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AUDIT & GOVERNANCE COMMITTEE

22 February 2022 at 10.00 am

Present: Councillors Clayden (Chair), Chapman (Vice-Chair), Chace, Goodheart, Haywood, Oliver-Redgate, Oppler, Staniforth and Tilbrook

658. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Northeast.

659. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

660. MINUTES

The Minutes of the meeting held on 16 November 2021 were approved by the Committee. These would be signed at the end of the meeting.

661. PUBLIC QUESTION TIME

The Chair confirmed that no questions were submitted for this meeting.

662. AUDIT RESULTS REPORT

The Chair invited the Associate Partner, Kevin Suter and the Audit Manager, James Stuttaford, from Ernst & Young LLP to present the Audit Results Report. Following the completion of the audit, they were proposing to give an unqualified audit opinion, and there were no matters to report by exception within their reports covering their value for money responsibilities. They provided an overall summary of the report and highlighted some areas that had changed since the report had been written.

Page 11 gave a scope update compared to audit planning that they provided last year. There was a change in materiality, made following receipt of the draft financial statements. Additional work had been done around pensions, and the pension specialists had no issues to raise. There was also some additional work regarding Covid-19, which did not impact the overall work. Page 12 showed the status of the audit, all the outstanding items had since been closed down, and all that was required was the signed version of the accounts, and the signed management letter of representation. Currently, they were unable to certify the audit as were waiting on the Whole of Government Accounts Group audit instruction. Page 13 summarised the value for money, for which they would provide a detailed report at the Auditors Annual Report, however there were no risks to report. Page 14 showed the areas of audit focus, there were no matters to report on the first and second fraud risks. Following conclusion of the work after the report had been written they had identified a difference in the valuation for The Arcade, Bognor Regis, which they considered to be an overstatement

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of £316,000. This value was not material overall to the statement, so they had not requested an adjustment to the accounts. Another area of audit focus was the pension liability valuation, for which they had noted a difference of £662,000 between estimated gross asset value compared to their estimate. This was again immaterial to the overall accounts, so they had not requested adjustment. New for this year was the Accounting for Covid-19 Related Grant Income, for which there were no matters to report, however the Summary of Audit Differences on Page 29 did show a corrected difference. This was due to the consideration of what was classed as a principal or an agent grant. They found to be £2.3 million worth of grants that were principal grants rather than agent grants and had asked this to be brought into the accounts.

The fees area on Page 38, provided a table of their final fees from 2019/20, which was approved by PSAA and had now been paid. They had also given an update to the final fee for 2020/21, they were unable to provide a final fee at this stage, as they did not yet have a total that would relate to scale fee rebasing. They were hoping that this would be provided with the Auditors Annual Report.

The Associate Partner highlighted that they had received correspondence from a member of the public regarding the redevelopment of Bognor Regis and the Levelling Up Fund. After making some enquiries they had concluded this had no impact on the current year's audit, however as this was a major project, they would be looking into this in relation to Value for Money Risk Assessment.

A discussion then took place, and the following points were raised:

- Tribute was paid to the work of the auditors and the financial team. It was thought this was an excellent report.
- Clarification was requested regarding the differences identified on page 14, which was provided.
- Clarification was requested on the overstatement on the Arcade valuation, which was provided.

This was an item for information only.

663. ANNUAL STATEMENT OF ACCOUNTS 2020/21 AND LETTER OF REPRESENTATION

Upon invitation of the Chair, the Interim Group Head for Corporate Support introduced her report. She explained it was very good news that the audit had been completed and the Council would receive an unqualified audit opinion, also that we were one of the earliest District Councils in West Sussex to have their audit completed. She also noted that where the accounts had been amended regarding the Covid-19 grants, the effect on the bottom line was zero, as the expenditure had gone up by the same amount as income. There were also two uncorrected misstatements which were below the materiality for adjustments. These were technical adjustments and did not affect funds available for the provision of service.

There were no questions from Members.

The recommendations were Proposed by Councillor Chapman and Seconded by Councillor Haywood.

The Committee

RESOLVED that

- 1) The findings of the Ernst & Young Audit Results Report (previous item on the agenda) be noted.
- 2) The Letter of Representation on behalf of the Council in Appendix 1, be approved.
- 3) The Statement of Accounts for the financial year ended 31 March 2021 (Appendix 2) be approved.

664. FINAL ANNUAL GOVERNANCE STATEMENT 2020/21

Upon invitation of the Chair, the Internal Audit Manager introduced the report. He explained that the Annual Governance Statement was required as an accompaniment to the Annual Accounts. The draft version was noted by the Committee at its July meeting and had since been reviewed along with the Accounts by external audit, who raised no queries on it. As there had been an unusually long delay in presenting the final version, some minor updates had been applied where target dates for actions that were included in the draft had now passed, these were highlighted in the document.

The recommendations were Proposed by Councillor Chace and Seconded by Councillor Chapman.

The Committee

RESOLVED

That the final version of the Council's Annual Governance Statement for 2020/21 be approved.

665. APPROVAL OF ACCOUNTING POLICIES 2021/22

Upon invitation of the Chair, the Interim Group Head for Corporate Support introduced her report. There were no major changes for 2021/22, and in practice there were limited opportunities for an authority to choose its accounting policies.

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It was asked when there was likely to be a change to accounting policies. The Interim Group Head for Corporate Support explained that the accounting policies were reviewed annually by the Accounting Standards Panel.

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

The Committee

RESOLVED

That the accounting policies that will be applied to the Statement of Accounts 2021/22 be approved.

666. PROVISION OF INTERNAL AUDIT SERVICE TO THE COUNCIL

The Chair welcomed Neil Pitman, Head of Southern Internal Audit Partnership, to the meeting.

The Chair then invited the Interim Group Head for Corporate Support to introduce the report. She explained that report outlined difficulties in recruiting and maintaining suitably qualified audit staff and highlighted the recommendations.

The Head of Southern Internal Audit Partnership then gave his presentation to the Committee, a copy of which would be uploaded to the Council website after the meeting.

Members then took part in a question and answer session, and the following points were raised:

- Members were grateful for the work of the Internal Audit Team, but this could not continue with just one Senior Auditor. Thanks were also given to the Interim Group Head for Corporate Support for maintaining the budget at a sustainable level.
- Going into partnership with a professional Local Government organisation meant there would be no cultural barrier.
- Members thanked the Head of Southern Internal Audit Partnership for his presentation.
- The numbers of new partners that would be taken on by Southern Internal Audit. The Head of Southern Internal Audit Partnership explained that they had grown fairly organically over the past 8-10 years, and they tended to go through a period of taking on new partners, then a period of consolidation.
- The level of involvement and support Southern Internal Audit Partnership would be able to offer with the regeneration projects. The Head of Southern Internal Audit Partnership explained they sometimes sat as a critical friend in an advisory capacity, but this was with regard to

governance risk and control rather than bringing detailed expertise in the particular field.

- It was asked how the contract would be worked out, and how it was decided how many days they would be contracted for. The Head of Southern Internal Audit Partnership explained they were currently going through a process to look at the Council's needs, and they would look at a baseline number of days, which is what they would charge for. If this was exceeded there would not be an additional charge as long as parity was restored over 3 years.
- The length of contract. The Head of Southern Internal Audit Partnership explained it would be an initial commitment of 5 years and after that period there was a notice period of 12 months should the Council wish to cease the partnership.

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

The Committee

RESOLVED that

- 1) It be confirmed to the Corporate Support Committee that that Southern Internal Audit Partnership (SIAP) can be appointed as the Council's Internal Audit Service provider from 1 April 2022, being one of the possible options.
- 2) Authority be delegated to the Interim Group Head of Corporate Support, to agree the Internal Audit Plan for 2022/23 before 31 March 2022

The Committee also

RECOMMEND TO THE CORPORATE SUPPORT COMMITTEE

- 1) That the consequential changes in staffing arrangements to provide the Council with a suitably resourced Internal Audit service with effect from 1 April 2022 be approved.

667. PROGRESS UPDATE ON HOUSING TENANCY FRAUD

Upon invitation of the Chair, the Neighbourhood Services Manager introduced the report. She explained that the post had been vacant during 2020 while Neighbourhood Services undertook a full restructure. The new Fraud Investigation Officer had been in post since June 2021. During that 7 month period there had been 78 referrals, and 8 cases of fraud had successfully been prevented, which had saved the Council just under £300,000. The Fraud Investigation Officer had developed the service and developed close joint working with other organisations. They had also

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developed better education and enforcement, including knowing their tenants such as keeping photos on file, using general intelligence and conducting visits. The team were also expected to attend a Tenancy Fraud Forum Conference in 2023 to further develop their knowledge and awareness in the area.

There were no questions from Members.

The Chair highlighted that this was an important issue, and was pleased with the number of cases identified. He would welcome another progress report next year.

The contents of the report was noted by the Committee.

668. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

Upon invitation of the Chair, the Senior Accountant (Treasury) introduced the report. She highlighted key areas in the report including on Page 66, the revised Treasury Management and Prudential Code published on 20 December 2021, which needed to be formally adopted by 2023/24. Due to the timings these had not been adopted as part of this strategy, but would be for the 2023/34 strategy. Page 70 showed the last Members' briefing was held in July 2021, and she would be arranging another session for 2022. Page 278 3.3 showed the bank interest rate was likely to increase to 0.5% on 01 February 2022, so some of the information was now out of date. Link Group, the treasury advisors, had since changed their forecast on 7 February 2022, expecting the base rate to go to 0.75% in March, 1% in June and 1.25% in December 2022. Page 289 showed 2 new counterparties had been added, both of which were in category 1, the highest rated category. These were introduced for diversification, and also as Qatar was currently on negative watch, so no new investments would be added with them at this time. Page 289 mentions the Council used to use a 7 day LIBID for benchmarking, but this ceased at the end of 2021, and they have now introduced a risk-free SONIA rate. The Council has also just subscribed to the Link Group Benchmarking Club. Appendix 2 shows the MRP Policy currently out for consultation which closes in February 2022.

A discussion then took place, and the following points were raised:

- Page 269 mentioned the possibility the Council may wish to borrow for general fund purposes at some point in the future. It was asked whether this was likely. It was confirmed this was unlikely at this time, however it remained a possibility in the future.
- Consultation with CIPFA potential changes. The Interim Group Head for Corporate Support confirmed Members would be consulted.
- It was asked if there were any future plans to offer additional training to Members. It was confirmed the Link Group carried out a training session each year. The Interim Group Head for Corporate Support said it was important Members were aware of risk with regards to decisions, and trainers or consultants would be brought in when appropriate.

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

The Committee

RECOMMEND TO FULL COUNCIL that

- 1) The Treasury Management Strategy Statement for 2022/23 to 2024/25 be approved and adopted.
- 2) The Annual Investment Strategy for 2022/23 to 2024/25, including the addition of new counterparties; JP Morgan Chase Bank and National Australia Bank, be approved and adopted.
- 3) The Prudential Indicators within the TMSS and AIS for 2022/23 to 2024/25 as contained in appendix 1 and the body of the report be approved.

669. PROGRESS AGAINST THE AUDIT PLAN

Upon invitation of the Chair, the Internal Audit Manager introduced the report which outlined the main areas of work undertaken by the Internal Audit section to January 2022. There was ongoing business grants work relating to scheme reconciliations, counter-fraud and pre and post-payment assurance checks as required by the Department for Business, Energy & Industrial Strategy (BEIS). This covered old schemes from 2020 and 2021, and also the progress of the Omicron Hospitality & Leisure Grant (OHL) and Additional Restrictions Grant (ARG) top-up that had been announced in January 2022. These final schemes were scheduled to end on 31 March 2022 after which there would be requirements for reconciliation further sample evidence to be provided to BEIS. The Government had also announced its Council Tax Energy Rebate scheme, with payments to be made by the Council from April 2022, and guidance on the assurance checking required for administering this were awaited from the Department for Levelling Up, Housing & Communities.

There were no questions from Members.

The report was noted by the Committee.

670. FEEDBACK & COMPLAINTS POLICY

This was a report asking Committee to adopt the Feedback & Complaints policy attached as appendix 1. The Interim Group Head of Law & Governance introduced the report. He explained the Council had always had a Complaints Policy within the Constitution. When the Constitution was reviewed, the opportunity was taken to review the Complaints Policy and remove it from the Constitution as it was an operational not a constitutional document. The review took account of guidance issued by the Housing

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Ombudsman and the Local Government and Social Care Ombudsman. Guidance from the Housing Ombudsman made it difficult to continue with a one stream complaints process. The Housing Ombudsman Guidance stated that after the final stage (our Stage 2), the complainant should be given the opportunity to go to a Designated Person, which had now been built into the complaints process. Further the Housing Ombudsman required that before the Stage 2 decision was notified, that the complainant be given sight of the draft and the opportunity to comment. Two streams for Stage 2 of the complaints process had now been created, stream 1 would be for Corporate Complaints which would not change. Stream 2 would be for housing complaints, where the requirement to consult with the complainant be inserted. The Interim Group Head of Law & Governance went onto explain each of the appendices attached to the report.

A discussion then took place, and the following points were raised:

- Whether the Designated Person could be a Councillor of any level, such as Town, Parish or County. The Interim Group Head of Law & Governance stated that this should be a District Councillor, as Housing was a District function.
- The content of the policies and whether they contradict the Housing Ombudsman Complaint Handling Code – it was stated that the purpose of this review was to align the policies with the complaints handling Codes.
- Would members of the public be able to choose which Councillor they approached as the Designated Person? The Interim Group Head of Law & Governance explained the Designated Person would be any Ward Councillor of the complainant's choice.

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

The Committee

RESOLVED that

The Complaints Policy, attached as appendix 1, be adopted.

671. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 11.29 am)