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Subject to approval at the next Audit & Governance Committee meeting

226

AUDIT & GOVERNANCE COMMITTEE

21 November 2019 at 6.00 pm

Present: Councillors Mrs Erskine (Chairman), Mrs Haywood (Vice-Chair), Bennett, Bicknell, Brooks, Chapman, Clayden, Dendle, Ms Thurston and Tilbrook

Apologies: None

307. DECLARATIONS OF INTEREST

There were no declarations of interest made.

308. MINUTES

The Minutes of the meeting held on 30 July 2019 were approved by the Committee as a correct record and signed by the Chairman.

309. ANNUAL AUDIT LETTER - ERNST & YOUNG

Jason Jones from Ernst & Young presented the Annual Audit Letter and confirmed that the purpose of the letter was to communicate any key issues arising from Ernst & Young's audit work.

Members were reminded that Ernst & Young had already reported its detailed findings from its 2018/2019 Audit Results Report to the Committee at its last meeting held on 30 July 2019. The letter brought the 2018/19 audit to its conclusion.

The Annual Audit Letter reconfirmed that Ernst & Young had issued an unqualified audit opinion from the 2018/2019 Audit Results Report and an unqualified value for money conclusion in July 2019.

Jason then drew Members' attention to some sections within the report entitled, Purpose and Responsibilities; Value for Money; and Leases. Some updates were provided to the Committee.

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

310. TREASURY MANAGEMENT MID-YEAR REPORT

The Senior Accountant presented to the Committee the Treasury Management Mid-Year Review Report for 2019/2020 and advised that this covered activities to 30 September 2019 in detail.

Some updates were provided to the Committee. The Treasury Management Training provided to Members prior to this meeting had outlined the changes happening in treasury management and covered a number of elements from the report.

Two further key points highlighted to Members were:

- The Council's budgeted investment return for 2019-20 was £596,000 (1.24%). The estimated outturn for 2019/20 was £750,00 (1.38%), which showed that the original budget would be exceeded.
- Attention was drawn to the graph on page 43 of the agenda that showed the movement in Public Works Loan Board (PWLB) certainty rates for the first 7 months of the year. On 9 October 2019 the Treasury and PWLB announced an unexpected increase in the margin over gilt yields. As this was unexpected it now means that every local authority needs to reassess how to finance any external borrowing needs and the financial viability of capital projects.

The Committee agreed to

RECOMMEND TO FULL COUNCIL – That

- (i) it approves the actual prudential and treasury indicators for 2019/20 contained in the report;
- (ii) it notes the treasury management mid-year review (this report) for 2019/20;
- (iii) it notes the treasury mid-year activity for the period ended 30th September 2019, which has generated interest receipts of £400,050 (1.39%) year to date, against a budget of £596,000 (1.24%) for the full year.

311. UPDATE ON THE PROGRESS OF THE COUNCIL'S PROPERTY INVESTMENT FUND (PIF)

The Property & Estates Manager provided Members with an overview of the report update. He explained that the current property investment strategy had been adopted by Full Council in 2017 and it established a framework for the Property Investment Fund (PIF).

Audit & Governance Committee - 21.11.19

He highlighted to Members the sale of the former Daisyfields camp site adjacent to Cornfield Close in Littlehampton for just under £2.7 million once the section 106 contributions had been deducted. The purchase of the Arcade off the High Street in Bognor Regis. Since the purchase the occupancy of the ground floor units had improved, and the Council was continuing to explore options for the upper floors as the original plans for Office space or student accommodation had been deemed unviable.

Members had a full discussion on the update provided, in particular around the level of concern at the repairs backlog that was the driver for the decrease in threshold within the property investment strategy. It was explained that a 5-year plan had been put together to ensure the management of the repairs would be executed well but that the plan would need to be prioritised against available funds. The Property & Estates Manager confirmed the importance of ensuring that the Council looked after its assets and kept them in the conditions that met the compliance expectations. To this end, the repairs now needed to be considered as a priority. The Chairman reconfirmed this priority by stating that the reputation of the Council would be significantly impacted if it failed to look after its assets and leases properly. There was an initial reluctance to agree the recommendation that was put before Members in the report as it was felt that this could lead to the selling-off of Council assets without any subsequent investment, however all agreed after the explanation put forward by the Property and Estates Manager that action needed to be taken now. The Group Head of Corporate Support responded to the request of a full report detailing all repairs needed by advising Members that he would need to take legal advice on this request, however further details would be seen in the budget report going to Full Council in January 2020. He advised Members to consider the impact of not making this recommendation to Cabinet in relation to the Council's obligations to its tenants and meeting compliance regulations.

It was then agreed that figures were to be provided to Members on the detail of the work required at the next meeting of the Committee and that the Work Programme be updated to reflect this.

The Committee agreed to recommend to Cabinet that they put forward to Full Council that:

- i. The 75% threshold within section 5.1 of the Property Investment Strategy 2017-2022 be changed to 50%.

