount exercise reports were received in December 2017. Review was delayed awaiting an updated version of the Electoral

		<p>Roll to assist in the identification of records that have already been altered</p> <p>This has now been completed – large numbers of ‘false’ matches have been excluded and the remaining cases passed to Revenues for consideration. Revenues have removed SPD from 77 cases and re-billed c.£61k</p> <p>‘Rising 18’ cases were also reviewed and a small number of queries passed to Revenues</p> <p>Information on the NFI is included in the Annual Counter-Fraud Report</p> <ul style="list-style-type: none"> • Liaison with service areas / preparation for files to be submitted in October 2018. Checking of files received and liaison with service areas regarding issues prior to submission to the Cabinet Office
RE07	Income Collection / Systems	<ul style="list-style-type: none"> • Notes drafted and circulated on electronic payment processing and PCI-DSS issues outstanding. AllPay contract is due to expire in 2020 and a corporate decision / project will be required to consider future electronic payment processing (currently mix of AllPay and Capita) in line with future ICT Strategy and Customer Access Strategy
CP02	Information & Data Governance	<ul style="list-style-type: none"> • Liaison with relevant staff in respect of GDPR preparation requirements and review of draft policies / changes, prior to their presentation to CMT <i>Regular updates are being provided to CMT by the Group Head of Council Advice & Monitoring Officer</i> • Consideration of the legal basis for Internal Audit holding and ‘processing’ personal data and relevant Privacy Notices (e.g. for the NFI) – published on Council website • Review of data and documents held by Internal Audit and destruction in line with agreed retention strategies
CP04	Risk Management	<ul style="list-style-type: none"> • Review of Strategic Risk Register and proposals for update for agreement by Governance & Risk Group • Updated SRR discussed with CMT and lead officer and member for risk • Updated SRR presented to A&GC 15/11/18
CS12	Information Technology	<ul style="list-style-type: none"> • Review and update of the work performed in 2014 on Disclosure & Barring Service (DBS) checks for staff (linked to the Council’s Public Services Network certification and use of DWP and GCSx services). Results were passed to the HR Manager for review and update • Draft ICT Service Strategy reviewed and comments provided • Attended initial presentations on Office 365 – consideration of ‘cloud’ security issues to be progressed
CS14	Information Security Policies	<ul style="list-style-type: none"> • Linked to GDPR, Information Security Group (ISG) discussion and review of policies e.g. Information Security Policy and the Internet & Email Acceptable Usage Agreement • Review and update of policies for approval by CMT and ICM

		<ul style="list-style-type: none"> Liaison with ICT staff regarding the processes for staff testing on the policies via e-form
CS15	PCI-DSS Compliance	<ul style="list-style-type: none"> Confirmation with Contact Centre management that the Red Box software installed as part of the telephony upgrade operated effectively in muting call recording when card payments are being taken by telephone to meet PCI-DSS compliance requirements Notes on outstanding PCI-DSS issues circulated – ICT to obtain a consultant update on the 2014 assessment, to consider the viability of potential alternative methods of handling payments (e.g. chip & pin, IVR, call hand-off, etc.)
PR07	FMS Support / Replacement	<ul style="list-style-type: none"> A review of 'lessons learnt' from the implementation of the new e5 system has been progressed, together with consideration of changed budget preparation processes. (The draft report was discussed at CMT on 17/7/18) Reported to A&GC 15/11/18 As a result of this, a number of control issues regarding the alteration and re-authorisation of orders were discussed with staff in Procurement, Finance and a number of service areas. Data extracts were used to identify the extent of the issue and to identify the areas involved Further monthly data testing on order amendment issues
IN02 CP05	Fraud & Corruption Fraud & Corruption	<ul style="list-style-type: none"> Compilation of data for publication to meet Government Data Transparency Code requirements Compilation and submission of data for CIPFA annual fraud survey Preparation of Annual Counter-Fraud Report Reported to A&GC 26/7/18
AD08	Audit Standards & Quality (PSIAS/QAIP)	<ul style="list-style-type: none"> Update of appropriate Arun internal audit documents Preparation of self-assessment to be used in Arun's future EQA Undertaking the External Quality Assessment (EQA) for Wealden DC and providing a report on the outcome (this is on a mutual support basis across the Sussex Audit Group)
ES01	Environmental Health	<ul style="list-style-type: none"> Liaison with Project Manager in respect of testing / development and preparation of data for migration to the new system The amount of work involved and resourcing issues have now required the implementation of Phase 1 of the project to be put back to September 2018, after which Phase 2 will progress
ES06	Leisure Strategy / Management	<ul style="list-style-type: none"> A governance review of the new leisure centre project is being progressed
CP06	Ethics	<ul style="list-style-type: none"> A review of ethical issues (as recommended by CIPFA) is being progressed
CP08	Travel & Subsistence	<ul style="list-style-type: none"> Analytical review of car use / mileage commenced at the request of the CEO

CP13	Grants & External Funding	<ul style="list-style-type: none"> Sample testing of disabled facilities grant cases in order to provide certification to WSCC on the use of the Integration and Better Care Fund: Disabled Facilities Grant Capital Determination 2017-18
CS01	Housing Services - Homelessness	<ul style="list-style-type: none"> A review of the processes in place for dealing with homeless cases has been progressed and interim finding reported to Housing management. Further work is on hold, pending a possible restructure and review of processes in the area
CS06	Human Resources	<ul style="list-style-type: none"> At the request of the Human Resources Manager a review of the Council's Job Profiling scheme to ensure that it is being applied consistently / decisions was undertaken, in conjunction with Unison
MS05	Contract Checking	<ul style="list-style-type: none"> Sample checks on contract compliance with Council Standing Orders and contract management in respect of financials
RE05	Value Added Tax	<ul style="list-style-type: none"> Review and update of the work performed in 2015 on validity and recording of VAT Registration numbers (now in the e5 financial management system). Results were passed to the Council's Insurance & Risk Officer for review

Date of Meeting: 15 November 2018			
Statement of Accounts			
Agenda Items	Subject	Lead Officer/Member	Comments
	There are no items currently planned for this meeting		
External Audit			
1	Annual Audit Letter	Ernst & Young	
2	Annual Certification Report 2017/18	Ernst & Young	Certification of the Housing Benefit Subsidy Claim
Governance Framework			
3	Updated Strategic Risk Register	Chief Internal Auditor	
Treasury Management			
4	Treasury Management Interim Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (9/1/19)
Internal Audit			
5	Update on the work of Internal Audit	Chief Internal Auditor	
6	Findings from the Financial Management System audit review	Senior Internal Auditor	
Other Items			
7	Independent Remuneration Panel – Update on the recruitment of new members	Committee Manager	
8	Update on the progress of Council-owned companies	TBC	
Work Programme			
9	To agree the rolling work programme for 2018/2019	Chief Internal Auditor	Updates, etc.

Date of Meeting: 14 February 2019			
Statement of Accounts			
Agenda Items	Subject	Lead Officer/Member	Comments
1	Accounting Policies for 2018/19 Accounts	Financial Services Manager	If CIPFA advise of any changed requirements, then an update will be provided at the July meeting
External Audit			
2	Audit Plan (and Progress Report)	Ernst & Young	Covering the audit of the 2018/19 Accounts
Governance Framework			
	There are no items currently planned for this meeting		
Treasury Management			
3	Treasury Management Strategy Statement and Annual Investment Strategy	Senior Accountant (Treasury Management)	For approval by Full Council (13/3/19)
Internal Audit			
4	Annual Internal Audit Plan	Chief Internal Auditor	
5	Update on the work of Internal Audit	Chief Internal Auditor	
Other Items			
6	Update on the progress of Council-owned companies	TBC	
7	Update on the progress against recommendations from the Partnerships audit (as included in the Annual Governance Statement 2017/18)	Group Head of Policy	
Work Programme			
8	To agree the rolling work programme for 2019/2020	Chief Internal Auditor	

February meeting has to be timed so that Treasury Management Strategy can be approved by Full Council before 31/3/19

Date of Meeting: 30 July 2019 (TBC)			
Statement of Accounts			
Agenda Items	Subject	Lead Officer/Member	Comments
1	Final Statement of Accounts 2018/19	Financial Services Manager	Draft version will be provided to external audit and posted on the Council's website at 31 May 2019
2	Annual Governance Statement	Chief Internal Auditor	Draft version will be considered by Chairman / Vice Chairman in May, provided to external audit and posted on the Council's website at 31 May 2019
External Audit			
3	Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chairman	Letter will be agreed with (2018/19) Chairman and sent to external audit in April
4	Audit Results Report – ISA 260	Ernst & Young	
5	Annual Audit Fee Letter	Ernst & Young	
Governance Framework			
6	Local Code of Corporate Governance	Chief Internal Auditor	
Treasury Management			
7	Treasury Management Annual Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (date TBC)
Internal Audit			
8	Annual Internal Audit Report & Opinion	Chief Internal Auditor	
9	Update on the work of Internal Audit	Chief Internal Auditor	
Other Items			
10	Annual Counter-Fraud Report	Chief Internal Auditor	Any urgent updates can be provided at other meetings
11	Chairman's Annual Report To Council	Chairman	To be presented to Full Council
12	Update on the progress of Council-owned companies	TBC	
13	Annual update on use of RIPA powers in the previous Municipal Year	Chief Internal Auditor	
Work Programme			
14	To agree the rolling work programme for 2019/2020	Chief Internal Auditor	Updates, etc.

Other items to be considered in Work Programme:-

Independent Members' Remuneration Panel

- Recruitment / appointments
- Proposals for / progress of review
- Report on review / proposals for change to be passed by A&GC to Full Council

Property Investment Fund

- Progress reports, once it starts operating (Property & Estates Manager)

Local Property Company

- Progress reports, once it starts operating (S151 Officer / Cabinet)

Governance & Risk Group updates

Relevant policy reviews, updates, etc.

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2018/2019

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