



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Tuesday 22 March 2016 at 9.30 am

**Members Present:** Mrs P Tull (Chairman), Mr G Hicks (Vice-Chairman), Mr G Barrett, Mr I Curbishley, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs and Mr S Morley

**Members not present:** Mr P Jarvis

**In attendance by invitation:** Mr M Young (Ernst & Young LLP)

**Officers present:** Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr S James (Principal Auditor) and Mr P Coleman (Member Services Manager)

#### 53 **Chairman's Announcements**

Apologies had been received from Mr Jarvis.

#### 54 **Approval of Minutes**

The minutes of the previous meeting were considered and agreed. Matters arising were reported as follows:

Minute 44 – The Chairman reported that the following update had been received at the beginning of February regarding the Community Facilities and Open Space/Leisure contributions allocated to Boxgrove Parish.

“With respect to the Community Facilities, they are proposing to spend it on enhancements to the Village Hall. There was a pause in the project due to several of the executive trustees (including the Chairperson) resigning. A new Chair was elected at the end of September 2015 and the Parish Clerk will be pressing them to make sure that they progress the project.

Sport and Leisure – they are hoping to spend it on enhancements to the Sport Pavilion and they have someone looking at proposals with some parents, including enhancements to the kitchen, a small extension, provision of showers, window replacements and/or new flooring.

There do not seem to be any firm proposals at present regarding the Open Space money – but this is specifically required to be used on enhancements to sports pitches and they will be encouraged to take this forward at the same time as the above sports pavilion works.”

#### **RESOLVED**

That the minutes of the meeting held on 19 January 2016 be approved as a correct record, and that they be signed by the Chairman.

55 **Urgent items**

There were no urgent items for consideration at this meeting.

56 **Declarations of Interest**

There were no declarations of interest.

57 **Public Question Time**

No public questions had been received.

58 **Certification of Claims and Returns Annual Report**

The Committee considered the certification of claims and returns annual report 2014-15, circulated with the agenda (copy attached to the official minutes). Mr Young presented the report.

He drew attention to the certification of the housing benefit subsidy claim. The work had followed up recommendations from 2013/14. It had found similar errors, but fewer of them and of lower value than in the previous year. He explained that about 60-70% of audit reports of similar authorities found such errors, and the relatively low value of the errors in a claim valued at nearly £38m did not give undue cause for concern.

There had been minor errors in uprating of statutory maternity pay. The auditors had carried out additional testing of incorrect uprating of the State Retirement Pension and incorrect calculation of self-employed income. The results were set out on page 2 of the certification report and a summary of recommendations was on page 5. These recommendations had been agreed by the Revenue and Benefits Service Manager.

As a result of the additional testing an additional fee of £3,207 was proposed to be added to the indicative fee, raising the actual fee to £13,217.

Mrs Kirkham (Revenue and Benefits Service Manager) explained that the service was trying to ensure a reduced error rate. A number of new controls were being put in place. Claims by self-employed people were especially complicated, particularly as the method of calculation was different from that used by HMRC. Such claims would, in future, be allocated to more experienced assessors.

Mrs Hardwick asked about the non-HRA rent rebates, on which no additional testing had been undertaken. Mrs Kirkham acknowledged that the error rate had increased. Some errors were due to delays in communication of tenant rent information from landlords, on whom the Council relied. The benefits teams were now undertaking regular checks to ensure information was received in a timely manner..

Mr Hobbs asked how value for money was decided in balancing the costs of additional training to eliminate a very small percentage error. Mr Ward replied that

the combined value of the error and the additional audit fee was very low and any additional costs would be met within existing resources.

In answer to questions, Mr Young stated that the indicative audit fees were set by the Public Sector Audit Appointments Ltd (PSAA) through a competitive tendering process, and the PSAA had to agree any additions for extra work.

## **RESOLVED**

That the certification of claims and returns annual report 2014-15 be noted.

### **59 Audit Plan 2015/16 Progress report**

The Committee considered the Audit Plan for the year ending 31 March 2016, circulated with the agenda (copy attached to the official minutes). Mr Young presented the Plan.

With reference to section 2 of the Plan, he explained that the 'risk of management override' was a compulsory fraud risk, undertaken in all audits, and did not relate to any concerns specific to this Council. The Value for Money risk assessment (section 3) had also not identified significant risks specific to the Council. He also drew attention to the materiality threshold in paragraph 4.4 and the timetable in paragraph 4.7. The team leader was already on site and testing would start the week after next. With reference to section 5, Mr Young drew attention to the fact that a Senior Manager from EY had joined the Council as a Group Accountant. This was not considered to be a threat. Finally, Mr Young drew attention to the fees in Appendix A, where the scale fees were significantly less than in 2014/15.

Members asked for re-assurance that the accountancy team could meet the timetable. Mrs Belenger confirmed that they could, and Mr Ward added that the team had gone through a major re-structuring. The timetable for closing the accounts would be brought forward by a month from 2017/18, and the Council was using the intervening two years to practise earlier closure of the accounts.

The Committee asked where the most likely opportunities for fraud existed. Mr Young replied that the audit would investigate any frauds detected at or against the Council. The most likely frauds against the Council related to housing benefit, council tax reduction and blue badge claims. Procurement, override of controls and fraudulent mis-reporting were the most likely opportunities at the Council. However, this Council had a record of honesty and integrity. Mr Ward added that, when the fraud investigation team had transferred to the Department of Work and Pensions (DWP), one investigator had been retained and added to the Internal Audit Team. A report on his role and work would come to a future meeting, but one area of investigation was the housing register.

