



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 28 September 2017 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr J Brown, Mrs P Hardwick, Mr G Hicks, Mr F Hobbs, Mr S Morley and Mr P Wilding

Members not present: Mr T Dempster and Mrs N Graves

In attendance by invitation: Mr P King (Ernst & Young LLP) and Mr M Young (Ernst & Young LLP)

Officers present: Mrs H Belenger (Accountancy Services Manager), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr D Cooper (Group Accountant), Mrs F Delahunty (Customer Services Centre Manager), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Miss A Loaring (Partnerships Officer) and Mr J Todd (Corporate Fraud Officer)

142 **Chairman's Announcements**

The Chairman welcomed all to the meeting. Apologies had been received from Mrs Graves.

143 **Approval of Minutes**

The minutes of the previous meeting held on 29 June 2017 were considered and the following amendment agreed:

Minute 135, penultimate bullet point on page 5 should read "It was suggested that this should be picked up through the biannual **All Parishes Meeting** arranged by the authority."

Minute 135, first bullet point on page 5 – Mrs Dower confirmed that in this instance the appeal had been lost. Mrs Tull had requested Mrs Dower to ensure that the money was not returned to the developer until the site was vacated.

Minute 141 – Mr Bennett had responded to members with the total amount involved in the claim against Coinco International PLC.

RESOLVED

That subject to the above amendment the minutes of the meeting held on 29 June 2017 be agreed as a correct record.

144 **Urgent items**

There were no urgent items for consideration at this meeting.

145 **Declarations of Interest**

No interests were declared at this meeting.

146 **Public Question Time**

No public questions had been received.

147 **Audit Results Report 2016-17**

The committee considered the report included with the agenda.

Mr P King and Mr M Young from Ernst & Young LLP (EY) were in attendance.

Mr Young presented the report, taking members through the main sections in the Audit Results Report for the year ended 31 March 2017. The auditors intended to issue unqualified statements subject to receipt of the Letter of Representation from the Chairman of this committee and the Head of Finance & Governance Services.

Mr Young drew members' attention to one material matter arising. This related to the methodology used to value the three leisure centres as a result of the outsourcing of leisure services. In discussion between EY's valuers and the council's valuers the technical adjustment made by the council to the value of the leisure centres as a result of outsourcing was revised. This had resulted in an increase of £10m in the valuation of this property in the draft 2016-17 accounts and roughly what it had been in the prior year's accounts.

The planned audit fees set out in Appendix B remained as stated in the scale of fees. The early close of the 2017-2018 accounts would be a challenge however initial planning between the auditors and the finance team had been arranged in October 2017 to scope this out.

The committee made the following comments and received answers to questions as follows:

- The revised valuation of the leisure centres would have no impact on the contract between the council and the contractor, SLM. It was solely an adjustment in the accounts.
- Concern about the pension deficit of £4m and assumptions taken into account - Assumptions were set out in the financial statement. An EY consulting actuary reviews the work undertaken by the council's actuary and gives EY comfort that the assumptions made are within the appropriate range. This is then checked by EY's own internal actuary. There is a wide range of estimation uncertainty and this was listed in the notes. A triennial review of the West Sussex Local Government Pension Scheme looked at pension liability, assumptions made and performance in the market against a set of criteria. This council is one of the few in the county which is nearly fully funded; a deficit

of £4m is not a significant amount. A decrease in life expectancy, if it becomes a trend, would then be built into future assumptions. Even a small adjustment would produce large variations; in this case it would be expected to have a beneficial effect on the liability.

RESOLVED

That the Annual Results Report 2016-17 be noted.

148 Statement of Accounts 2016-17

The committee considered the report circulated with the agenda and the 2016-17 Statement of Accounts circulated in the supplementary agenda.

Mr Catlow presented the report. Mr Cooper was also in attendance.

A report considered by this committee in March 2017 had detailed the proposed revised presentation of the council's expenditure of its services within the Comprehensive Income and Expenditure Statement and the new Expenditure and Funding Analysis, as well as the existing accounting policies as a basis to prepare the council's 2016-17 financial statements.

The narrative in the financial statements was new. There were two changes in the council's asset base. The first of these related to changes in asset valuations and continued inflow of grant from central government (New Homes Bonus and Community Infrastructure Levy) which resulted in a short term increase in the cash reserves held by the council until plans to spend that money had fed through. The second related to the balances in the revenue accounts which reflect the summary of the main inflows and outflows in the revenue account and income statement.

A significant change this year was as a result of the contract with Sports & Leisure Management (SLM) to run the council's leisure centre services. The running costs of the centres had previously been shown within both the income and expenditure headings under the Commercial Services portfolio. From now on only the contract payment between the Council and SLM would appear under this heading. This had created a number of variances throughout the accounts.

Page 12 of the Statement of Accounts supplement showed the bottom line figures. It reconciled the net surplus or deficit in the revenue account at £6.4m to the actual bottom line change in the council's general fund, showing the unrestricted revenue reserves available to support council expenditure. The surplus for the year was £295,000.

The committee made the following comments and received answers to questions as follows:

- Concern at the high staff vacancy savings of £479,000 - This reflected an estimate of staff turnover and an increase in current vacancies waiting to be filled.
- The Commercial Board included Mr Dignum and other members of SLT supported by a Corporate Policy Officer.

- Concern regarding the large shortfall in Car Parks income – Car Parking income was difficult to predict and driven by weather conditions. The mid-year forecast had been favourable but did not continue through to the year end. Major refurbishment works in the multi-storey car park would also have closed down available spaces. A more conservative view had been taken this year. Targets and performance were now reviewed on a monthly basis and quarterly monitoring reports taken to the Senior Leadership Team (SLT).
- Concern at reduced insurance premiums for the leisure centres – Every year the insurances were reviewed in the insurance supplier to ensure that our assets were covered appropriately. Public liability insurance was expected to increase. The asset valuation of the leisure centres would not change our insurance cover necessarily. The council was obliged to ensure that the contractor had a fully functioning facility under the contract with SLM.
- The Hussey Collection was valued at £6.6m and appeared under Property Plant and Equipment in the accounts. Mrs Jones undertook to arrange a visit for new councillors to the Pallant House Gallery.

A trial run had been held this year to prepare for the tighter timescales next year. It was 90% successful with the shortfall being recognised and revised procedures in place. The committee can have comfort that appropriate actions would be taken and that there were adequate resources to carry out the finalisation of the accounts next year by the earlier date.

Mrs Belenger gave thanks to her team on delivering the accounts to the new deadlines and also to the external auditors for working with the team on the new process this year. The committee added its congratulations.

RESOLVED

- 1) That the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2017 be approved.
- 2) That the outturn position be noted.
- 3) That the Letter of Representation be authorised and given to the council's External Auditor.

149 2016-17 Annual Governance Statement and Corporate Governance Report

The committee considered the report circulated with the agenda.

Mr James presented the report.

The Annual Governance statement had been prepared following a review of the governance arrangements of the council to ensure that the core principles of corporate governance were being achieved. A review of the council's policies and procedures had taken place to gain assurance that appropriate governance arrangements were in place and were working satisfactorily. Some risks had been identified in the report - business continuity, cyber risks and non-achievement of recycling targets. Overall Mr James was satisfied that corporate governance, along

with supporting controls and procedures, were working effectively and were strong across the council.

The report on the Internal Audit section in Appendix 2 formed part of the Corporate Governance Statement. The service would have to comply with the Public Service Internal Audit Standard (PSIAS) and this council would be subject to a peer review by Hastings Borough Council before submission. Members should be assured that key controls were in place across the council and this was supported by the Internal Audit service which has the responsibility to review and independently report to the Council and to this committee.

The committee made the following comments and received answers to questions as follows:

- Concern re cyber security prevention and recovery processes – A multi-layered approach to security was in place to ensure that the council's IT systems were not accessed. As part of the Public Services Network (PSN) we regularly test and keep updated with security information and there is a robust approach to patching. Our insurers, Zurich, would be giving a presentation to officers shortly on IT security and the recent Wannacry virus which had affected the NHS and other large business.
- Concern that there was no reference to the General Data Protection Regulations (GDPR) in this report – There is currently a corporate working group in place to ensure that we comply with GDPR by the implementation date of May 2018. Mr N Bennett, the council's Monitoring Officer, had been nominated the Data Protection Officer and was leading this group. Every service department needed to complete a questionnaire detailing the data they held, why they held it and for how long and whether consent has been obtained from the data subject. A policy document was in development at present to comply with requirements by May 2018. Retention policies would be reviewed as part of this process. From an audit point of view, the council needed to demonstrate that a policy was in place and that consent had been obtained from data subjects to allow us to hold that data for that specific purpose. The data that members hold needed to be taken into account. Mrs Belenger undertook to raise this with the working group.
- Brexit could impact the 50% recycling target but officers were still working towards this target with WSCC and other partners.
- There were seven staff dismissals this year compared to six last year - the majority in Contract Services.
- Commuted sums of £352k – Mr James undertook to check this figure, which may not include the South Downs National Park, and respond to members.
- Online polls – Mr J Connor, Cabinet Member for Environment Services, who was in the audience, advised that in the past we had carried out online polls regarding satisfaction with the waste and recycling collections. Mr James commented that the last online poll that he was aware of was Wisborough Green Public Conveniences. Several small points and typos were identified for correction before the report was finalised.

RESOLVED

That, subject to incorporation of the suggested amendments, the committee's annual report on the Council's governance arrangements, including the 2016-17 Annual Governance Statement at Appendix 1, be agreed and signed by the Chairman.

RECOMMENDED TO COUNCIL

That the Corporate Governance & Audit Committee's annual report on the Council's governance arrangements, including the 2016-17 Annual Governance Statement, be noted.

150 Strategic Partnerships Review 2017

The committee considered the report circulated with the agenda.

Miss Loaring presented the report. The annual review of strategic partnerships was undertaken in liaison with services to identify all the partnerships they were involved with and removing from the list the smaller partnerships, networks and groups.

The committee made the following comments and received answers to questions as follows:

- Concern regarding continuing funding for the Manhood Peninsula Partnership – Mr Connor, as portfolio holder and a previous member of that group, was invited to speak on the matter. Following the withdrawal of partners' funding for this partnership there was a risk of its sustainability. The Partnerships Guidance advised that an independent review of a partnership was needed to ensure that it was delivering against its outcomes and was sustainable. If partners were withdrawing funding then it needed to be reviewed for its sustainability. Miss Loaring and Mrs Belenger undertook to take this matter up with the Head of Service.
- Statistics on thefts under the Safety Partnership – Miss Loaring undertook to check the context of the figure and respond to the committee.
- The joint priorities of the Safety Partnership should be to 'reduce' Child Sex Exploitation, etc. Street Community referred to rough sleepers.
- Cold alert – This was reaching 250 people which was an effective figure.

Members commended the depth of the report but were concerned that the report was not being given full consideration on the effectiveness of the partnerships. The committee's role was to look at the governance and risks of the partnerships, whereas the Overview and Scrutiny Committee's (OSC) role was to consider their effectiveness. Mrs Jones advised that the OSC annually considers the Chichester in Partnership projects to identify those which should be reviewed. The OSC also had a statutory role to review the Community Safety Partnership annually. Mrs Jones undertook to bring this report to the OSC's attention when setting its next work programme.

As a result of the above discussion members requested that the format of this report be adjusted to allow the committee to consider the governance arrangements and the exposure of the partnership to risks and the mitigation of those risks e.g. the funding the council is putting in and the risk to partners who are also funding the

partnership. Miss Loaring undertook to refocus the information under each partnership in liaison with Mrs Belenger.

RESOLVED

- 1) That the annual report on Strategic Partnerships be noted.
- 2) The committee was satisfied that the council's Strategic Partnerships have appropriate governance measures and risk monitoring procedures in place.

151 Complaints, Freedom of Information Requests and Data Protection Analysis Review 2016/17

The committee considered the report circulated with the agenda.

Mrs Delahunty presented the report.

The committee made the following comments and received answers to questions as follows:

- Freedom of Information (FOI) requests would no longer be chargeable. Frequently answered questions were put on the website for enquirers to self-serve.
- General Data Protection Regulations – This would come into force in May 2018. It was EU law and had been adopted by the Government.
- Data Protection Requests – There would no longer be a fee (was £10) and the response time had been reduced from 40 days to 20 days. The current fee was a good filter which had reduced the number of requests taken forward in the past. These requests for information included any information on a person held by the council including recorded telephone calls, emails, information on systems, etc.). Requests would be monitored through the Customer Services system as well as time spent on processing those requests. If it became too burdensome it would be reported to the Local Government Association (LGA). Online training would be provided to officers and members. Concerns had been shared with the pan West Sussex officers' group. The Housing Department currently received the most data protection requests.
- Is a policy on GDPR being developed? Mrs Belenger advised that individual systems software suppliers were working on solutions to this to allow searchable electronic data which could be redacted if required. The GDPR corporate project group was concentrating on the paper records held. A pragmatic view of what is reasonable in the circumstances needed to be taken.
- Public health funerals – These are commercial companies investigating inheritances.
- Compliments – This is a positive means of collecting information from customers. Written compliments were being recorded on social media but not those customers who compliment officers by phone. It was suggested that in business terms a simple click process was required for customers to say they are happy with the service. Mrs Delahunty undertook to investigate whether there was a survey tool to do this, as there was no text service in the council at present.

The committee was concerned at possible future demand for resourcing data protection requests should the volume be high. Mrs Belenger stated that the corporate project group would report to the January 2018 meeting of this committee on their proposals for implementation of these new regulations from May 2018. Mrs Belenger undertook to add this matter to the Corporate Risk Register.

RESOLVED

- 1) That the report be noted.
- 2) That a report be brought to the committee in November 2018 (six months on from the GDPR implementation date) with details on the volume and resourcing of data protection information requests received.

152 Fraud Report 2016-17

The committee considered the report circulated with the agenda.

Mr Todd presented the report.

The committee made the following comments and received answers to questions as follows:

- The Corporate Counter Fraud Officer was able to interview under caution which subsequently allows the Council to prosecute. He did not have the power of arrest.
- If the case went to prosecution the costs of clearing up fly tipping were included in the fixed penalty notice to fly tippers.
- Concern about chasing debts which may become more costly to the council and not in the interests of the public purse.
- We are constantly trying to get the messages of the Litter Strategy and Action Plan out to the public to deter fly tipping.
- Most of the Fraud Officer's fly tipping investigations involved 'professional' fly tippers e.g. builders, roofers, etc. There had been an increase in fly tipping when the county refuse centres began charging for disposing of waste.
- A new member of staff had been proposed to take on additional counter fraud work. A plan of work will come to the committee once the new member of staff was in place.

RESOLVED

- 1) That the committee notes its stewardship role in fighting fraud and protecting the public purse.
- 2) That the committee notes that the council will actively pursue potential frauds identified through ongoing investigations by the Corporate Counter Fraud Officer.

153 Internal Audit - Audit Plan Progress

The committee considered the report circulated with the agenda.

Mr James presented the report, advising that there were no audit reports for the committee to review at this meeting.

The committee made the following comments and received answers to questions as follows:

- Five audits had been deferred during the last financial year with three brought forward. The Museum audit had been deferred until Q4 as there was a service review underway at present and they were in the process of appointing a new Museum Manager. IT had been deferred due to the introduction of GDPR and the Leisure Centre Contract Management audit had been deferred to allow the new contractor to settle in.
- The annual report on Internal Audit at agenda item 8 stated that the reasons for deferral of audits had been reported to this committee orally, however members were not satisfied that the reasons were sufficiently communicated. The committee therefore requested that this information be provided in the audit plan progress report in adequate detail in future.

The Shared Services review had identified that the average standard number of internal audit days at Horsham, Arun and Chichester would be 400, compared to 560 days previously operated at Chichester. Following the decision not to go ahead with Shared Services the internal audit service had therefore been required to achieve a cost saving target resulting in a reduction to 400 days. Mr James was concerned that in his professional opinion 400 days may not be enough to give sufficient assurance to the committee. Mrs Belenger advised that changes to the internal audit team and the 400 days were approved by the Strategic Leadership Team for 2017-18, but discussions would take place with EY to establish the level of internal audit support required in the accounts finalisation process, and the risk areas that the team would in future be directed to in order to ensure the internal audit work plan adequately reflected available resourcing and high risk areas. (Post meeting note: The audit plan approved by the committee is 420 days, not 400 as referred to during the meeting.)

RESOLVED

- 1) That the Audit Plan progress report be noted.
- 2) That the reasons for deferrals of audits be adequately informed in the audit plan progress report.
- 3) That pressures within the audit process be noted and request further confirmation at the next meeting as to whether those pressures have been alleviated.

The meeting ended at 11.59 am

CHAIRMAN

Date: