

NOTICE OF MEETING

East Pallant House Chichester West Sussex PO19 1TY

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MEETING	CORPORATE GOVERNANCE AND AUDIT COMMITTEE
DATE / TIME	Thursday 20 March 2014 at 09.30 am
VENUE	Committee Room 1 East Pallant House Chichester PO19 1TY
CONTACT POINT	Bambi Jones – Principal Scrutiny Officer Direct line: 01243 534685 Email: bjones@chichester.gov.uk

Tuesday 11 March 2014

PAUL E OVER
Executive Director of Support
Services and the Economy

AGENDA

This agenda should be retained for future reference with the minutes of this meeting

PART 1

- Chairman's Announcements**
Any apologies for absence that have been received will be noted at this point.
- Approval of Minutes** (Pages 1 to 6)
The Corporate Governance and Audit Committee is requested to approve the minutes of its ordinary meeting on Thursday 23 January 2014.

3. **Urgent items**
The chairman will announce any urgent items that due to special circumstances are to be dealt with under agenda item 9(b).
4. **Declarations of Interests**
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 19 March 2014 is available upon request to Member Services (the contact details for which appear on the front page of this agenda).
6. **Accounting Policies** (pages 7 to 15)
To approve amendments to the Accounting Policies for the financial year 2014/15.
7. **Annual Audit Plan – Audit Plan 2013/14 progress, Audit Plan 2014/15 and three year plan** (pages 16 to 25)
To note the audit plan progress for 2013/14 and the Audit Plan 2014/15.
8. **Business Continuity Management** (pages 26 to 28)
To note this report which provides details on the progress and current position of Business Continuity (BC) management arrangements within CDC and to determine what further action should be taken, if any.
9. **Corporate Governance & Audit Committee work programme 2014/15** (pages 29 to 32)
To consider and agree the committee's work programme for the following year.
10. **Late items**
 - (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

PART 2

[Items for which the press and public are likely to be excluded]

The public and press may be excluded from the meeting during any item of business whenever it is likely that there would be disclosure of 'exempt information' as defined in section 100 I of and Schedule 12A to the Local Government Act 1972

NONE

NOTES

With the aim of reducing paper consumption, certain restrictions have been introduced on the distribution of paper copies of longer appendices to reports where those appendices are circulated separately from the agenda:

- (1) **Members of the Corporate Governance and Audit Committee, the Cabinet and Senior Officers:** They receive paper copies including the appendices.
- (2) **Other Members of the Council:** The appendices may be viewed via the Members' Desktop and a paper copy will also be available for inspection in the Members' Room at East Pallant House.
- (3) **The Press and Public:** The appendices relating to reports listed under Part I of the agenda which are not included with their copy of the agenda can be viewed as follows:
 - (a) on the council's website at www.chichester.gov.uk/committee_papers - Select Corporate Governance and Audit Committee then choose the date of this meeting
 - (b) at the main reception desk at East Pallant House Chichester
 - (c) by contacting Bambi Jones (Principal Scrutiny Officer) on 01243 534685 or bjones@chichester.gov.uk

MEMBERS

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

Mrs C M M Apel	Mrs P A Hardwick
Mr M J Bell	Mr G H Hicks
Mr T Dignum	Mr R M J Marshall
Mr B Finch	Mr G V McAra

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Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room 2, East Pallant House, 1 East Pallant, Chichester on Thursday 23 January 2014 at 09.30am.

Members (10)

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

Mrs C M M Apel	Mr G Hicks
Mr T Dignum	Mr R Marshall
Mrs P Hardwick	Mr G McAra

Present (8)

Apologies for absence:

Mr M Bell
Mr B Finch

Officers Present for all agenda items

Mrs B Jones, Principal Scrutiny Officer
Mr J Ward, District Treasurer

Officers Present for Specific Items Only

Mrs H Belenger, Accountancy Services Manager
Mrs C Dring, Benefits Manager
Mr S James, Principal Auditor
Mr D Stewart, Legal Practice Manager

Chichester District Council Members present as observers or contributors

Mr J Connor
Mr S Oakley

159. **Minutes**

The following amendment was requested by Mr King, Ernst & Young LLP, to the minutes of the meeting held on 28 November 2013:

- 'grant claims was essentially complete and the ~~certificate~~ annual claims report would be issued....' Minute 154, line 5

RESOLVED

That the Minutes of the meeting held on 28 November 2013 be signed as a correct record, subject to the above amendment.

Matters arising: Mr Ward advised that an updated position on the request at the last meeting regarding re-targeting of existing unallocated S106 monies would be reported to the June meeting of this committee.

160. Urgent Items

There were no urgent items for consideration at this meeting.

161. Declarations of Interest

There were no declarations of interest.

162. Public Question Time

No public questions had been submitted.