312. UPDATED STRATEGIC RISK REGISTER

The Committee received a report from the Internal Audit Manager outlining that the Council's Strategic Risk Register (SRR) had been reviewed and updated to reflect changes since its last update in November 2018.

In relation to the current document, the highest (red) risks remained the same as those last year. However, the Local Plan risk was removed by the Director of Place as it had been adopted in 2018 and the Littlehampton Leisure Centre risk was also removed as the building has been commissioned and opened last year.

It should be noted that the SRR is a 'point-in-time' document (although the risks would be on the radar of Corporate Management Team (CMT) and Officers). In order to meet Committee timescales, it was reviewed and updated by the Governance & Risk Group (chaired by the Director of Place) in late September and considered by CMT in October 2019.

Since that time, it would be noted that there has been a Snap General Election called and also an extension to the target date for Brexit. In addition, a report on additional Council strategic targets was presented to Full Council on 13 November 2019. In light of these, it has already been decided to conduct an interim Officer review in January so that a further updated SRR can be brought back to the Committee at its February 2020 meeting. In view of the revised targets proposal, it was also anticipated that the Local Plan would be brought back on to the SRR, along with a new risk on Climate Change. By that time, the outcome of the General Election would be known, and the result will then impact the direction and progress of Brexit.

Members had a full discussion on the SRR, the key points were:

- Item 6a Homelessness as there were a host of issues on this topic it was suggested that should a review of the Local Plan take place, it considered the need to house those in temporary accommodation and to cut waiting lists as a priority.
- Item 17 Elections it was suggested that the Fixed Term Parliament Act was not working and that this risk should be given a higher priority. The Internal Audit Manager agreed to feed this into the January 2020 review.

The Committee then noted and approved the revised Strategic Risk Register.

313. RESULTS OF THE EXTERNAL QUALITY ASSESSMENT (EQA) ON THE COUNCIL'S INTERNAL AUDIT SERVICE

The Chairman invited Councillor Chapman to provide his input as the timeline for the report covered his term in office as Chairman of this Committee. The key points from his statement were:

- The overall assessment of the Audit service of the Council was that it conforms to the standards required
- The Committee should note the response on the remedial actions provided by the Internal Audit Manager
- Progress and timescales to be reported to the Committee and it was imperative that Members were to be fully supportive of the work to be undertaken.
- The continued provision of an effective Internal Audit service within the control of the District would be an underlying critical success factor in future.

Audit & Governance Committee - 21.11.19

- Thanks was given the producer of the report and the internal team for their continued personal diligence in providing an internal audit service.

The Internal Audit Manager advised Members that he fully supported the recommendations in the report.

The Committee agreed to note the contents of the report and agreed the action plan.

314. UPDATE ON THE STATUS OF THE COUNCIL'S BUSINESS CONTINUITY PLANNING (BCP) ARRANGEMENTS

An interim report update was provided in the Agenda pack and was noted by the Committee with a full officer report planned for February 2020 meeting.

315. UPDATES TO THE COUNCIL'S ANTI-FRAUD, CORRUPTION & BRIBERY POLICY

The Internal Audit Manager introduced his report and provided Members with a detailed overview of the key points. These were:

- Legislative changes
- Changes to the Council's structure
- Updates to the Council's constitution and Officer Code of Conduct

The Committee RECOMMEND to Full Council

That the Council's Anti-Fraud, Corruption and Bribery Policy be adopted.

316. UPDATES TO THE COUNCIL'S CORPORATE POLICY & PROCEDURE DOCUMENT ON THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (AS AMENDED, INCLUDING THE INVESTIGATORY POWERS ACT 2016)

The Internal Audit Manager provided Members with an overview of his report and highlighted the following key points:

- The change from the Office of Surveillance Commissioners (OSC) to the investigatory Powers Commissioners Office (IPCO)
- The implementation of the Investigatory Powers Act (IPA) 2016, removing communications data from RIPA and having a separate processing and authorisation procedures
- Changes to the Council's structure

He also stated that Members should note that the Council had not made use of any powers under RIPA since 2010. A report and or update on any usage would be provided to the Committee annually.

Members commended the Internal Audit Manager for his work on this item.

The Committee RECOMMEND to Full Council, That:

- (1) the Council's corporate policy & procedure document on the RIPA 2000 (as amended, including the Investigatory Powers Act 2016) be adopted
- (2) if there are any minor changes resulting from the IPCO inspection in December 2019 authorisation be given to the Internal Audit Manager in consultation with the Chairman to make these minor changes.

317. UPDATE ON THE WORK OF INTERNAL AUDIT

The Committee received and noted the contents of the report provided.

318. SUMMARY OF FINDINGS FROM REPORTS ISSUED FEBRUARY - OCTOBER 2019

The Committee received and noted the summary of findings from reports issued February to October 2019.

319. INFORMATION / ADVISORY DOCUMENTS RECEIVED

There were no updates on this item.

320. WORK PLAN REVIEW 2019/20

The Committee received and noted its rolling Work Programme.

(The meeting concluded at 8.00 pm)