

Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room Two, East Pallant House, Chichester, on Thursday, 21 March 2013 at 09.30am

Members (10)

Mrs P M Tull (Chairman)
Mr A J French (Vice-Chairman)

Mrs C M M Apel
Mr M Bell
Mr J Cherry
Mr T Dignum

Mr G H Hicks
Mr R Marshall
Mr G V McAra

Present (9)

Apologies for absence:

Mrs P A Hardwick

Officers Present

Mr P Over, Executive Director of Support Services & the Economy
Mr J Ward, District Treasurer
Mrs B Jones, Principal Scrutiny Officer

Officers Present for Specific Items Only

Mrs H Belenger, Accountancy Services Manager
Mr M China, Assistant Director of Health Protection & Environmental Management
Ms N Golding, Principal Solicitor
Mr S James, Principal Auditor
Mr D Stewart, Legal Practice Manager
Ms P Robinson, Senior Revenues Officer

Chichester District Council Members present as observers or contributors

Mr J Connor
Mr S Oakley
Mr P Clementson

111. Minutes

RESOLVED

That the Minutes of the meeting held on 17 January 2013 be signed as a correct record.

112. Urgent Items

There were no urgent items for consideration at this meeting.

113. Declarations of Interest

There were no declarations of interest.

114. Public Question Time

No public questions had been submitted.

115. Ernst & Young : Annual Audit Plan year ending March 2013

The Chairman welcomed Mr Mark Catlow and Mr Neil Aitken to the meeting. In presenting Ernst & Young's Audit Plan circulated with the report, Mr Catlow advised that he considered the audit grant certification fee was set too low taking into account the volume of council audit required. Ernst & Young will review the level of fees in consultation with the Audit Commission and will report to the next meeting on any adjustment which may be required.

In response to a question from Mr Dignum, Mr Catlow confirmed that the materiality level set is in the region of 1%-2% on gross expenditure and that Ernst & Young complies with current practice in this regard. Mr Dignum raised his concern at what he considered a high level. Mr Ward confirmed that all financial misstatements are discussed with the District Treasurer so there is full disclosure of those misstatements under £75,000; above this figure is reported in the year-end report.

One of the Value for Money indicators due for review is the spend per head on services which is currently in the top five per cent for districts. Mr Ward advised that the authority is currently reviewing high cost services through the Cabinet rather than through Corporate Governance & Audit committee, and we should not duplicate that work.

RESOLVED

- 1) That Ernst & Young's proposed audit approach and the scope of their 2012/13 audit be noted.

116. Accounting Policies

The committee considered the report circulated with the agenda. Mrs Belenger explained the amendments in Appendix 1 and asked the committee to agree an additional amendment in relation to issues that affect our 2012/13 statement regarding non-domestic rates and how we reflect that in our accounts.

The Valuation Office had provided some detail on outstanding appeals on non-domestic rates which go back a number of years and the authority may have to refund a substantial sum of money on these. Mr Ward also advised that the introduction of the flat rate pension a year early in April 2016 will result in the authority being required to pay increased national insurance contributions of roughly £330,000 per annum. The other risk is the triennial review of the pension fund and whether our contribution will need to be raised.

RESOLVED

That the amendments to the Accounting Policies as shown in Appendix 1 to the report and the additional amendment stated above be adopted for the financial year ended 31 March 2013.

117. Risk Management Review : Risk Register

The committee considered the report circulated with the agenda. Mrs Belenger advised that the strategic and organisational risk action plans included at appendices two and three were very much work in progress and would now be developed with CMT and officers to ensure that mitigation actions were complete and risks were not over-stated.

Mr McAra suggested that potential litigation should be part of the strategic risk register as the cost to the authority of future planning appeals may be high. Mr Ward advised that this risk would be monitored as part of the Balanced Budget strategic risk.

Mr Marshall suggested that risks like coastal defence required a more integrated approach and should be included as a corporate risk rather than sitting under one service area. Mrs Belenger advised that Business Continuity would pick up disaster recovery elements.

Mrs Tull, Mr Marshall and Mr Hicks volunteered to become members of the new Strategic Risk Group. It is proposed that the first meeting of this Strategic Risk Group will be in September 2013 to review risks before a mid-year report on risks comes to this committee in November.

RESOLVED

- 1) That the strategic and organisational risk registers are approved.
- 2) That the action plans to manage and control strategic and operational risks are developed and a mid-year report on risk is presented to the November meeting of this committee.
- 3) That Mrs Tull, Mr Marshall and Mr Hicks are appointed the committee's representatives on the Strategic Risk Group.

118. Business Continuity

The committee considered the Business Continuity Management action plan tabled at the meeting. Mr China advised that representatives of Zurich had recently carried out a review of business continuity arrangements at the council and were in the process of working up a Business Impact Assessment with the Corporate Management Team. Mr China suggested that a report be brought back to this committee in September 2013 providing further progress against this action plan.

Responding to a question regarding preparation of parish emergency plans, Mr China advised that community resilience would be developed as parishes and the district council work together to identify shared resources in the event of an emergency. A guidance note would be prepared detailing roles and responsibilities in the event of an emergency.

RESOLVED

- 1) That the report be noted.
- 2) That a report detailing progress against the action plan be presented to this committee in September 2013.
- 3) That a guidance note be prepared detailing roles and responsibilities in the event of an emergency and circulated to local people.

119. Audit Reports, Audit Plan and Audit Plan Progress

The committee considered the report circulated with the agenda. Mr James introduced the two audit reports on Corporate Credit Cards/Petty Cash and Debt Management. Mrs Robinson explained the process of recovery used by her team in collecting outstanding debt and the introduction of a new procedure recently which had resulted in the council recovering a large sum of debt in a very short timescale. The Committee wished to congratulate her team in this regard. The team was also trialling the use of a collection agency and Mrs Robinson assured members that this agency used ethical procedures to chase debt.

The Income Management audit, which had been placed on the Members' Bulletin Board, had received no comments from members. The nine services audited would be reviewed in the next financial year to ensure that the recommendations were being carried out and procedures had become embedded. Mr Marshall was concerned that services should have to sign to confirm that they are adhering to the controls placed on them. Mr Ward advised that core competencies for budgetary managers would be included in the relevant job descriptions.

Car Parks had had difficulty in producing correct income management reports from their software, but this problem was being rectified. The new finance system will allow, when installed, the current bank reconciliation process to be reconsidered and re-mapped to ensure that best practice is achieved. A quarterly report on income reconciliation is reported to the Corporate Management Team.

Mr James informed the committee of a recent whistleblowing incident which was being investigated. An update would be included in the fraud report to the committee in June.

The three year annual audit plan was discussed and its flexibility in allowing contingency to include ad-hoc items as they arise.

RESOLVED

- (1) That the audit reports on Corporate Credit Cards/Petty Cash and Debt Management be noted.
- (2) That progress against the 2012/13 Audit Plan be noted.
- (3) That the 2013/16 Audit Plan be noted.

120. Work Programme 2013/14

Members considered the draft work programme for the following year and made the following comments:

- It was suggested that the draft statement of accounts come to the June 2013 meeting of the committee in advance of the final statement being presented in September 2013 to allow members to make comment on it.
- It would be useful to have a report on the New Homes Bonus (NHB), how it is calculated and the spend currently allocated. Mr Ward advised that a policy will be developed on the use of the NHB due to go to Cabinet and then Council in May or June this year.
- It was agreed that the Partnership Annual Report due to be presented to the September meeting be progressed on a risk based approach i.e. those where the Council contributes either a large financial sum or where the impact on the community is significant.
- Following consideration of the Westgate CHP oral report due later in this agenda the report scheduled for June 2013 may need to be reconsidered.

RESOLVED

That the committee's work programme for 2013/14 be agreed, taking into account the items raised during the course of discussion at this meeting.

121. Exclusion of the Press and Public

RESOLVED

That in accordance with section 100A of the Local Government Act 1972 (the Act), the public and the press be excluded from the meeting during the consideration of the following items on the agenda for the reason that it is likely in view of the nature of the business to be transacted that there would be disclosure to the public of 'exempt information' being information of the nature described in Paragraphs 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) and 5 (legal professional privilege) of Part I of Schedule 12A to the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

122. Westgate Combined Heat and Power

Mr Over presented an oral report of the current situation with regard to the on-going issues with the heating system. An engineering expert will be engaged to advise us on the heating system and on future business continuity arrangements. Mr Stewart and Mrs Belenger answered members' questions with regard to legal advice and insurance cover.

RESOLVED

That the oral report be noted.

123. Potential liabilities of outstanding litigation

Mr Oakley declared a personal and prejudicial interest in the S106 Tangmere section of this report.

Further to minute 85 of 20 September 2012, the committee considered the report circulated with the agenda. Ms Golding updated members on the latest position with regard to all outstanding litigation except the S106 Tangmere element.

Mr Oakley then left the room. The committee received an update from Ms Golding on the S106 Tangmere legal situation and from Mr James on his recent audit report on this issue.

RESOLVED

That the report be noted.

(Note: The meeting closed at 12.06pm)

(Chairman)

Date: _____