Mrs Hardwick asked whether the auditors ever communicated with members without officers present. Mr Young acknowledged that this was usual in the NHS and charitable sector, but not in local government. However, any member who wished to do so would be welcome to request a private discussion. The Chairman added that

she had an annual exchange of letters with the auditors to confirm her satisfaction with governance arrangements.

## **RESOLVED**

That the Audit Plan for the year ending 31 March 2016 be noted.

### **60 Accounting Policies**

The Committee considered the report circulated with the agenda (copy attached to the official minutes). Mrs Belenger introduced the report, explaining that it was good practice for any proposed changes to accounting policies to be considered and approved by the Committee before the end of the accounting year. The only significant change proposed this year related to the treatment of the Community Infrastructure Levy (CIL), although to date none had been received in the current year.

Members asked whether CIL would still be used to provide new school places if councils no longer had responsibilities for schools, but this was not known yet. Members also asked about the use of a small proportion of CIL to fund revenue expenditure, and it was explained that up to 5% of CIL could be used to fund administration. The Committee felt that this should be made more explicit in the policy.

Mrs Belenger also confirmed that the relationship of CIL receipts to specific schemes would be identifiable in the Council's financial system.

## **RESOLVED**

That the amendments to the Accounting Policies shown in Appendix 1 be formally adopted for the financial year ended 31 March 2016, subject to a reference to an administration charge of up to 5% being substituted for "a small proportion of the charges" in the final sentence.

### **61 Budget Carry Forward Requests**

The Committee considered the report circulated with the agenda (copy attached to the official minutes). Mrs Belenger introduced the report.

She drew attention to the Accounts and Audit Regulations 2015, which would shorten the timetable for closing and publishing the accounts from 2017/18. The Accountancy Service was exploring and testing processes to streamline current practice. Previously, carry forwards had been agreed after the year end, but it was now considered appropriate to bring forward their approval process. Any approvals would be subject to the funds being available and unspent at the year end. Mrs Belenger then described the three requests being put forward (Appendix).

The Chairman pointed out that the requests had been vetted by the Chief Executive and the Head of Finance and Governance Services.

## **RESOLVED**

That the Cabinet be requested to approve the requests, set out in the appendix, totalling £88,600 for budgets to be carried forward in 2016-17.

(Mr Hicks left the meeting.)

## **62 Strategic and Operational Risks**

The Committee considered the report circulated with the agenda, together with the revised Appendix 2 circulated at the meeting (copies attached to the official minutes, except confidential Appendix 1). Mrs Belenger introduced the report.

She explained that the Corporate Management Team reviewed risks quarterly and individual managers reviewed risks they were responsible for monthly. The Strategic Risk Group, comprising three members each from the Committee and from the Cabinet with the Strategic Leadership Team, had reviewed the Strategic Risk Register, the Programme Board Risks and the high-scoring organisational risks on 15 March 2016.

Mrs Belenger corrected the previous quarterly review score for risk CRR01 in Appendix 1, which should read 3, not 6. She drew attention to the revised Appendix 2 and to Appendix 3.

Mr Barrett asked whether there was a clear mitigation plan for each risk. Mrs Belenger confirmed that there was a detailed control plan for all strategic risks. These sought to manage rather than eliminate risks, and were reviewed quarterly.

The Committee resolved to exclude the public, including the press, from the meeting for discussion of the Strategic Risk register (Appendix 1) on the grounds that it was likely that there would be a disclosure to the public of 'exempt information' of the description specified in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A to the Local Government Act 1972 and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighed the public interest in disclosing the information.

In respect of CRR68, the Committee acknowledged that, because the risk score consisted of impact and likelihood, the impact of this risk would always be high. It was difficult to tell from the quarterly report what progress had been made in reducing likelihood and there needed to be a means of measuring improvement over time. This illustrated a general problem with the risk report and Mrs Belenger undertook to find a better way of summarising information in future reports.

In respect of CRR88 (re Recycling Target), the Committee wished for some indication of current performance.

## **RESOLVED**

- (1) That the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, be noted and that officers' attention be drawn to the concerns raised.
- (2) That the current high scoring organisational risks and the mitigation actions in place be noted.

### 63 **Internal Audit - Audit Plan Progress**

The Committee considered the report circulated with the agenda (copy attached to the official minutes). Mr James introduced the report.

He drew attention to the audit report on Housing Benefit, which had been forwarded to members of the Committee. There had been one comment from Cllr Jarvis about the re-structuring of the team.

Mrs Kirkham reported that the re-structuring of the Revenues and Benefits Teams reflected the changing needs of the customer and the requirements of the DWP. The re-structure had included the establishment of a Control Team with special responsibility for checks and controls of subsidies. The re-structuring was nearly complete. All managers and team leaders had been involved in its design and all staff had been informed.

Mr James then described the three-year rolling programme of audits, including the Audit Plan 2016/17, explaining that this included an annual audit of key financial controls so that the external auditors could place maximum reliance on internal audit. He drew attention to the new check on the Leisure Centres contract, which would be reviewed annually. A number of audits, which were incomplete in 2015/16 would be completed in 2016/17.

#### **RESOLVED**

That the Housing Benefit audit report, the Audit Plan 2016/2017 and the progress against the Audit Plan 2015/2016, be noted.

The meeting ended at 11.45 am

---

CHAIRMAN

---

Date: