

# Public Document Pack

## JOHN WARD

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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 1 - EPH on **Thursday, 22 January 2015 at 9.30 am**

MEMBERS: Mrs P M Tull (Chairman), Mr A F French (Vice-Chair), Mrs C M M Apel, Mr M J Bell, Mr J L Cherry, Mr A P Dignum, Mr B Finch, Mrs P A Hardwick, Mr G H Hicks and Mr R M J Marshall

## AGENDA

### Part 1

- 1 **Chairman's Announcements**  
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 8)  
The committee is requested to approve the minutes of its ordinary meeting on 27 November 2014.
- 3 **Urgent items**  
The chairman will announce any urgent items that due to special circumstances are to be dealt with under agenda item 13(b).
- 4 **Declarations of Interest**  
These are to be made by members of the Corporate Governance and Audit Committee or other Chichester District Council members present in respect of matters on the agenda for this meeting.
- 5 **Public Question Time**  
The procedure for submitting public questions in writing by no later than 12:00 on Wednesday 21 January 2015 is available upon request to Member Services (the contact details for which appear on the front page of this agenda).
- 6 **Local Government Audit Committee briefing** (Pages 9 - 20)  
The committee is requested to consider and note this report prepared by Ernst & Young LLP.
- 7 **Certification of claims and returns annual report 2013/14 : Ernst & Young LLP** (Pages 21 - 32)  
The committee is requested to consider and note this report.
- 8 **Audit Progress Report : Ernst & Young LLP** (Pages 33 - 42)  
The committee is requested to consider and note this report.
- 9 **Treasury Management Strategy** (Pages 43 - 46)  
The committee is requested to consider the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Investment Strategy for 2014-15 and to recommend these to Cabinet and Council for approval.

- 10 **Strategic and Operational Risk Management** (Pages 47 - 68)  
The Committee is requested to note the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.
- The Committee is requested to note the current high scoring organisational risks and the mitigation actions in place, and raises any issues or concerns.
- 11 **Internal Audit - Audit Plan Progress** (Pages 69 - 74)  
The committee is requested to consider and note the audit plan progress report.
- Members are also asked to consider the follow up on the recommendations made on the audit of 1 The Ridgeway and to raise any issues of concern for further action.
- 12 **Budget Task and Finish Group**  
Members of the Task and Finish Group will feed back on their consideration of the projected variances on the 2014/15 Budget and the budgeted variance on the 2015/16 budget. The Budget will be considered by Cabinet in February 2015.
- 13 **Late items**  
Consideration of any late items, as follows:  
(a) Items added to the agenda papers and made available for public inspection  
(b) Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting
- 14 **Exclusion of the Press and Public**  
Items for which the press and public are likely to be excluded
- NONE

#### NOTES

1. The press and public may be excluded from the meeting during any item of business wherever it is likely that there would be disclosure of "exempt information" as defined in section 100A of and Schedule 12A to the Local Government Act 1972
2. The press and public may view the appendices relating to reports listed under Part I of the agenda which are not included with their copy of the agenda on the Council's website at <http://www.chichester.gov.uk/committees>.
3. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intentions before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided. (Standing Order 11.3)
4. Restrictions have been introduced on the distribution of paper copies of longer appendices

to reports where those appendices are circulated separately from the agenda as follows:

- 1) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior Officers – receive paper copies including the appendices
- 2) Other Members of the Council – Appendices may be viewed via the Members' Desktop and a paper copy will be available in the Members' Room at East Pallant House.

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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<sub>1</sub>, searching for heirs<sub>1</sub>, 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: \_\_\_\_\_

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## Local Government Audit Committee Briefing

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**Accounting, auditing and Governance**

**Regulation news**

**Key Questions for the Audit Committee**

**Find out more**

### Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.





## Government and economic news

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### **EY Item Club: Autumn 2014 Forecast**

ITEM Club is the only nongovernmental economic forecasting group to use the HM Treasury model of the UK economy, independent of any political, economic or business bias. The Autumn 2014 report summarises the latest quarterly forecast and gives EY's assessment.

The ONS's recent revisions to the UK's historical economic data have given a very different perspective on the shape of the recession and subsequent recovery.

Consumer spending remains subdued by falling real wages, which has helped to keep inflation at bay. Inflation as measured by the CPI was just 1.2% in September, the lowest reading in five years and ninth successive month that it has been below 2%. Whilst falling prices for food and petrol have played a role in keeping inflation down, underlying price pressures are also well contained. Since consumer spending has been subdued, business investment has now taken over as the engine of recovery; with capital spending accounting for almost half the rise in GDP in the past year. UK GDP has been revised up, meaning it actually passed its previous high-point in 2013, and that output is now well above the 2008 peak.

This picture is more consistent with the strong growth in employment. The upward revisions to business investment have been particularly pronounced; meaning the scope for catch up is less than previously thought. Despite the growing risks and uncertainties, EY Item club is projecting GDP growth of 3.1% in 2014, followed by a slight easing to 2.4% growth in 2015 and 2.3% in 2016, and then a modest uptick in 2017.

### **Contracting out public services to the private sector**

In the last briefing we considered the response of the House of Commons Committee of Public Accounts (the 'PAC') to evidence including the National Audit Office report 'The role of major contractors in the delivery of public services' and submissions from central government bodies.

The PAC made a range of recommendations in four key areas. In the previous briefing we looked at contract management and delivery. We will now consider Capability, Transparency and Ethical Standards.

#### **Capability**

The PAC found that, often, there is a lack of expertise within central government to extract the greatest value from contracting with private providers.

We often find that both public and private sector organisations lack clear lines of responsibility for contract management, which falls between procurement, operations and finance functions. A greater focus on contract governance would enable local authorities to ensure that accountability is clear and that experienced contract managers have the necessary training and skills for this important role.

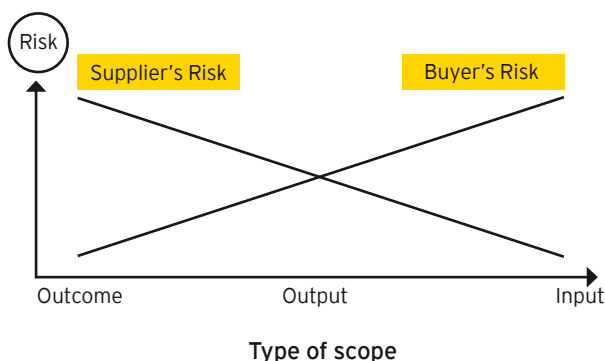
#### **Transparency**

Calls for increased transparency include recommendations that the public sector makes greater use of 'open-book' accounting. This is something we would endorse, especially where contracts are constructed around the purchase of 'inputs' such as labour on a daily or hourly rate.



## Government and economic news

Furthermore, we would recommend that the public sector considers whether it can purchase services based around outcomes, rather than inputs, as these can help to mitigate the buyer's risk as illustrated below:



### Ethical standards

The PAC emphasised the value of effective whistleblowing policies. Our experience shows that many private sector suppliers have whistleblowing policies. However, these tend not to provide a direct link from the potential whistleblower to the public sector buyer, sometimes reducing the effectiveness of these policies.

However, in order for whistleblowing to be a truly effective contract management tool, the buyer needs to have appropriate routes to provide rights of access to a contractor's employees as well as its accounting records, plus the teams with the necessary skills and experience to investigate contract performance.

### Summary

At a time when local authorities continue to look for savings, the PAC Report provides a timely reminder that effective contract management can both:

- ▶ Be a means by which savings can be achieved
- ▶ Help to improve public confidence in the use of public funds

### Councils face a £5.8 billion shortfall in funding says LGA

The Local Government Association (LGA) has published its Future Funding Outlook 2014, which notes that the funding gap, created by a combination of funding cuts and spending pressures, is growing at an average rate of £2.1 billion per year. Spending on social care and waste management, both of which have significant statutory elements, is taking up an increasing proportion of the funding available to councils, which means that according to the LGA model, funding for other council services will drop by 43% in cash terms by the end of the decade. Council expenditure has fallen significantly since 2010-11 in all areas other than public transport, children's social care, adult social care and waste management and other environmental services. However, assuming consistent service levels, and taking into account cost drivers and assumed efficiency levels, the LGA model predicts that total expenditure will rise from £51.1 billion in 2013-14 to £55.7 billion in 2019-20, whereas total funding will fall by £10.6 billion when the impact of ring-fenced funding for public health is excluded. Bringing together the predicted income and expenditure trends, the LGA forecasts a gap of £12.4 billion between funding and net expenditure by 2019-20. LGA research indicates that in many authorities savings are starting to come from service reductions rather than efficiencies, and that in 2015-16, savings will be achieved more through service reductions than through efficiencies. The funding gap by the end of 2015-16 is forecast to be £5.8 billion, of which £1.9 billion relates to adult social care.



## Government and economic news

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### **Independent commission on local government finance**

The Local Government Association and the Chartered Institute for Public Finance Accountancy have together established the Independent Commission on Local Government Finance, which is chaired by Darra Singh, a partner in EY's Government and Public Sector team. The Commission aims to build on the work of the LGA and CIPFA, who individually set out proposals for public service reform, and will consider five key challenges:

- ▶ Promoting economic growth and investment in infrastructure
- ▶ Ensuring sufficient housing is provided in every place
- ▶ Integrating the health and social care systems to promote independent living, including preventing unnecessary health intervention
- ▶ Achieving a welfare benefits system that promotes work and protects the vulnerable
- ▶ Supporting families and developing young lives through early intervention

The Commission aims to shape the debate on local government finance, and to influence the next government. It published an interim report in October, and its final recommendations are due out in early 2015.

The interim report contains the following key points:

- ▶ The need for reform is urgent and creates an opportunity to establish a funding system for local government which is largely self-sufficient.
- ▶ Councils have a role to play in addressing the chronic housing shortage, and should be able to borrow to invest in social housing.
- ▶ The Commission will be looking at the option of creating central funds which offer to match-fund local partnership contributions in order to support early intervention for children and families.
- ▶ Larger investment in transformation is needed for the delivery of integrated care.





## Accounting, Auditing and Governance

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### Future of Local Audit

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017-18 accounts, but hope that authorities will move to the new timetable as soon as possible.

The consultation also covers collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies.

### Grant claim certification results

The Audit Commission has published a report on its findings from the 2012-13 grant claim certification process. As well as adjustments to claims worth £17.3 million, auditors issued qualification letters for 360 claims and returns. This included:

- ▶ 255 Housing Benefit subsidy claims, 78% of the total,
- ▶ 55 Teachers' Pensions returns, 36% of the total,
- ▶ 39 National Non-domestic Rates returns, 12% of the total

From 2013-14, non-domestic rates returns no longer require auditor certification. Teachers' Pensions has decided to make its own certification arrangements for 2013-14, however the Audit Commission and, after March 2015, its successor transitional body will continue to make certification arrangements for housing

benefit subsidy. Council tax benefit was replaced in 2013-14 with local authority run schemes, which do not require auditor certification. Other grant paying bodies will need to make their own assurance arrangements from 2014-15 onwards.

The purpose of qualification letters is to make a grant paying body aware of issues with a claim or return, typically issues for which it is not possible or cost-effective to quantify the full financial impact. The Department for Work and Pensions issued a subsidy circular (HB S4-2014) in May 2014, reiterating the responsibilities of local authorities to ensure their subsidy claims are:

- ▶ Completed accurately and in accordance with HB subsidy guidance and circulars
- ▶ Supported by systems of internal control, including systems of financial control and internal audit
- ▶ Completed in a timely manner
- ▶ Supported by adequate working papers
- ▶ Subject to supervision and review before completion of the authority's certificate
- ▶ Certificate given by an appropriate officer, typically the responsible finance officer

The circular also states the Department's intention to contact all local authorities whose subsidy claims have been qualified. It will require an outline of the actions taken to address the issues raised. In cases with recurrent qualification issues, the Department will also visit those authorities.

### Protecting the public purse: 25 years on

Detection of fraud in England in 2013-14 by Councils and other local government bodies was at its highest level since the recording of fraud was established some 25 years ago by the Audit Commission. The total figure of £188mn was a 10 fold increase on



## Accounting, Auditing and Governance

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the first recorded figure in 1990. The Audit Commission was and is the sole provider of comprehensive data on all types of fraud detected by local authorities. This is due to the statutory powers the Commission has, to demand that local government bodies provide such data.

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The Audit Commission's Chairman, Jeremy Newman commented: 'I urge the government to mandate the provision of fraud data from all local authorities, after the Commission's closure, to ensure that future reports are able to provide as complete and authoritative a picture of fraud detection as 'Protecting the Public Purse'. This would help preserve the high levels of transparency and accountability that English councils currently exhibit in their approach to countering fraud and prevent those councils that are not yet playing their part in the fight against fraud, from avoiding public scrutiny.'

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The Audit Commission has also released a checklist for elected members, designed to help them analyse their council's results and assess how the NFI is integrated into the council's processes and counter-fraud policies. The Commission recommends that public audited bodies should consider whether it is possible to make better use of matches, and use NFI matches in conjunction with matching services from other providers. It also recommends that local authorities should ensure they retain sufficient capability to investigate non-housing benefit fraud, after the introduction of the Single Fraud Investigation Service.

The Commission's Fraud Team will be moving to CIPFA as part of the closure of the Audit Commission.

The Cabinet Office and the Audit Commission will be working together to ensure the smooth transfer of the NFI functions when the Audit Commission closes in March 2015.

### **Audit fees at a 25 year low as part of the Audit Commission's legacy**

In its last full year of operation before being officially wound down on 31 March 2015 the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015-2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440mn.

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Chairman of the Audit Commission, Jeremy Newman says: 'We have driven down prices for audit services, showing again that bulk procurement is the best way to maintain a competitive market and provide taxpayers with value for money. The resulting savings are part of the legacy the Commission will leave after March 2015, and will be enjoyed by local authorities and NHS bodies for years after our closure. Fees should be preserved at this level for 2016-17 and we hope the government will take the opportunity we have secured to lock in and extend the savings we have achieved up to 2020.'

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In addition to the above savings, the Commission also intends to return approximately £6mn as a rebate to Local Government and NHS bodies in 2014-15

A transitional body, Public Sector Audit Appointments Limited (PSAAL), has been established by the Local Government Association to oversee the management of the Audit Commission's external audit contracts until they end in 2017 or are possibly extended until 2020. The PSAAL will be responsible for setting fees, appointing auditors and monitoring the quality of auditors' work. They will also be responsible for publishing the Commission's Value for Money Profile tool.



## Regulation News

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### **Open and Accountable Government**

The government has introduced a new law allowing the press and public to film and digitally report (including tweeting and blogging) from all public meetings of local government bodies. These rules will apply to all public meetings including town and parish councils, and fire and rescue authorities. The regulations also give members of the press and public rights to see information related to significant decisions made outside meetings by officers acting under general or specific delegated powers.

### **Whistleblowing**

The Department for Business, Innovation and Skills (BIS) has recently launched a consultation, which closed at the end of September 2014, seeking views on the practical implementation of a legal power requiring prescribed persons to report annually on whistleblowing disclosures. Because of the duty of confidentiality binding prescribed persons, and a lack of legal obligation to investigate, BIS found that whistle-blowers do not have confidence that their reports are investigated. The Department is therefore introducing a reporting requirement in order to ensure more systematic processes across prescribed bodies, and to provide greater reassurance to whistle-blowers that their reports are being

acted on. The reports would not provide specific detail enabling the whistle-blower or the organisation about which the report is made to be identified, but would contain more generic information about the number of disclosures made, and the characteristics of those disclosures, such as whether they required further investigation or referral to an alternative body.

Meanwhile, the Parliamentary Commission on Banking Standards (PCBS) has published recommendations for enhancing corporate transparency, governance and integrity. Eleven of the PCBS' recommendations relate specifically to whistleblowing. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have indicated their intention to adopt all eleven and consequently we can expect change to the regulatory landscape in the near future. We also noted earlier, that whistleblowing was an area raised by the PAC, who emphasised the value of effective whistleblowing policies.

Whistleblowing is therefore clearly a key area for consideration, for both the public and private sectors.

EY has produced a whistleblowing flyer to help you to consider your whistleblowing framework's effectiveness, and whether your culture encourages employees to raise concerns.



## Key Questions for the Audit Committee

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### What questions should the Audit Committee be asking itself?

- ▶ Do we have clear lines of responsibility for contract management?
- ▶ Have we considered whether use of outcome based contracts could mitigate our 'buyers' risk'?
- ▶ Have we responded to the questions raised in Appendix 2 of the latest NFI report?
- ▶ How effective is our whistleblowing policy?



## Find out more

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### **EY Item Club: Autumn 2014 Forecast**

Find EY Item Club's Autumn 2014 forecast at:

[http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/\\$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf](http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf)

### **Contracting out public services to the private sector Read the NAO report at:**

<http://www.nao.org.uk/wp-content/uploads/2013/11/10296-001-BOOK-ES.pdf>

To find out how EY can help with contract management, contact a member of your engagement team.

### **Councils face a £5.8 billion shortfall in funding says LGA**

Read the LGA's press release, on what they have termed the '£5.8bn funding black hole' at

[http://www.local.gov.uk/web/guest/finance/-/journal\\_content/56/10180/6309034/NEWS](http://www.local.gov.uk/web/guest/finance/-/journal_content/56/10180/6309034/NEWS).

Find the full report at:

<http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding++initial+draft.pdf/1854420d-1ce0-49c5-8515-062dcca2c70>

### **Independent Commission on Local Government Finance**

Read the Commission's interim report at:

[http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim\\_report\\_web\\_v2.pdf](http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim_report_web_v2.pdf)

### **Future of Local Audit**

<https://www.gov.uk/government/consultations/local-audit-regulations>

### **Grant Claim Certification Results**

Read the full Audit Commission report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/Local-government-claims-and-returns-final-17-June-2014.pdf>

The DWP circular is also available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/309613/s4-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/309613/s4-2014.pdf)



## Find out more

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### **Audit fees at a 25 year low as part of the Audit Commission's legacy**

Read the full Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/10/wpsf1516pr/>

### **Protecting the Public Purse: 25 years on**

Read the final NFI report produced by the Audit Commission before its closure in March 2015 at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf>

### **Open and Accountable Government**

The guide for press on attending and reporting meetings of local government is available at:

<https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide>

### **Whistleblowing**

Feedback from the consultation is currently being analysed. The output from the consultation when it becomes available will be accessed via:

<https://www.gov.uk/government/consultations/whistleblowing-prescribed-persons-reporting-requirements>

To download the EY flyer on whistleblowing, visit:

[http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Whistleblowing\\_-\\_change\\_is\\_coming/\\$FILE/EY-whistleblowing.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/$FILE/EY-whistleblowing.pdf)

For more information on how EY can help you enhance your existing whistleblowing framework, speak to a member of your engagement team.



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# Certification of claims and returns annual report 2013/14

Chichester District Council

January 2015

Ernst & Young LLP



The Members of the Corporate Governance and Audit Committee  
Chichester District Council  
East Pallant House  
1 East Pallant  
Chichester  
West Sussex  
PO19 1TY

5 January 2015

Ref: CDC/Claims/2013-14

Direct line: 0118 928 1556

Email: pking1@uk.ey.com

Dear Members

## **Certification of claims and returns annual report 2013/14 Chichester District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Chichester District Council's 2013/14 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 are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013/14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing benefits subsidy claim where the grant paying department set the level of testing. This is the only claim or return subject to certification at the Council.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

### **Statement of responsibilities**

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and

returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2013/14 certification work and highlights any significant issues.

We are now only required to audit the Council's housing benefit subsidy claim. The total value of this claim is approximately £36.3 million. A number of amendments were made to the claim as a result of our work and we raised a number of issues in a qualification letter. We have made recommendations for improvement which are set out in section 4.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the 22 January meeting of the Corporate Governance & Audit Committee.

Yours faithfully



Paul King  
Director  
Ernst & Young LLP  
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## 1. Summary of 2013/14 certification work

We certified one claim during 2013/14 – the housing benefit subsidy claim. The main findings from our certification work are provided below.

### Housing benefit subsidy claim

Scope of work	Results
Value of claim presented for certification	£36,294,650
Limited or full review	Full
Amended	Yes
Qualification letter	Yes
Fee – 2013/14	£10,463 (including an additional fee of approximately £5,000 that is subject to final agreement by the Audit Commission).
Fee – 2012/13	£11,371

### Recommendations from prior year 2012/13 and findings:

None

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out further testing in three areas.

Extended '40+' testing and other testing identified a number of further errors. We have reported underpayments, uncertainties and the extrapolated value of overpayment errors to the DWP in a qualification letter. Note that under the approach to housing benefit work no concept of materiality is applied and we must report any errors irrespective of size or the Council make complete amendments to the claim where we are able to do so. The following are the main issues that we included in our qualification letter.

#### Uprating of statutory maternity pay

In 2012/13 we identified that statutory maternity pay was not being uprated correctly in all cases. As a result the Council tested all 40 cases where claimants had entitlement to statutory maternity pay during 2013/14. We re-performed a sample of the Council's work. For 11 out of 40 cases statutory maternity pay had not been correctly uprated, but the gross value of overpayments and underpayments arising was only some £26. No amendments were made to the claim in respect of this finding.

#### Non-HRA rent rebates

Our initial testing identified:

- ▶ one case where there was a failure to calculate income correctly in the assessment of benefit entitlement which caused an overpayment of benefit;
- ▶ one case where we were unable to agree disclosure on the return of the split of expenditure up to and above the lower of the one bedroom self-contained Local Housing Allowance rate and the upper limit; and
- ▶ one case where an increase in rent had not been correctly applied in the assessment of benefit entitlement which caused an underpayment of benefit.

As a result of the errors leading to an overpayment of benefit an additional sample of 24 cases was tested by the Council. Note that under the approach to housing benefit work specified by the Audit Commission and the DWP, extended testing is only carried out in respect of errors that have led to – or could lead to – overpayments of benefit. We are not required to carry out extended testing in respect of errors that have led to – or could only lead to – underpayment of benefit. The sample of 24 cases constituted the remainder of the entire population of non-HRA rent rebate cases with earned income not covered by the initial sample of 20 cases. We re-performed a sample of the Council's work. Testing of the additional sample identified:

- ▶ one case where it was not possible to support the income used in the calculation of benefit entitlement. It was therefore not possible to determine whether there was an underpayment or overpayment of benefit or subsidy for this case;
- ▶ one case where benefit had been underpaid due to the miscalculation of earnings; and
- ▶ one case where benefit had been overpaid due to the miscalculation of earnings. As we tested the whole population of cases we were able to amend the claim for the value of the overpayments identified by our work. The total value of the amendment made was approximately £36.

### **Rent allowances**

Our initial testing identified:

- ▶ three cases where the claim form could not be traced and the Council was unable to provide evidence that these claim forms were received. This was due to the original claim forms, which pre-dated 2006, being destroyed in a fire at the Council's archive storage. We have not undertaken any further testing in respect of this issue as we are able to conclude that all claim forms received prior to 2006 were destroyed in the fire;
- ▶ two cases where it was not possible to support the income used in the calculation of benefit entitlement. It was therefore not possible to determine whether there was an underpayment or overpayment of benefit and subsidy;
- ▶ one case where incorrect weekly rent had been used in the assessment of benefit entitlement which resulted in an overpayment of benefit; and
- ▶ one further case where incorrect weekly rent had been used in the assessment of benefit entitlement which resulted in an underpayment of benefit. In this case the underpayment resulted from an error in the date the Rent Officer Determination (ROD) was applied, and therefore would only be applicable to cases where there was a ROD in place.

### *Income used in the calculation of benefit entitlement*

As a result of the issues resulting in a potential overpayment of benefit an additional sample of 40 cases was tested by the Council to determine whether income used in the calculation of benefit was supported by evidence. We re-performed a sample of the Council's work. Testing of the additional sample identified:

- ▶ one further case where it was not possible to support the income used in the calculation of benefit entitlement. It was therefore not possible to determine whether there had been an underpayment or overpayment of benefit and subsidy for this case;
- ▶ four further cases where benefit had been underpaid due to the miscalculation of earnings used in the assessment of benefit entitlement; and
- ▶ five further cases where benefit had been overpaid due to the miscalculation of earnings used in the assessment of benefit entitlement.

We extrapolated the overall value of errors in both our initial and additional samples caused by miscalculation of income in the assessment of benefit entitlement which resulted in the overpayment of benefit, but no adjustments were made to the claim. The total extrapolated value of errors was approximately £110,000.

*Incorrect weekly rent used in the assessment of benefit*

As a result of the failures resulting in an overpayment of benefit an additional sample of 40 cases was tested by the Council to determine whether the weekly rent used in the calculation of benefit was supported by evidence. We re-performed a sample of the Council's work. Testing of the additional sample identified no further errors of this type. We extrapolated the value of the error in our initial sample caused by the use of incorrect weekly rent in the assessment of benefit entitlement which resulted in the overpayment of benefit, but no adjustments were made to the claim. The total extrapolated value of the error was approximately £20,000.

*Error in date of Rent Officer Determination being applied*

The Council also tested an additional sample of 40 cases where there was a ROD in place to determine whether the ROD had been applied from the correct date. We re-performed a sample of the Council's work. Testing of the additional sample identified a further two cases where the rent officer determination had not been applied on the correct date. In each of these cases there was no impact on benefit entitlement or subsidy. These cases were not therefore classified as errors for subsidy purposes but the issue was reported as part of our qualification letter.

In a number of cases our re-performance highlighted weaknesses in the additional testing undertaken by the Council which resulted in further audit queries or the work needing to be undertaken again.

We have raised recommendations for improvement as a result of our work. These are set out in Section 4 of this report.

## 2. 2013/14 certification fees

The Audit Commission sets a composite indicative fee for certification work for each body. The indicative fee for 2013/14 was initially based on actual certification fees for 2011/12, reduced by 40%. This was then further adjusted to reflect the fact that a number of schemes would no longer require auditor certification, and a 12% reduction was also applied to the Housing Benefit Subsidy claim due to the replacement of Council Tax Benefit with Council Tax Support from 1 April 2013 which is not part of that claim.

The indicative composite fee for Chichester District Council for 2013/14 was £5,456.

Claim or return	2013/14	2013/14	2012/13
	Indicative fee	Actual fee	Actual
	£	£	£
Housing and council tax benefits subsidy	5,456	10,463*	11,371
<b>Total</b>	<b>5,456</b>	<b>10,463</b>	<b>11,371</b>

*Note: Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.*

*\* Includes a proposed additional fee of £5,007 that is subject to approval by the Audit Commission.*

The indicative housing benefit subsidy fee was set based on work completed in 2011/12, when no additional '40+' testing was required to be undertaken and the claim was not subject to either amendment or qualification. Additional fee has therefore been sought to cover the cost of the extra work which has been required in 2013/14. The actual fee in 2013/14 is lower than the actual fee for 2012/13 due to the removal of Council Tax Benefit from the claim.



### 3. Looking forward

The Council's indicative certification fee for 2014/15 is £10,010. This is based on the outturn from 2012/13 certification work, again adjusted for claims no longer requiring review. The actual certification fee for 2014/15 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012/13 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of the Audit Commission, or its successor body, to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012/13 fee.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15. Arrangements for 2015/16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016/17, when Universal Credit is expected to replace housing benefit.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those Teachers' Pensions introduced for the Teachers' Pensions return for 2013-14.

## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Improve the control environment for the assessment of benefit. In particular ensure that income is assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence.	H	Regular accuracy checks are now being carried out by the team leaders. Two training sessions have been arranged to go through, in particular, the assessment of earnings to ensure a consistent approach.	With immediate effect	Benefits Manager.
Ensure that any additional testing undertaken to support the audit of the 2014/15 Housing Benefit Claim is clearly documented and properly supported by evidence.	H	Noted	For the 2014/15 claim audit	Benefits Manager.

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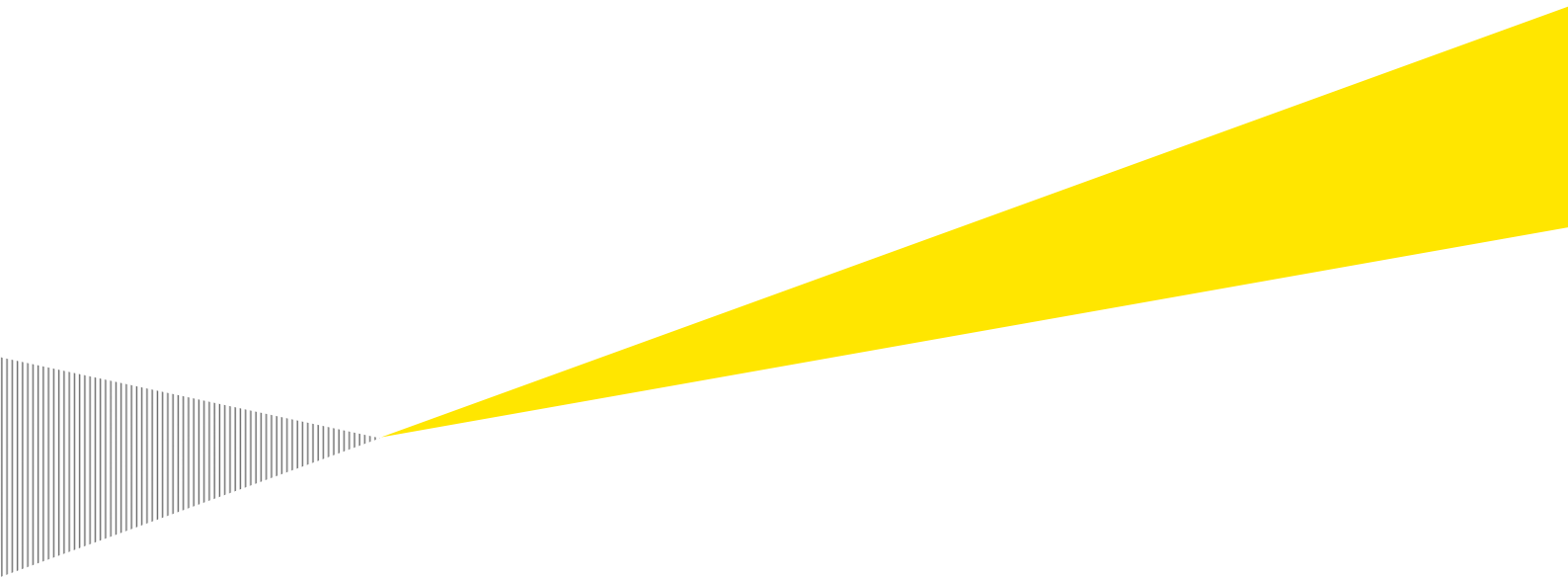
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# Chichester District Council

Corporate Governance & Audit Committee

Audit Progress Report

22 January 2015





Corporate Governance & Audit Committee  
Chichester District Council  
East Pallant House  
1 East Pallant  
Chichester  
West Sussex  
PO19 1YT

5 January 2015

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the 2013/14 and 2014/15 audits, and an indication of progress against our plans. This Progress Report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Paul King  
Director  
For and behalf of Ernst & Young LLP





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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report 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.

## 2013/14 audit

### **Grant claim certification**

We are presenting our annual report on the certification of claims and returns to today's meeting of the Committee.

## 2014/15 audit

### Fee letter

We have agreed our 2014/15 audit fee with the Chief Executive and Head of Finance and Governance Services. A copy of our fee letter was issued to the 26 June 2014 meeting of the Corporate Governance & Audit Committee.

### Financial Statements

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we regularly meet with key officers and other stakeholders. We will meet with the Chief Executive and the Head of Finance and Governance Services in early January as part of our regular programme of meetings with senior officers of the Council.

Our work to identify the Council's material income and expenditure systems and to walk through these systems and controls commenced in December 2014. The detailed testing of the controls and critical path of each material system is planned for February and March 2015. We will maximise the reliance we place on the work of Internal Audit to support our work in this area.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries and payroll.

### Value for money

The Audit Commission has now issued its guidance on the 2014/15 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/08102014-VFM-guidance-2014-15.pdf>

There are no planned changes to the approach in 2014/15. We are in the process of carrying out our initial risk assessment and will report the risks we have identified and associated work we will carry out in our detailed audit plan.

### 2015/16 Audit Fees

The Audit Commission is currently consulting on the proposed work programme and scales of fees for the audit of the accounts for 2015/16. It is proposing to reduce scale fees by a further 25 per cent from 2015/16 for all principal audits including the Council. It does not plan to make changes to the overall work programme. The 25 per cent fee reduction has been achieved as a result of a recent procurement exercise to retender the work undertaken under the Commission's older contracts with audit firms, and is on top of the 40 per cent cut in fees made in 2012.

## Timetable 2014/15

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2014/15 Corporate Governance & Audit Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Corporate Governance & Audit Committee	Status
High level planning	<b>Ongoing</b>	Audit Fee Letter	June 2014	Completed. Reported to the June 2014 meeting of the Corporate Governance & Audit Committee
Risk assessment and setting of scope of audit	<b>December 2014 – April 2015</b>	Audit Plan	June 2015	
Testing of routine processes and controls	<b>Feb – April 2015</b>	Audit Plan	June 2015	
Year-end audit	<b>June - August 2015</b>	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2015	.

Audit phase	EY Timetable	Deliverable	Associated Corporate Governance & Audit Committee	Status
Annual Reporting	<b>October 2015</b>	Annual Audit Letter	November 2015	
Grant Claims	<b>September – November 2015</b>	Annual certification report	January 2016	

In addition to the above formal reporting and deliverables we provided practical business insights and updates on regulatory matters through our Sector Briefings. The latest version of the Briefing is included as an attachment to this report.

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## Chichester District Council

**CORPORATE & GOVERNANCE COMMITTEE**

**22 JANUARY 2015**

### **Draft Treasury Management Strategy 2015-16**

#### **1. Contacts**

**Report Author:**

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Tel: 01243 521045      E-mail: hbelenger@chichester.gov.uk

#### **2. Recommendation**

- 2.1. That the committee considers the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Investment Strategy for 2014-15 and recommends these to Cabinet and Council for approval.**

#### **3. Background**

- 3.1. The draft Treasury Management Strategy for 2015-16 was initially submitted to the Committee at its meeting on the 27 November 2014, to consider the changes being recommended for the forthcoming financial year. The changes suggested were in part due to how now to manage risks associated with investments that would be part of any bail-in arrangements, which are expected to come into effect from July 2015. As such, the Council's treasury adviser was suggesting some quite fundamental changes from the current investment strategy.
- 3.2. In light of these changes from the current 2014-15 Treasury Management Strategy, which was subject to a detailed examination by a Task and Finish Group. The Committee approved the setting up of the Task and Finish Group again, to consider the impact of the suggested changes before the 2015-16 is considered by this Committee at their January 2015 meeting, before going onto to be approved by Cabinet in February 2015 and Full Council in March.
- 3.3. The terms of reference for the Task and Finish Group, previously approved by the Committee, were still applicable to ensuring that the proposed Treasury Management Strategy updated for 2015-16 remains robust and fit for purpose, taking into account the recommendations of the treasury adviser. The Group were to consider in particular the counterparty limits (Table 4), the investment limits (Table 6) and the principal sums invested for period longer than 364 days (Table 9). Once agreed, the non-specified investment limits (Table 5) would also need to be updated.
- 3.4. The outcome of the Task and Finish Group is to be reported to this Committee meeting, and then onto Cabinet as part of the budget setting.

#### **4. Outcomes to be achieved**

- 4.1. The Treasury Management and Investment Strategies for 2015-16 are approved in accordance with the CIPFA's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code).

#### **5. Proposal**

- 5.1. The outcome of the review by the Task & Finish Group will be reported to the Committee, along with the recommended changes to the Treasury Management Strategy 2015-16
- 5.2. As the Group meeting is to take place on 15 January 2015, the revised documents of the Treasury Management Policy Statement, Treasury Management Strategy Statement, and Annual Investment Strategy for 2015-16 and schedule A, and Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management will be circulated to members ahead of the Committee meeting.

#### **6. Alternatives that have been considered**

- 6.1. As the CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Strategy is being considered by the Corporate Governance and Audit Committee to comment on whether the strategy represents an appropriate balance between risk management and cost effectiveness.
- 6.2. The impact of alternative strategies, with their financial and risk management implications are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater.
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller

#### **7. Resource and legal implications**

- 7.1. The estimated rate of return for the forthcoming financial year and future financial years has been taken into account in the 5 year model under pinning the Council's Financial Strategy and resources statement and incorporated in the Council's annual budget.

#### **8. Consultation**

- 8.1. In adhering to the CIPFA Code, the forthcoming financial year's Treasury Management Strategy, Investment Strategy and TMP's are required to be considered by those members charged with governance, before being considered by Cabinet and then Full Council for approval.



## 9. Community impact and corporate risks

- 9.1. The statutory and regulatory framework under which the treasury management function operates is very stringent, and each authority has to decide its own appetite for risk and the rate of return it could achieve.
- 9.2. Risk management is covered within the Treasury Management Strategy and specifically within TMP 1, an extract of which is shown in appendix 3.

## 10. Other Implications

	Yes	No
<b>Crime &amp; Disorder:</b>		✓
<b>Climate Change:</b>		✓
<b>Human Rights and Equality Impact:</b>		✓
<b>Safeguarding:</b>		✓
<b>Other (Please specify):</b> Non-compliance or loss of an investment due to default by a counterparty could affect the financial wellbeing of the council dependent on the size of the loss and the ability to fund losses from its unallocated reserves.	✓	

## 11. Appendices

- 11.1. The following appendices will be circulated prior to the meeting, after the Task & Finish Group Meeting on the 15 January 2015:
- Appendix 1- Treasury Management Policy Statement, Treasury Management Strategy Statement, and Annual Investment Strategy for 2015-16 and schedule A.
  - Appendix 2 – Treasury Management Practices (TMP's) Extract of TMP 1 Risk Management

## 12. Background Papers

- 12.1. Task and finish group meeting notes 15.01.2015

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Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

22 JANUARY 2015

**Strategic & Organisational Risk Registers Update**

**1. Contacts**

**Report Author:**

Helen Belenger, Accountancy Services Manager,  
Tel: 01243 521045 E-mail: hbelenger@chichester.gov.uk

**2. Recommendation**

- 2.1. That the Committee notes the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.**
- 2.2. That the Committee notes the current high scoring organisational risks and the mitigation actions in place, and raises any issues or concerns.**

**3. Background**

- 3.1. In accordance with the governance arrangements set out in the Risk Management Strategy and Policy, the Strategic Risk Group (SRG) reviewed both the strategic and high scoring organisational risk registers at its meeting on 16<sup>th</sup> June 2014. This was subsequently reported to the Corporate Governance and Audit Committee on 26<sup>th</sup> June 2014.
- 3.2. Since June, the Corporate Management Team (CMT) has received quarterly updates on both risk registers and its last review was undertaken on the 19<sup>th</sup> November 2014. The outcome of which was incorporated in the risk registers which were then considered by the SRG on 8<sup>th</sup> December 2014.

**4. Outcomes to be achieved**

- 4.1. The Strategic and Organisational Risk are current and relevant to the Council and its operation, and those risks are well managed in accordance with the Council's Risk Strategy and Policy.

**5. Risk Management Policy & Strategy**

- 5.1. At the recent SRG meeting, members were given the opportunity to review the Risk Management Policy and Strategy as approved by Council in March 2013, and to suggest any changes. The SRG were satisfied that the policy was equivalent to best practice and that the authority was working at the correct level with regard to risk.

## 6. Update on the Strategic Risk Register

- 6.1. The risk register was considered by the relevant risk owner prior to the review by CMT on 19<sup>th</sup> November 2014. The discussions focussed on the risk scores, the current issues and any mitigating action plans that were being delivered to better manage the identified risks.
- 6.2. The SRG considered the updated risk register on 8<sup>th</sup> December 2014, and the following recommendations were made:
- CRR 8 Skills/Capability/Capacity** – Following discussion around potential reliance of the Council on other public sector bodies and partners. It was recommended that the broader issues in respect of the risks of partnership working, commissioned and funded services, exit strategies and exit costs be considered in more depth.
  - CRR 86 Contaminated Land** – That this risk be removed from the Strategic Risk Register and monitored at service level.
  - A general request that the actions reflected in the internal control section is recorded as either complete or still in progress to aid the readers' understanding of the register. However, it should be noted that this request has not yet been reflected in appendix 1 as the potential change required in the covalent system will need to be explored.
- 6.3. Appendix 1 shows the current risk register in light of SRG's comments and the heat map below shows where the individual risks are placed based on the recent assessment against the risk scoring matrix:

LIKELIHOOD				
		1,4,8,	2, 9, 10, 88	
			3	68
IMPACT				

- 6.4. A new risk of Non Achievement of Recycling Target of 50% by 2020 (CRR 88) was to be added from the Organisation Risk Register to the Strategic Risk Register. This risk was identified during the CMT review of organisation risks which SRG recommended should be on the Strategic Risk Register.

## 7. Update on the Organisation Risk Register

- 7.1. The SRG considered the high scoring risks and the associated mitigation plans are shown in appendix 2.

## 8. Other Implications

	Yes	No
<b>Crime &amp; Disorder:</b>		X
<b>Climate Change:</b>		X
<b>Human Rights and Equality Impact:</b>		X
<b>Safeguarding:</b>		X

## 9. Appendices

9.1. Appendix 1 – Strategic Risk Register

9.2. Appendix 2 – Mitigation plans for high scoring organisational risks.

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# Corporate Risk Register - Strategic Risks Quarterly Update

Report Author: Helen Belenger  
Generated on: 13 January 2015



Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

## Controlled

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 01	Deficit Reduction (Balanced Budget)	JW	9	6	3	3	31-Mar-2015	Good
	CRR 03	Visions / Priorities	DS	9	3	3	3	31-Mar-2015	Good
	CRR 04	Project Management	PEO	9	2	2	2	31-Mar-2015	Good
	CRR 08	Skills / Capability / Capacity	PEO	3	4	4	2	31-Dec-2014	Improving
	CRR 10	Contract Management	JW	12	4	4	4	31-Mar-2015	Good
	CRR 68	Health and Safety	JW	9	4	4	4	31-Mar-2015	Good

## Control Pending

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 02	Local Plan	SC	12	6	6	6	31-Oct-2014	Improving
	CRR 09	Business Continuity	JW	9	6	6	4	31-Mar-2015	Improving
	CRR 86	Contaminated Land LSVT sites and Orphaned Sites in the District	SC	3	3	3	2	31-Mar-2015	Improving
	CRR 88	Non Achievement of Recycling Target of 50% by 2020	SC	6	-	6	3	01-Jan-2020	Improving

<b>CRR 01 Deficit Reduction (Balanced Budget)</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

**Risk Description:**  
- Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences.  
- Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans.  
- Failure to maximise income streams.  
**SLT Risk Owner:** Diane Shepherd  
**Responsible Officer:** John Ward.

**Risk Assessment**

Page 52		<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Mar-2015
	<b>Original Score</b>	9		<b>Current Score</b>	3		<b>Target Score</b>	3	

<b>Internal Controls</b>		<b>Current Status</b>
Five Year Financial Model and Deficit Reduction Plan	<ol style="list-style-type: none"> <li>1. Monitor and update the 5 year financial model as required and review with CMT.</li> <li>2. Assess against progress on Deficit Reduction Plan and savings targets.</li> <li>3. Monitor income volatility in relation to use of NHB (Policy approved) and localisation of both CTS (policy updated July 2013) &amp; NNDR.</li> </ol>	Good
Income Streams	<ol style="list-style-type: none"> <li>1. Monitor income performance and review with CMT so remedial action can be taken.</li> <li>2. Heads of Services and budget managers monitor income monthly from budget monitoring reports.</li> <li>3. Service managers to assess fee setting for services in accordance with Fees &amp; Charging Policy, and react when if income reductions occur.</li> </ol>	Good
Reconciliation of Income	<ol style="list-style-type: none"> <li>1. Monthly reconciliations by services.</li> <li>2. Non compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan.</li> <li>3. Support given by Accountancy Services when setting up new income streams and reconciliation processes.</li> </ol>	Improving
Control of Expenditure	<ol style="list-style-type: none"> <li>1. Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations.</li> <li>2. Quarterly monitoring of major variances by CMT.</li> </ol>	Good



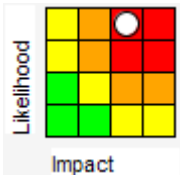
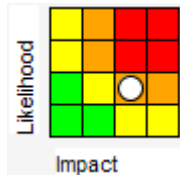
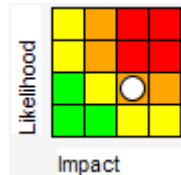
### **Latest Position Statement**

01-Dec-2014 Income controls are improving across the Council, only one major service are (CCS) is still pending. Internal Audit has an action plan to review the income reconciliations carried out within the services for high income streams.

Financial model has been updated for strategy planning days with CMT & Cabinet.

Financial Strategy has been updated and is to be considered by Cabinet in December, including the latest predictions of income and expenditure based on current knowledge, including potential slippage of income streams e.g. Barnfield site.

Due to the implementation of the new financial system CIVICA, monthly budget monitoring will be completed by budget managers and the Accountancy team will summarise the variances for the quarterly monitoring statements for CMT. Budget managers will require further training on how to use the CIVICA system and financial awareness training for non-finance managers to assist them in completing this task.

<b>CRR 02 Local Plan</b>		<b>Management</b>	Control Pending					
		<b>Corporate links</b>	Corporate Plan Priority - Ensure Housing is Relevant and Balanced.					
<b>Risk Description:</b> Failure to have an approved plan in place that enables the council to protect the local environment, deliver the housing target for the district, employment opportunities and influence improvements of the infrastructure in the district to support such developments, due to substantive objections from statutory bodies and/or neighbouring authorities, or housing target assessed need not robust. Council unable to collect Community Infrastructure Levy due to lack of local plan. <b>SLT Risk Owner:</b> Steve Carvell <b>Responsible Officer:</b> Andrew Frost								
<b>Risk Assessment</b>								
	<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Oct-2014
	<b>Original Score</b>	12		<b>Current Score</b>	<b>6</b>		<b>Target Score</b>	6
<b>Internal Controls</b>								<b>Current Status</b>
Availability and Capacity of Infrastructure		1. Development of an affordable package of mitigation measures to address the delivery of Council strategic sites (Infrastructure Delivery Plan to be considered by DPP September 2013). 2. Consulting & working with WSCC for A27 improvements & Ofwat for waste water management.						Improving
Meeting Test of Soundness for Housing Requirement & Locations and Economic Growth & Land Allocations		1. Develop robust evidence to support housing target. 2. Ensure clear audit trail of decisions on all housing sites considered. 3. Local study to be commissioned to assist with locational advice for employment opportunities. 4. Critical review by Planning Advisory Service or critical friend. Use PAS self assessment checklist to test soundness of approach.						Improving
Loss of key staff		1. Staff whose fixed term contracts were nearing their end dates were reviewed during the 2014-15 budget cycle, and where appropriate staff were engaged on new permanent contracts.						Good
<b>Latest Position Statement</b>								
28-Nov-2014 No change appropriate until further milestones successfully passed. Reassessment not appropriate until examination hearings have been held (started on 30th September 2014) and Inspector's report received. Community Infrastructure Levy will be considered now and not after the outcome of the Local Plan examination.								

<b>CRR 03 Visions / Priorities</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently, Clear Leadership and Effective Influence.

**Risk Description:**  
 Failure to have a clear vision and priorities that is forward looking with both members and senior officers not adhering to that shared vision and priorities. Leads to disjointed approach and waste of both staff and financial resources.  
**SLT Risk Owner:** Diane Shepherd  
**Responsible Officer:** Jane Dodsworth / Joe Mildred.

**Risk Assessment**

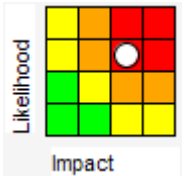
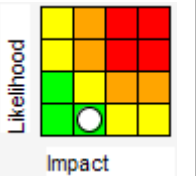
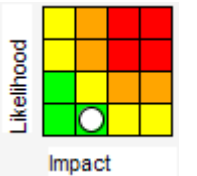
	<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Mar-2015
	<b>Original Score</b>	9		<b>Current Score</b>	<b>3</b>		<b>Target Score</b>	3

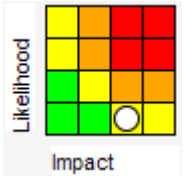
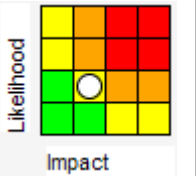
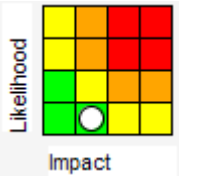
**Internal Controls**

Annual Update of Corporate Plan	1. New priorities developed and owned by key members. 2. Outcome based measures linked council's priorities.	<b>Current Status</b>	Good
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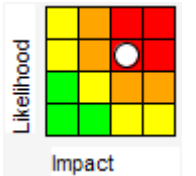
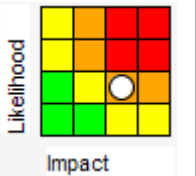
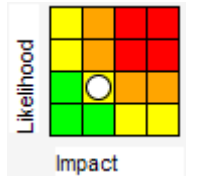
**Latest Position Statement**

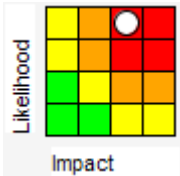
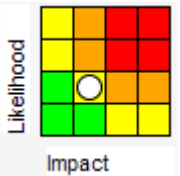
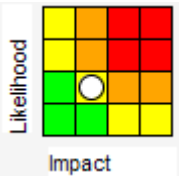
21-Oct-2014 Revised Corporate Plan presented to CMT on 11th September 2014, with approval by Cabinet in January 2015.

<b>CRR 04 Project Management</b>				<b>Management</b>	Controlled			
				<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.			
<p><b>Risk Description:</b>                  Failure to deliver key projects due to ineffective programme and/or project management skills which leads to non achievement of success objectives/outcomes or outputs and unable to deliver on time and within budget.  <b>SLT Risk Owner:</b> Paul Over.  <b>Responsible Officer:</b> Jane Dodsworth.</p>								
<b>Risk Assessment</b>								
	<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Mar-2015
	<b>Original Score</b>	9		<b>Current Score</b>	2		<b>Target Score</b>	2
<b>Internal Controls</b>								<b>Current Status</b>
Project Management Programme Linked to Corporate Priorities and Regular Monitoring		1. A clear and robust reporting mechanism for all key projects. 2. Key projects clearly linked to Corporate Plan and council priorities. 3. Approval of new projects considered in annual update of plan by both members and senior officers. 4. Improve monitoring - better milestones on Covalent and CMT monitoring on exception basis.					Good	
<b>Latest Position Statement</b>								
21-Oct-2014 Project management training provided to key staff. Project management guide updated and made available to all staff. Contract management training also provided to key staff now.								

<b>CRR 08 Skills / Capability / Capacity</b>				<b>Management</b>	Controlled			
				<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.			
<b>Risk Description:</b> Failure to have resilience in the staff structure due to cost reductions, and so lack the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation. <b>SLT Risk Owner:</b> Paul Over. <b>Responsible Officer:</b> Jane Dodsworth / Tim Radcliffe.								
<b>Risk Assessment</b>								
	<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Dec-2014
	<b>Original Score</b>	3		<b>Current Score</b>	4		<b>Target Score</b>	2
<b>Internal Controls</b>							<b>Current Status</b>	
Workforce Development Plan		1. Ensure commissioning and objectives remain relevant and up to date. 2. Review personnel literature, marketing CDC as an employer at recruitment fairs. 3. CDC salaries - benchmarking exercise to be undertaken.					Good	
Appraisal Process		1. Succession planning considered during appraisal process. 2. Completion of appraisals on time. 3. Strategic training needs identified using Belbin or equivalent. 4. Possible use of 360 degree appraisals.					Good	
Training Plan and Budget		1. Use First Line Managers course to develop new managers. 2. Use diploma management studies for senior managers. 3. Specific training programme for new Directors and Heads of Service.					Good	
Recruitment Benefits		1. Use of benefits packages for relocation, assisted house purchase scheme to aid recruitment. 2. Guidance to be issued for how to use recruitment benefits.					Good	
Staff Satisfaction Survey		1. Staff survey to be undertaken after NWOW project.					Improving	
Strategic Leadership Team & Heads of Service Training & Action Plan		1. Training programme to be delivered to SLT & HoS to address core competencies.					Improving	
<b>Latest Position Statement</b>								
28-Nov-2014 No change. CMT staff development programme is being delivered.								

NWOW Phase 2 scope to be agreed by CMT. This phase is seen as a change of culture.  
Staff survey currently taking place.

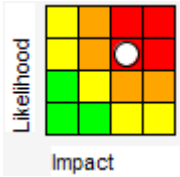
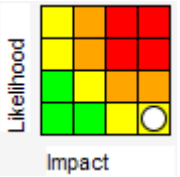

<b>CRR 09 Business Continuity</b>				<b>Management</b>	Control Pending			
				<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.			
<b>Risk Description:</b>								
Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and suffer reputational damage.								
<b>SLT Risk Owner:</b> Diane Shepherd.								
<b>Responsible Officer:</b> John Ward.								
<b>Risk Assessment</b>								
	<b>Assessment Date</b>	31-Jul-2012		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Mar-2015
	<b>Original Score</b>	9		<b>Current Score</b>	6		<b>Target Score</b>	4
<b>Internal Controls</b>								<b>Current Status</b>
Robust BC Plans		<ol style="list-style-type: none"> <li>1. Refresh B.I.A.</li> <li>2. Critical services to prepare plans.</li> <li>3. Test Plans.</li> <li>4. Retrain where necessary, embed BC into culture of the council.</li> <li>5. Identify system to store BC plans.</li> <li>6. Non critical services to make appropriate arrangements.</li> <li>7. Audit of Plans in high risk service areas.</li> </ol>					Improving	
BC Management Strategy		<ol style="list-style-type: none"> <li>1. Annual BCM corporate meetings held.</li> <li>2. Key managers identified for BC plans.</li> <li>3. Articles for team briefs.</li> </ol>					Improving	
Disaster Recovery Team		<ol style="list-style-type: none"> <li>1. Training and repeated messaging to embed BC cultural into organisation.</li> <li>2. Annual appraisals targets.</li> </ol>					Poor	
<b>Latest Position Statement</b>								
28-Nov-2014 Work on this area still continues but is still assessed as a risk score of 6, until Business Continuity tests have been completed.								
Desktop exercise to test plans will take place during this current financial year.								

<b>CRR 10 Contract Management</b>				<b>Management</b>	Controlled			
				<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.			
<b>Risk Description:</b> Failure to manage contracts where contractor or key partner fails to deliver goods and/ or services which prevents the council from delivering its corporate plan objectives for both projects and services. <b>SLT Risk Owner:</b> Diane Shepherd. <b>Responsible Officer:</b> John Ward								
<b>Risk Assessment</b>								
	<b>Assessment Date</b>	07-Feb-2013		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Mar-2015
	<b>Original Score</b>	12		<b>Current Score</b>	<b>4</b>		<b>Target Score</b>	4
<b>Internal Controls</b>							<b>Current Status</b>	
Improve Knowledge and Skills	<ol style="list-style-type: none"> <li>1. Identify CMT lead or Procurement Champion.</li> <li>2. Develop clear guidance of roles and responsibilities to be issued to staff.</li> <li>3. Assistance and guidance from key officers from legal and procurement.</li> <li>4. Identify and address training need via appraisal process.</li> </ol>						Good	
Improve Protocols and Governance	<ol style="list-style-type: none"> <li>1. High profile specifications signed off by Executive Directors/ Heads of Services.</li> <li>2. Ensure any lessons learned where shortcomings occur are highlighted and feedback to procurement champion as part of the post project review.</li> <li>3. Amend the Council's Constitution and Contract Standing Orders as necessary from lessons learned.</li> </ol>						Good	
<b>Latest Position Statement</b>								
21-Oct-2014 Training has been provided on both contract management and procurement.								



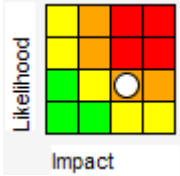
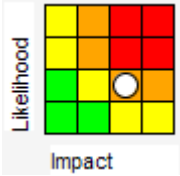

<b>CRR 68 Health and Safety</b>	<b>Management</b>	Controlled
	<b>Corporate links</b>	Corporate Plan Priority - Use Resources Effectively and Efficiently.

**Risk Description:** Failure to adhere to H&S policies and procedures leading to death or injury of an employee or third party resulting in prosecution under H&S and Corporate manslaughter legislation, adverse publicity, fines and possible prison sentences.  
**SLT Risk Owner:** Diane Shepherd.  
**Responsible Officer:** John Ward.

Risk Assessment								
	<b>Assessment Date</b>	03-Sep-2013		<b>Date Reviewed</b>	30-Sep-2014		<b>Target Date</b>	31-Mar-2015
	<b>Original Score</b>	9		<b>Current Score</b>	4		<b>Target Score</b>	4

Internal Controls		Current Status
H&S policies & procedures	Clear statements on H&S available to all staff via intranet including: 1. Statement of intent. 2. Hierarchy for communication. 3. Roles and responsibilities. 4. H&S arrangements. 5. Policies and procedures. 6. Evidence compliance forms with guidance for specific H&S issues e.g. control of contractors, COSHH assessment forms etc.	Good
Training Programme & Competencies	1. Specific training programmes for all aspects of H&S skills and competencies required with the Council's business. 2. Staff names with relevant competencies available on staff intranet.	Good
Legionella Testing	1. Written protocol available. 2. Regular testing.	Improving
Quarterly service meetings for high risk service areas	1. CCS - Quarterly insurance & H&S meetings with Director & Head of Contract Services with insurance, H&S Corporate & CCS H&S. To assess accident trends and claims and agree any actions required to staff duties, policies and procedures. 2. Leisure & Wellbeing - Quarterly insurance & H&S meetings with Head of Commercial Services and service managers for the museum, Westgate Leisure and car park service, to discuss claims & accidents to identify any necessary changes to procedures/policies etc.	Good
PAT testing	1. Annual testing of all electrical equipment carried out by qualified contractor.	Good


Safety Committee	1. A group of managers and employees meet 3 times a year to discuss health and safety issues and matters of interest. Westgate and Westhampnett also have local 'Safety Forums', meeting bi-monthly, that feed into this committee.	Good
Caution Alert Register (CAR)	1. Specific procedures and decision tree guidance in place for staff to follow on staff intranet. 2. Nominated person CR Keeper who maintains register and advises staff. 3. Procedures in place for appropriate staff to access CAR. 4. Compliance with data protection legislation included in policies and procedures. 5. Violence & aggression response team available to support staff at EPH if an incident occurs.	Good
Emergency arrangements for EPH	1. Evacuation procedures in place for EPH on intranet. 2. Known competent staff with allocated roles & responsibilities for evacuation procedures. 3. Regular testing of evacuation procedures carried out.	Good
Corporate H&S Audits & Action Plans for Service H&S Improvement	1. Programme of H&S audits of service areas, improvements and observations which are fed back to Service H&S and management with any necessary improvement action plans. These are reviewed again after an agreed period.	Improving
<b>Latest Position Statement</b>		
21-Oct-2014 No change.		

<b>CRR 88 Non Achievement of Recycling Target of 50% by 2020</b>					<b>Management</b>	Control Pending		
					<b>Corporate links</b>	Corporate Plan Priority – Manage our built and natural environments		
The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council will incur significant fines.								
<b>SLT Risk Owner:</b> Steve Carvell <b>Responsible Officer:</b> Rod Darton								
<b>Risk Assessment</b>								
	<b>Assessment Date</b>	28-Nov-2014		<b>Date Reviewed</b>	28-Nov-2014		<b>Target Date</b>	01-Jan-2020
	<b>Original Score</b>	6		<b>Current Score</b>	<b>6</b>		<b>Target Score</b>	3
<b>Internal Controls</b>							<b>Current Status</b>	
Initiatives to increase amount of recycling		New initiatives to increase recycling rates and improve the quality of the recycling collected are currently being investigated.					Improving	
<b>Latest Position Statement</b>								
01-Dec-2014 Based on current performance achievement of this target is likely to be quite challenging. CDC in partnership with WSCC and the other districts and boroughs will need to identify new initiatives to increase recycling.								


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## High Scoring Organisational Risks - Mitigation Actions


### Commercial Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 54	Westgate - Increased utility costs	JH	9	8	8	4	31-Mar-2015	Improving

Still awaiting CHP project completion, linked to Strategic risks CRR1 AND Crr!0 (Contract management)

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 61	Estates - Rent arrears	JD	9	9	6	4	31-Mar-2015	Improving

Additional member of the team now in place. Risk reduced as service now concentrating on this issue with this additional resource


Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 62	Estates - Increased rental voids	JH	9	9	9	4	31-Mar-2015	Good

The increase in the voids percentage has been increasing as a result of properties being added to the portfolio rather than as a result of tenants leaving. The areas where there are potential issues are:

1. Plot 12 Terminus Road – Occupancy subject to the Enterprise Gateway project possible loss of tenants as the point of redevelopment is approached and the need to terminate tenancies.
2. St James Industrial Estate. Rental income good but units are old and approaching the point of needing to refurbish, or more likely, demolish and replace with new modern units at Terminus Road. One company occupies about 6 units and when they vacate that could be the catalyst for redevelopment to proceed. Council are continuing to re-let the units. There are presently 7 vacant units of which there are potential tenants for 5 of the units.


Otherwise the position is good  
There are no vacant retail units  
There are 3 vacant offices

There is one other vacant industrial property but that is as a result of the Council taking a surrender from the tenant in order to realise value from the property.


Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 75	The Novium - increased costs in service provision	JH	6	6	6	3	31-Mar-2015	Improving

Change to charging policy. Linked to strategic risk CRR1 balanced budget/deficit reduction plan

### Community Services


Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 66	Foreshore Management	SH	9	8	8	6	31-Mar-2015	Improving

Review conducted, small reduction in hours of operation to realise a required saving but continued level of funding and staffing now confirmed and risk reduction measures in place. Nature of the service remains a high risk.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 72	Careline - Reducing income due to cancellation of contracts by both individuals and commercial clients	SH	9	8	8	6	31-Mar-2015	Improving

Increasing telephone demand and on costs against threat of reduced referrals due to WSCC contract. Recent launch of free introductory period has seen increase in new private client business. WSCC contract for renewal.


### Finance & Governance Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 70	Individual Elector Registration (IER) - IT & Staff loss	JW	6	9	6	4	01-Dec-2014	Improving


Serious IT issues experienced as well as staff shortages. Additional staff secondments and new post created to mitigate. Also new IT system agreed at October IT

Advisory Group. This risk score was reduced from 9 as the new system has been installed and training delivered.


## Housing & Environment Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 33	Coast defence contractors - Emergency response to major storm event	LR	6	6	6	6	31-Mar-2015	Good


Response to recent weather events show our contractors were able to respond effectively.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 51	Changes to LHA & welfare reforms	LR	9	6	6	4	31-Mar-2015	Good

Most reforms are now in place and have been mitigated effectively, however, actions are reliant on continued government funding. Universal Credit still to come


Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 53	Residents unable to access affordable homes	LR	9	9	6	4	31-Mar-2015	Good

Previous review score has dropped due to reassessment of scoring mechanism. Some evidence of limited interest in shared ownership homes in some parishes, and affordable rents increasing rent levels, which could impact on our housing strategy delivery.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 67	Emergency Planning - loss of key staff, long term sickness (single point of failure)	LR	12	6	6	6	31-Mar-2015	Improving

Emergency Planning strategy to be reviewed by the Strategic Leadership Team.

## Planning Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 19	Planning - Unforeseen large/strategic scale application, and large scale appeals	AF	6	4	6	4	31-Mar-2015	Good

The increase in the number of major applications being submitted appears to be continuing and have included a strategic scale application. Staff resources an issue – possible extra support required.



## Chichester District Council

### CORPORATE GOVERNANCE & AUDIT COMMITTEE

22 January 2015

### Audit Report & Audit Plan Progress

#### 1. Contacts

**Report Author:**

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: [sjames@chichester.gov.uk](mailto:sjames@chichester.gov.uk)

#### 2. Recommendation

**That the committee notes the audit report and follow ups and audit plan progress.**

#### 3. Main Report

##### 3.1. Disclosure Barring Scheme

Internal Audit found that the arrangements for the Disclosure Barring Scheme are operating satisfactorily, and therefore no recommendations have been made. This audit report has been sent to members for information.

##### 3.2. Income Management Review – Follow Up

Internal Audit carried out a follow up of the Income Management Review and focused on areas which required more work to achieve a full reconciliation. The follow up focused on the following areas; Estates, Westgate, The Novium, Car Parks and Chichester Contract Services.

Whilst there has been progress made in some areas, further progress is being hindered by software problems and working methods.

##### 3.3. 1 The Ridgeway – Follow Up

Internal Audit undertook a follow up of the recommendations made in the Action Plan for 1 The Ridgeway (attached at Appendix 2). Internal Audit also reviewed the SLA's/Procedures and workflow agreed between Estates, Legal, Exchequer and the Accountancy Services Manager which reflect the findings of the audit.

All of the recommendations made in the Action Plan have been implemented as agreed.

#### 4. Background

4.1. Not Applicable

**5. Outcomes to be achieved**

5.1. Not Applicable

**6. Proposal**

6.1. Not Applicable

**7. Alternatives that have been considered**

7.1. Not Applicable

**8. Resource and legal implications**

8.1. Not Applicable

**9. Consultation**

9.1. Not Applicable

**10. Community impact and corporate risks**

10.1. Not Applicable

**11. Other Implications**

<b>Are there any implications for the following?</b>		
	<b>Yes</b>	<b>No</b>
<b>Crime &amp; Disorder:</b>		√
<b>Climate Change:</b>		√
<b>Human Rights and Equality Impact:</b>		√
<b>Safeguarding:</b>		√
<b>Other (Please specify):</b>		√

**12. Appendices**

Appendix 1 - Progress Report – Audit Plan

Appendix 2 - Action Plan 1 The Ridgeway

**13. Background Papers**

13.1 None

# Progress Report – Audit Plan



As at 31st October 2014

Audits	Auditor	No of Days	Days Remaining	Position with Audit
Customer Services Centre - Customer Care	Stephen James	20	20	
Contract Compliance - Assurance Testing	Sarah Hornsby	10	10	
Key Financial Systems - See below for details	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	110	34	On-going
Data Collection - How do we treat data	Sarah Hornsby / Ann Kirk / Julie Ball	15	11	Background
Budgetary Control	Ann Kirk / Julie Ball	15	14.5	Background
Trade Waste	Sue Shipway	15	9.5	Final Report
Post Implementation Testing - FMS - CIVICA	Sue Shipway / Sarah Hornsby / Ann Kirk / Julie Ball	40	29	On-going
Section 106/CIL	Sarah Hornsby	20	20	
Cash Management (Banking Arrangements & Collection)	Sue Shipway	20	19	Background
Disclosure Barring Scheme	Julie Ball	10	5	Draft Report
Service Reviews	Ann Kirk	15	15	
Business Continuity	Sarah Hornsby	10	10	
Emergency Planning	Sue Shipway	15	14.5	
Procurement	Sue Shipway	15	15	
Carry Forwards	Stephen James / Sue Shipway	10	9	
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Audit Reviews	Stephen James	10	0	
Chichester Contract Services Quality Audits	Stephen James	20	17	
Corporate Advice	Stephen James / Sue Shipway / Ann Kirk / Julie Ball	10	8	
Contingency	Stephen James / Sue Shipway / Ann Kirk / Julie Ball	84	40.5	
Partnership & AGS	Stephen James	20	1	On-going

AGS Evidence	Stephen James	10	6	On-going
PSIAS	Stephen James	20	2	On-going
Individual Service Risk Register & Corporate Risk Register	Stephen James	10	10	
Internet & E-mail	Julie Ball	5	4.5	
Performance Standard	Ann Kirk / Julie Ball	15	15	
NFI	Ann Kirk	20	1	
Mileage	Sarah Hornsby	10	7	Testing
Follow Ups	Ann Kirk / Julie Ball	20	9	On-going
<b>Completed Audits</b>				
Fraud Review	Sue Shipway	0	0	
Car Parks, PCN	Julie Ball / Ann Kirk	18	0	
Complaints Customer Care	Ann Kirk	5	0	
Income Management	Sue Shipway / Sarah Hornsby	30	0	
<b>Inclusion in Key Financial Systems</b>				
Walkthroughs	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	33		
Creditors	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		
Debtors	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		
Payroll	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		
NNDR	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		
Council Tax	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		
Bank Reconciliation	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		
Budgetary Control	Sue Shipway / Ann Kirk / Julie Ball / Sarah Hornsby	11		

Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date
3.3a.& 3.4.	In cases where it is identified that a tenant has illegally allowed possession to be taken by a third party the council takes immediate steps to repossess the property. If an exception to this is required, the sanction of the Head of Finance & Governance and an Executive Director is required.	Valuation & Estates Manager	Medium	Yes	With immediate effect	Reviewed December 2014  Implemented
3.3b.	All new tenants must be financially vetted prior to a lease being granted. Additionally original identification documents must be obtained, in order that the Council complies with Money Laundering Regulations. Additional training will be given to keys officers regarding Money Laundering Regulations.	Valuation & Estates Manager	Medium	Yes	With immediate effect	Reviewed December 2014  Implemented
3.3.c	To ensure that bona fide references are obtained in all cases for Tenants and Guarantors and suitability checks are obtained, for example: (business plans, formal identification etc.).	Valuation & Estates Manager	Medium	Yes	With immediate effect	Reviewed December 2014  Implemented

Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date
3.15.	<p>Procedures need to be reviewed and updated to ensure that;</p> <ul style="list-style-type: none"> <li>• Appropriate action and responses to memos and e-mails are taken in a timely manner.</li> <li>• Communication links between all interested parties relating to leases, rent and debt recovery are improved.</li> </ul>	<p>Valuation &amp; Estates Manager</p> <p>Legal Practice Manager</p>	Medium	Yes	To be implemented by 30 <sup>th</sup> November '14	<p>Reviewed December 2014</p> <p>Implemented</p>

 High = Fundamental System Weakness – Action is Essential

 Medium = Potential Control Weakness – Action Required

 Low = Advised for Best Practice