

Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room One, East Pallant House, Chichester, on Thursday, 20 September 2012 at 9.30 a.m.

Members (10)

Mrs P M Tull (Chairman)

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

Mrs P A Hardwick
Mr G H Hicks
Mr G V McAra
Mr R Marshall

Present (9)

Apologies for absence

Mr A J French (Vice-Chairman)

Officers Present

Mrs D Shepherd, Chief Executive
Mr J Ward, District Treasurer
Mr P Coleman, Member Services Manager

Officers Present for Specific Items Only

Mrs H Belenger, Accountancy Services Manager
Mr D Cooper, Group Accountant
Mr S James, Principal Auditor
Mrs B Jones, Principal Scrutiny Officer
Miss A Loaring, Policy Officer

73. Chairman

The Committee welcomed Mrs Tull as their new chairman.

74. Minutes

RESOLVED

That the Minutes of the meeting held on 28 June 2012 be signed as a correct record.

75. Urgent Items

There were no urgent items for consideration at this meeting.

76. Declarations of Interest

No interests were declared at this meeting.

77. Public Question Time

No public questions had been submitted.

78. Audit Commission: Annual Governance Report 2011/12

The Committee considered the annual governance report circulated with the agenda (copy attached to the official Minutes).

Mr Catlow (Audit Manager, the Audit Commission) introduced the report. He explained that his audit had been completed and he expected to issue an unqualified opinion on both the financial statements and value for money. He confirmed that he had found no uncorrected errors in the financial statements, and he considered that the council had made prudent provision for the potential liability arising from the Supreme Court decision on the mesothelioma trigger legislation. He had found no significant weaknesses in financial control, and although he would encourage the Council to automate its capital accounting procedures, he knew of no other council that had succeeded in doing so. He drew attention to the Council's high level of useable reserves. He acknowledged that the Council had plans for their use in its medium term financial strategy, but suggested that the Committee should consider whether the reserves were commensurate with risks and plans. Where there was a pattern of underspends increasing reserves, he suggested that members should ask what was causing the underspends and whether budgets could be reduced. He stated that the Council had made good progress on his recommendation last year to develop a bespoke set of outcome focussed local performance indicators. He had examined the Council's partnerships, and especially commended the crime and disorder reduction partnership.

The District Treasurer confirmed that financial monitoring reports were made available to members, and that recurring underspends would be taken out of budgets. The accountancy team had limited resources to continue automating capital accounting procedures.

Mr Catlow added that he expected the audit scale fees to fall by 40% next year. He would not be presenting his annual audit letter to the Committee this year, which would simply be a brief summary letter, in view of the winding up of the Audit Commission.

RESOLVED

- (1) That the Annual Governance Report be received and noted.
- (2) That the letter of representation, as set out in appendix 2, be agreed, and that the District Treasurer be authorised to issue it.

79. Audited Statement of Accounts for 2011/12

The Committee considered the report and appendices circulated with the agenda (copy attached to the official Minutes). The District Treasurer introduced the report and Mrs Belenger explained the accounts in detail and answered members' questions.

They drew particular attention to:

- The analysis of variances in paragraphs 3.4.2 and 3.4.3 of the main report, including, especially, the provision for bad debts mentioned at paragraph 3.4.3(f)
- The analysis of expenditure, compared with the previous year, in Appendix 2
- The details of expenditure and income, other than related to the provision of services, set on pages 36-37 of Appendix 1
- The increased surplus on pension interest (p37)
- The fall in investment income, reflecting low interest rates
- The decrease of £1.003m in the Council's net worth (pp40-41)
- The decrease in the general fund balance of £489,000 (p41)
- The treatment of heritage assets in the balance sheet (p38 and paras. 3.38 – 3.3.10 of the main report)

In answer to a question about the shortfall in car parking income, and whether this reflected price sensitivity, the District Treasurer replied that the shortfall arose on both pay and display receipts and sales of roving season tickets. The Council's car parks were noticeably less busy due to the recession, but it might be that the price of roving season tickets had affected demand.

The Committee also discussed capital commitments and the level of reserves, the pension fund, and risks from contingent liabilities on litigation. These discussions are reflected in the Committee's decision on its future work plan (minute 85).

RESOLVED

- (1) That the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2012 be formally adopted.
- (2) That the District Treasurer and the Accountancy Team be congratulated on the production of the accounts on time, with an unqualified audit opinion, given the complexity of the accounts and the fact that this is only the second year of accounts under International Financial Reporting Standards (IFRS).

80. Corporate Governance – Report to full Council

The Committee considered the report and appendices circulated with the agenda (copy attached to the official Minutes). Mr James introduced the report and drew particular attention to Appendix 1, which was a draft of the annual report from the Committee to the full Council.

In discussion members suggested a number of substantial changes to the draft report, as follows:

- In the risk 3, on the first page, reference should be made to the Local Plan, not the local Development Framework. The description of the risk should be expanded to explain that from April 2014, whilst the Council has no Local Plan in place, the Council will be unable to attract Community Infrastructure Levy and runs the risk of losing control of development through 'planning by appeal'.
- The section of the report headed 'Significant Governance issues' should be re-written. These may not be 'weaknesses' or even 'significant governance issues'. They are risks, which require and are receiving attention from those charged with governance.

- The first bullet point in this section could be omitted, having been dealt with in 1 and 2 on the previous page.
- The reference to Business Continuity could be strengthened.
- The references to the Westgate Centre Carbon trust contract and Building Control should be retained as there are continuing issues.
- The reference to new legislative requirements should be strengthened to specify those which are known and mention that there may be others.
- Consequential changes will need to be made to Appendix 2.

RESOLVED

That the draft report in Appendix 1 be re-written to reflect the Committee's discussion and circulated to members of the Committee for comment, and that the Chairman be authorised to approve the revised report for submission to the Council.

81. RIPA Inspection 2012

The Committee considered the report circulated with the agenda (copy attached to the official Minutes). The Chief Executive introduced the report, stating that every three years the Office of the Surveillance Commissioner carried out an inspection of the council's arrangements under the Regulation of Investigatory Powers Act (RIPA). The Council's surveillance powers under the Act were limited to the detection of a crime.

The most recent inspection report had now been received and the Chief Executive reported the Inspector's recommendations and the action that had been taken to comply with them. In answer to questions, she explained that no applications for authorisation had been refused, and the one authorised application in the past 20 months had related to Housing Benefit fraud. Surveillance operations under RIPA were intensive in their use of staff resources and rarely resulted in successful prosecutions.

RESOLVED

That the recommendations arising from the RIPA inspection and the actions taken to date to meet those recommendations be noted.

82. Partnerships Report 2012

Further to minute 68 of 28 June 2012, the Committee received the notes on the informal meeting held on 23 July circulated with the agenda (copy attached to the official Minutes). Ms Jones added that the risk register for the West Sussex Waste Partnership, requested in paragraph 4.2 of the report, had now been made available on the Members' Bulletin Board.

Mr Cherry suggested that the process of holding informal meetings to review partnerships in depth should continue, but the Chairman was concerned about the resource implications of extra meetings. Mrs Hardwick drew attention to the comment in the Audit Commission's Annual Governance Report that "targets and desired outcomes from the partnerships are often not clearly defined and consequently there is a lack of outcome focus and their impact would be difficult to measure...this should be

a focus for development over the next 12 months". Ms Loaring pointed out that an annual report on partnerships was presented to the Committee and the Chief Executive suggested that Ms Loaring should be asked to examine partnerships' objectives to see whether there were clear outcomes and to report back to the Committee where she found weaknesses.

Mr Hicks asked whether the Healthier Chichester Partnership could look at St Richard's Hospital. Mrs Apel and Mrs Lintill (Cabinet Member for Leisure, Wellbeing and Community services) replied that this should more properly be considered by the Health Standing Panel and by the Health and Adult Social Care Select Committee, on which the Council was represented by Mrs Tinson.

Miss Loaring added that the Partnerships Guidance will be presented to the Committee at its meeting in November.

RESOLVED

- (1) That the committee should receive an annual report on the effectiveness of the council's strategic partnerships focussing on governance arrangements and risk monitoring.
- (2) That the council's partnerships, both strategic and operational, should be reviewed during the council's annual service planning process to ensure that they are still achieving their outcomes, that risk registers are up to date and regularly reviewed, and that the council's strategic objectives continue to be met.
- (3) That the role of members who serve on partnerships is made clear in the Partnerships Guidance document particularly in relation to the requirements for annual reporting.

83. Internal Audit Reports and Audit Plan Progress

The Committee considered the report circulated with the agenda (copy attached to the official Minutes). The Committee noted that Internal Audit reports on Fixed Asset register and Investments had been made available for members' scrutiny and comment on the Members' Bulletin Board. No comments had been made. The Committee noted the audit plan progress report.

Mr James added that the Committee had asked that members be given the opportunity to comment on the scopes of future audits. No scopes had yet been prepared but a number of new ones would become available for comment shortly.

Mr Dignum asked whether business continuity should be added to the Audit Plan, as he was concerned that there was no daily off-site back-up of the Council's data. The Chief Executive replied that business continuity had been identified as a risk and a further report would be made in due course.

RESOLVED

That the report be noted.

84. Budget Task and Finish Group

Further to minute 70(2) of the last meeting, the committee noted that the Overview & Scrutiny Committee proposed to appoint a joint Budget Task and Finish Group to scrutinise proposals for the Budget for 2013/14.

RESOLVED

That Mr Cherry, Mr Marshall and Mrs Tull be appointed to the Budget Task and Finish Group.

85. Future Working of the Committee

The Chairman enquired whether members would be willing to meet briefly before meetings of the Committee to establish questioning strategies for items on the agenda. After discussion, it was agreed not to pursue this idea.

The Committee considered the future work plan circulated with the agenda (copy attached to the official Minutes).

Officers reported the following amendments to the work plan:

- The Budget would be considered at the meeting on 17 January 2013, not 29 November 2012
- Reports on Partnerships Guidance and Section 106 contributions at Tangmere would be added to the agenda for the meeting on 29 November 2012
- A report on Business Continuity might be added to the agenda for the meeting on 17 January 2013
- A report on potential liabilities of outstanding litigation would be added to the agenda for the meeting on 21 March 2013

Mr McAra asked whether the Committee should consider the risks relating to the Council's funding of the Chichester Festival Theatre and the Pallant House Gallery. The Committee noted that the Overview and Scrutiny Committee received an annual report and opportunity to question Directors of these organisations. The Chief executive stated that a report would be brought to the Cabinet on future funding of these institutions.

The Committee discussed the need for detailed consideration of the pension fund, and the Chief Executive offered to ask again that an appropriate representative of West Sussex County Council with responsibility for the pension fund should attend a meeting of the Committee.

RESOLVED

That the future work plan be approved, with the amendments recorded above.

(Note: The meeting closed at 11.55 p.m.)

(Chairman)

Date: _____