

Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room 1, East Pallant House, 1 East Pallant, Chichester on Thursday 27 November 2014 at 09.30am.

## **Members (10)**

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

Mrs C M M Apel	Mrs P Hardwick
Mr T Dignum	Mr G Hicks
Mr J Cherry	

Present (7)

### **Members not present**

Mr B J Bell  
Mr B Finch  
Mr R M J Marshall

### **Officers present for all agenda items**

Mrs B Jones, Principal Scrutiny Officer  
Mr J Ward, Head of Finance & Governance Services

### **Officers Present for Specific Items Only**

Mrs B Bayliss, Obligations Monitoring & Implementation Officer  
Mrs H Belenger, Accountancy Services Manager  
Ms C Dring, Benefits Manager  
Mr A Frost, Head of Planning  
Mr S James, Principal Auditor  
Mrs L Le Vay, Conservation & Design Manager  
Mr W Townsend, Health & Safety Manager

### **Chichester District Council Members present as observers or contributors**

Mrs C Purnell  
Mr N Thomas

### **Invited Representatives Present for Agenda Items 6 and 7**

Mr Simon Mathers, Audit Manager, Ernst & Young LLP (EY)  
Mr Paul King, Audit Director, Ernst & Young LLP (EY)

### **206. Chairman's announcements**

Apologies had been received from Mrs Apel, Mr Dignum and Mr Marshall.

## 207. Minutes

The minutes of the previous meeting were considered and agreed subject to the following agreed amendments.

Minute 200 Audit Reports and Audit Progress – addition of the following sentence: The committee considered four internal audit reports which were circulated to members by email in advance of the meeting and are attached to the official copy of these minutes, namely 1 The Ridgeway, Complaints, Income Management Reconciliations Summary and Car Parks.

Minute 205 Formal Complaints, Freedom of Information (FOI) Requests and Subject Access Requests Analysis 2013/14 – the following grammatical changes:

- Bullet point 1 - The council does not get fined but an enquiry could be routed through the Information Commissioner.
- Bullet point 2 - Yes the council has received repeat requests. In one instance we wrote to ~~the~~ a person stating that we would not be providing any further information. He ~~who~~ then took his claim to the ombudsman ~~however~~ which complaint ~~this~~ was not upheld.
- Bullet point 5 - Agencies looking for business, searching for heirs, or identifying businesses to approach with refunds.

### RESOLVED

That the minutes of the meeting held on 25 September 2014 be signed as a correct record.

## 208. Urgent Items

There were no urgent items for consideration at this meeting.

## 209. Declarations of Interest

There were no declarations of interest.

## 210. Public Question Time

No public questions had been submitted.

## 211. Audit Commission Fraud briefing

Mr S Mathers and Mr P King from Ernst & Young LLP gave a presentation to the committee entitled 'Protecting the Public Purse Fraud Briefing 2014' (copy attached to the official minutes). The following points were raised:

- The difference in local authority outcome may be due to the ways in which the guidance was being interpreted and the fraud reported.
- There was no officer fraud detected which resulted in a loss of money. There was an incidence when a senior manager resigned before dismissal for abuse of position, not fraud.
- Council Tax fraud on the graph showed a large number of nil responses. This could be a result of the definitions applied by authorities in determining data. It

appeared that the number of detected cases of fraud to the left of the graph may have based their return on a wider definition within the guidance.

- Mr King confirmed that local authorities have the authority to investigate and prosecute tenant fraudsters on behalf of housing associations. Hyde Group was our biggest housing partners; and they have regular contact with the Council's benefit officers who assist them if they prosecute. Sub-letting may be one of the issues.
- Economic fraud possibly included planning and development fraud. Mrs Belenger advised that insurance cases were looked at across the country to share data and detect insurance frauds.

Mr King undertook to feed back to the Audit Commission, or its successor, that the guidance should be written more clearly.

Mr Dignum advised that it was important that the audit report on income reconciliation, which opened up the possibility of fraud, comes back to the January meeting of this committee. There were areas such as green waste reconciliation which it was important that the committee review. Partnerships were also an area which was open to fraud. The next annual partnerships report is due in June 2015 and Miss Loaring would be asked to address the issue of possible areas of fraud.

Mr Dignum wondered whether there was any risk profile or common characteristics of housing benefit claimants prosecuted for fraud. Mrs Dring advised that there was resource to do this in the past but that was no longer possible. The Department of Works and Pensions had a new initiative and she was looking into this at present. She was writing a business case to retain some of the Housing Benefit fraud resource to work in collaboration with Internal Audit to detect fraud in other areas.

The committee confirmed that they were happy with the Council's processes in detecting fraud and the resources to do this. Mr Ward confirmed that he would bring back a further report to the committee on this matter.

## **212. Audit Progress Report 2014/15**

Mr Mathers presented the agenda report (copy attached to the official minutes). He had signed off the housing benefit subsidy claim and advised that it was not unusual for local authorities to receive qualified letters on this element of the audit. The extrapolated error was in the region of £2,000 and he would report back to the January meeting once the figure had been confirmed with the Department of Works and Pensions.

The recent consultation on local audit arrangements was likely to result in a proposal to bring forward the existing accounting dates of 30 June and 30 September to 31 May and 31 July as from the accounts for 2017-18. This would entail external auditors carrying out more in-year audits to be able to meet the revised accounting dates.

The external auditors required a walk-through of the financial systems and its controls in order to understand them and therefore to ensure their reliance on the work of Internal Audit. A new Financial Management System, implemented earlier this year, required that these controls be reviewed.

The Audit Commission had outsourced the remainder of its business and as a result it was likely that local authorities could expect a 25% reduction in their 2015/16 audit fees. The scale fee for this year was based on 2011/12 work however significant additional work had been carried out this year and there would be an additional fee for this extra work.

**RESOLVED**

That the Ernst & Young LLP Audit Progress Report 2014/15 be noted.

**213. Draft Treasury Management Strategy 2015/16**

The committee considered the agenda report (copy attached to the official minutes). Mrs Belenger and Mr Ward answered points of clarification.

- Mrs Hardwick had some queries regarding the policy and would direct these to Mrs Belenger after the meeting.
- With property investments increasing, there was perhaps a need for a separate section in the strategy and in Table 1 with this information. Members were concerned that they were not seeing the whole picture with regard to the Council's assets. Mr Ward advised that there was an argument for seeing investments through the Estates department. The task and finish group would be asked to consider how this should be reflected in the strategy.

The Chairman confirmed that existing members of the task and finish group were Mr Marshall, Mr Hayes, Mr Dignum and Mrs Tull. Mr Finch had volunteered to replace Mr McAra who was now no longer a member of the committee. One meeting would be required and the group would report back to the next meeting in January.

**RESOLVED**

That the Committee sets up a Treasury Management Task and Finish Group to consider the investment strategy for counterparty limits (Table 4), investment limits (Table 6) and principal sums invested for periods longer than 364 days (Table 9) and report back to the January meeting of this committee.

**214. Financial Strategy and Plan**

The committee considered the agenda report (copy attached to the official minutes). Mr Ward referred to paragraph 6.2(d) in the report, directing the committee to consider in particular the adequacy of the minimum level of reserves.

The level of local authority take up of the Government freeze grants since 2011/12 was diminishing (currently 59%). An increase in council tax was a permanent recurring increase in the tax base.

Mrs Hardwick queried the Planning Policy staffing sum of £43,000 and the reduced SDNP funding. Mr Ward advised that the Planning Policy post was approved to support a temporary member of staff from reserves however going forward this will be funded from the base budget as a recurring cost. The Council receives in the region of £1m to run the SDNP service. Under pressure to reduce costs the SDNP had sought a reduction of £25,000 from all its planning authorities.

The authorised testing facility had been put on hold following concerns about space in the redevelopment of the depot and gypsy and traveller sites.

There was a potential to receive additional sums of money. Mr Ward advised that the Barnfield Drive developer had experienced problems with pre-lets and had therefore pushed receipts back. The Council was predicting £800,000 additional income from the Grange development this year. The income projects Crane Street and Terminus Road had not been included, except for Plot 2 Terminus Road, nor had recent estate sales. Any surplus could be recycled into reserves next year.

The following four years show a predicted surplus but there is a pinch point at the end of the five year model which will obviously be kept under review.

#### **RECOMMENDED TO CABINET**

1. In the short to medium term the Council maintains a minimum level of reserves of £5m for general purposes.
2. To maintain the current provision of £1.3m of revenue support to smooth the impact of funding reductions, and volatility associated with localisation of Business Rates.
3. The New Homes Bonus should be reserved for use in accordance with the purposes identified in paragraph 6.10.
4. The current unallocated resource of £3.3m in Appendix 2, and its potential use as set out in paragraph 7.2 is noted.
5. The Council should continue to aim to set balanced budgets without the use of reserves, although some use of reserves in the short term may be necessary.
6. That in order to achieve a balanced budget over the medium term, the Council continues to monitor the delivery of the Deficit Reduction Programme and continues to monitor the five year Financial Model

#### **215. S106 Exceptions Report**

The committee considered the agenda report (copy attached to the official minutes). Mrs Le Vay gave some further verbal updates.

- Affordable Housing (Caspian Close and Abbeyfield House) – funds would be drawn down in December.
- Chichester Harbour (Graylingwell Hospital) - there had been a delay in recruiting officers and setting up the groups. A breakdown of the costs of the project was provided to the committee.
- Chichester Harbour (Land North of Clay Lane) – The remaining monies had now been spent.
- Affordable Housing (Caspian Close Fishbourne) – these monies were being used to fund three affordable housing units in Loxwood. In response to a question the Committee was advised that affordable housing was provided district wide as the

requirements were based on the district wide needs therefore there is no restriction requiring for provision to be linked to the development.

**RESOLVED**

That the contents of the S106 Exceptions Report concerning Section 106 agreements nearing their expenditure date (as set out in section 6 of the report) be noted.

**216. Business Continuity Management**

The committee considered the agenda report (copy attached to the official minutes). Mr Townsend advised that the Business Continuity Management Policy had been reviewed. The test would take place in the near future, following which the outcome would be reviewed, gaps identified for further focus and plans audited. Mr Dignum was pleased that off-site storage solutions were being investigated.

The Council's Strategic Risk Group would be considering a report on business continuity management at their next meeting. Mrs Hardwick asked whether risk management should be considered under Part 2 of the agenda. Mr Ward advised that he would take advice from the Council's Monitoring Officer.

**RESOLVED**

That this report be noted.

**217. Progress Report: Audit Plan**

The committee considered the agenda report (copy attached to the official minutes). Mr James advised that he had planned to bring two audit reports to this meeting, however the Trade Waste audit was not yet finalised and additional testing was required for the Disclosure Barring Scheme audit. Both reports would be presented to the next meeting along with two follow up reports on 1 The Ridgeway and Income Management.

The committee was advised that, following the last meeting, it had been agreed with the Chairman that in future audit reports with high/medium priority would be included with the committee papers. Audit reports of low priority would be emailed to members for information.

Mr James gave an update on arrangements for resourcing the work of Internal Audit.

**RESOLVED**

That progress against the Audit Plan be noted.

(Note: The meeting closed at 11.45am)

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(Chairman)

Date: \_\_\_\_\_