163. Certification of claims and returns annual report 2012/13 – Ernst & Young LLP

The Chairman welcomed Mr P King and Mr N Aitken from Ernst & Young LLP (EY) and Mrs C Dring (Benefits Manager) to the meeting. The committee considered the agenda report (copy attached to the official minutes).

In response to questions about the subsidy claim, Mrs Dring and Mr Aitken responded that this was prepared on the basis of Northgate guidance. One report in particular, although run, was not acted upon in accordance with that guidance but contrary to Department for Work and Pensions (DWP) instructions. It has since been established that the DWP stance is the correct one to follow and in this instance was favourable to the Council. The increased subsidy due will be paid in due course.

Mr Dignum questioned the quantum of the additional subsidy split into the two areas – local authority error overpayments and administrative delays. Mrs Dring undertook to circulate this information to the committee.

(Post meeting note: Examination of the report shows that all the additional subsidy gained was due to administrative delays.)

The Committee noted the proposed additional fee for this work however Mr King advised that this was subject to the Audit Commission's agreement to this proposed variation.

RESOLVED

That the 2012/13 annual report on the certification of the Council's claims and returns be noted.

164. Treasury Management Strategy

The committee considered the agenda report (copy attached to the official minutes).

Mr Dignum advised that the Treasury Management training provided to members of this committee and to the Cabinet on 9 January 2014 had been very good and had made him aware of alternative financial strategies. The slides from this training event had been circulated to members of the Committee prior to the meeting for background information.

Mrs Apel asked whether the recent good news regarding a drop in unemployment and possibly an earlier change in the bank base rate would affect our decisions. Mrs Belenger advised that the figures in the report and appendices had already factored in the market's view of future interest rates.

Mr Marshall advised that he would have liked to see the Council's risks (e.g. credit risks, interest rate risks, liquidity risks and market risks) set out separately and the related mitigating factors. He suggested there was no mention of short term gilts in the strategy which provide better returns and that there was no need for a 65% cap on short term investments. He advised that building society lending was high risk because interest rates could go up. He suggested that the Strategy be revisited before it was approved to reconsider the above. There was discretion in how the Strategy was implemented and he would also like to see a description of the processes we would follow.

Mrs Hardwick agreed with removal of the cap on short term investments and suggested the removal of the name of the treasury management advisors in the Strategy statement. She also provided revised wording to paragraph 5 Credit Outlook.

There was a general discussion on Building Societies, their ratings and the cash limit, with members suggesting a reduction from £2m to £1m on investments with lower rated building societies. To a question from Mr McAra regarding potential investments with building societies, Mrs Belenger advised that besides credit ratings there are a number of other criteria that the Council's treasury management advisors and ourselves need to review and be comfortable with before we invest with any counter party. She confirmed that currently commercial lenders, including local authorities, were afforded greater security in the event of building society liquidation as their deposits would be repaid first before retail depositors.

To query from Mr McAra about the treasury management advisers view of no increase in the bank base rate up to 2016, which is contrary to the majority of the market, and the effect on our projections, Mrs Belenger reminded members that this report is the Council's view looking forward, taking into account the advice given by our treasury management advisers and considering our own past performance.

The Committee wished to postpone the approval of the Strategy, but Mr Ward advised that it is a legal requirement to have an approved strategy in place before the start of the new financial year, and that this must be determined by Council, and cannot be delegated. Mrs Jones suggested that perhaps the draft Strategy be delayed to the 25 February Cabinet to allow a task and finish group to carry out a review, and then on to Council on 4 March. This would satisfy the timescale for

approval by Full Council before the start of the new financial year. However, members did not want to be constrained by a tight deadline and agreed to recommend the current draft Strategy using the 2014/15 Treasury Management Strategy counter party selection criteria (with minimum amendments) to Cabinet on 4 February 2014 in order to satisfy the requirement to agree a Strategy by the end of the current financial year, and to carry out a review of the Strategy and report back to a future Cabinet meeting. The agreed amendments were:

- Removal of all highlighted specific paragraphs suggesting new items

Table 4 on page 24 of the agenda

- Banks etc. – amend the cash limit from £8m to £5m
- UK Local Authorities – amend the cash limit from £8m to £5m
- Money market funds – amend the cash limit from £5m to £4m

Appendix 1

- Amend references to Arlingclose to Treasury Management Advisors
- Amend Para. 5 Credit Outlook as suggested by Mrs Hardwick
- Re-number all tables

Report to Cabinet

- Amend the recommendations in order to break them down

The committee agreed that a review of the Treasury Management Strategy should be carried out by a task and finish group to ensure that all known issues were incorporated. The terms of reference for the task and finish group will be to review the principles and details of the Treasury Management Strategy in order that it is fit for purpose. The group will report back to the March meeting of this committee and then on to Cabinet in April and Annual Council in May. The members of the group were confirmed as Mr Dignum, Mr Marshall, Mrs Hardwick, Mrs Tull and Mr McAra, supported by Mr Ward and Mrs Belenger.

The Committee, having considered the draft 2014/15 Treasury Management Policy Statement, the draft Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Investment Strategy -

RESOLVED

That a task and finish group be established to review the Treasury Management Strategy.

RECOMMENDS TO CABINET

That Cabinet considers and recommends the following for approval to full Council:

- (a) The Treasury Management Policy and Treasury Management Strategy Statement for 2014-15 as contained in appendix 1 of the report.
- (b) The Investment Strategy 2014-15 as detailed within the treasury management strategy statement (appendix 1).
- (c) The Prudential Indicators and Limits for 2014-15 to 2016-17 as detailed in appendix 2 of the report.

- (d) The Minimum Revenue Provision (MRP) Statement contained within appendix 2, which sets out the Council's policy on MRP.

165. Budget Task and Finish Group report back

The three representative of this committee on the task and finish group, namely Mr French, Mrs Tull and Mr Marshall, fed back their findings from the meeting held on 17 December 2013.

Mr Ward responded on a couple of queries from the notes of the meeting:

Item 15 – the projected surplus of Chichester Contract Services for 2013/14 was £189,000.

Item 11 – The payment to Unison had been reduced, but to reduce it further would be counterproductive as some officer time would be lost to Union activities.

The 4 February 2014 Cabinet papers recommend a fully balanced budget for 2014/15. There are no large appendices to the report as in previous years, but a link is provided to a much more detailed set of papers on the Council's website for those who wish to refer to them.

RESOLVED

- 1) That the report of the Budget Task & Finish Group be noted.

166. Internal Audit Report and Audit Plan Progress

The committee considered the agenda report (copy attached to the official minutes).

Mr James reported that he had had no comment from members on the two Internal Audit reports on Contracts and Performance Management which had been circulated to the Committee prior to the meeting. Mr Dignum requested that a report come back to the March meeting on the actions identified in the Contracts report with a March deadline. Mrs Belenger confirmed that the actions would be achievable by then. A contract management module was included as part of the new financial management system, where all council contracts could be recorded. Contract management and procurement training would be provided to officers before the end of the financial year.

The proposed new procurement threshold is close to £500,000. The current threshold of £172,514 is noted in the constitution, however it is proposed to amend the constitution to require officers to consult the Procurement Officer for contracts over £50,000.

Mr James advised that the Housing Benefits and Estates audits would be reported to the March 2014 meeting of this committee. The delayed report on IT enhancements following the S106 Tangmere audit will be reported to the June meeting of this committee, as the software installation had been delayed until April/May 2014.

Mr James gave an update on a change to resources within the Internal Audit department and how this would be resolved. It was not anticipated that there would be a reduction.

RESOLVED

- 1) That the report and the progress made against the audit plan is noted.
- 2) That the Internal Audit reports on Contracts and Performance Indicators are noted.

167. Exclusion of the Press and Public

RESOLVED

That in accordance with section 100A of the Local Government Act 1972 (the Act), the public and the press be excluded from the meeting during the consideration of the following item on the agenda for the reason that it is likely in view of the nature of the business to be transacted that there would be disclosure to the public of 'exempt information' being information of the nature described 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 Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

168. Westgate Leisure Centre Carbon Trust Scheme [Paragraph 3]

Mr Stewart, Legal Practice Manager, reported to the committee on the current legal negotiations which are ongoing.

RESOLVED

That the oral report be noted.

(Note: The meeting closed at 11.34am)

(Chairman)

Date: _____

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

20 March 2014

Accounting Policies

1. Contacts

Report Author:

David Cooper, Group Accountant,

Tel: 01243 534733 E-mail: dcooper@chichester.gov.uk

2. Recommendation

- 2.1. That the amendments to the Accounting Policies shown in Appendix 1 be formally adopted for the financial year ended 31 March 2014.**

3. Background

- 3.1. It is good practice for the accounting policies to be followed for the preparation of the end of year accounts be laid before the committee in advance of the accounts preparation.
- 3.2. Accounting Policies are a framework of specific principles, bases, conventions, rules and practices consistently applied by the council, and in the opinion of the responsible financial officer, best suited to present a true and fair view of the council's financial position in its financial statements.
- 3.3. The Accounting Policies adopted by this committee are contained within its Statements of Accounts 2012-13 document and are included on the council's website at <http://www.chichester.gov.uk/index.cfm?articleid=5073> .
- 3.4. The accounting policies are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2013-14 Practitioners Guide. This document specifies the principles and practices of accounting required. The majority of the wording used is contained within this guidance and is a standard for all local authorities to follow.
- 3.5. Apart from minor changes to wording and dates, a review of the Accounting Policies has identified that a number of amendments are required for the closedown of accounts for 2013-14. The most significant changes relate to:

I. Accounting for Business Rates

From 1 April 2013, the regime around the income that local councils collect from National Non Domestic Rates (NNDR) or Business Rates changed from one where the council collects purely on behalf of central

government, to one where this income is shared between central government, the local council and other major precepting bodies (such as West Sussex County Council in Chichester's case). It has therefore been necessary to update the accounting policy to reflect this change.

II. Employee Benefits

International Accounting Standard 19 'Employee Benefits' (IAS19) was amended on 16 June 2011. The changes are mandatory for accounting years starting on or after 1 January 2013. The key changes relevant to Local Government Pension Scheme Employers are:

- the combination of the interest cost and the expected return on assets into a single net figure; and
- Increased asset disclosure in the notes to the accounts.

Expected return on Assets

This is the biggest change to actual figures. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted. The expected return on assets was credited to the Comprehensive Income and Expenditure Statement (CIES), however for the 2013-14 financial statements this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the expected Return on Assets assumption). This is likely to result in the charge in the 2013-14 CIES being higher than that disclosed in prior years.

This change will be retrospectively shown for the 2012-13 financial year when the 2013-14 financial statements are prepared. This means that the figures disclosed for 2012-13 in the CIES for 2013-14 will be restated using the revised IAS19 reporting basis.

The Actuary advised in their IAS19 report last year that the effect of this change on the CIES for 2012-13 would be an expense increase of some £970,000. The impact of this change for 2013-14 will be contained in the report from the Actuary that we expect to receive at the end of April 2014. However, as all IAS19 entries are mitigated through the Movement in Reserves Statement, there are no implications for the General Fund Balance.

Asset disclosure

The revision to IAS19 now requires a much more detailed breakdown of pension fund assets. The value of assets disclosed in the notes to the 2013-14 accounts (and retrospectively for 2012-13) will be broken down into classes that distinguish between the nature and risk of those assets and further broken down by those with a quoted price in an active market and those that do not.

The disclosure of pension fund assets is currently limited to the main categories of equities, bonds, property and cash. In future, assets that

would have previously been consolidated with another asset class e.g. derivatives included with bonds, will be reported separately and further split by quoted and unquoted if necessary.

The change in wording identified in Appendix 1 reflects the change in accounting policy necessary in order to comply with this amended accounting standard.

- 3.6. Local Government financial statements are long and complex and disclosure overload can make it difficult for the user of the accounts to identify the key messages. It is now considered good practice to de-clutter the accounts by removing items that are not applicable or not material in nature or magnitude, or both, to the entity producing the financial statements. Officers are therefore recommending the removal of two accounting policies; Foreign Currency Translation and Jointly Controlled Operations and Jointly Controlled Assets. This approach has been discussed and agreed with the council's external auditor.
- 3.7. It is common that during the course of an audit further guidance and technical clarification becomes available that may impact on the policies applied to prepare the accounts. Officers are currently awaiting the publication of an accounts closedown bulletin by the Chartered Institute of Public Finance and Accountancy (CIPFA) that will provide guidance on accounting issues for the production of the 2013-14 financial statements. If it is found that officers consider that amendments to the accounting policies are necessary, the changes will be submitted to this Committee in June 2014.
- 3.8. The proposed changes to the accounting policies to be adopted are detailed in Appendix 1. To assist members to identify the Accounting Policy changes more easily, the document uses the following convention:
 - new/additional accounting policy wording is shown using a shaded background;
 - deleted wording is identified using a strikethrough.

4. Appendices

Appendix 1 - Accounting Policy Amendments

5. Background Papers

- 5.1. Accounting Policies (within the Statement of Accounts 2012-13) on <http://www.chichester.gov.uk/index.cfm?articleid=5073>.

Accounting Policy changes for 2013-14

1.9 Accounting for Non-Domestic Rates (NNDR)

Old wording

~~Under the Code, NNDR ratepayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the council as billing authority since it acts as an agent of the Government when collecting NNDR. The balance due to or from the Government based on the actual or estimated NNDR3 return, is not an amount that under the Code should be recognised in the Balance Sheet of the council. Under the Code, the debtor/creditor position that needs to be recognised in the council's Balance Sheet is the amount of cash collected from NNDR ratepayers (less the amount retained in respect of the council's cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.~~

New wording

From 1 April 2013, the regime around the income that local councils collect from National Non Domestic Rates (NNDR) or Business Rates changed from one where the council collects purely on behalf of central government, to one where this income is shared between central government, the local council and other major precepting bodies (such as West Sussex County Council in Chichester's case).

Under the Code, the NNDR income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the NNDR income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to a the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund Balance.

Since the collection NNDR income is in substance an agency arrangement, the council as the billing authority shall recognise a creditor in its Balance Sheet for cash collected from NNDR ratepayers on behalf of the government and major preceptors but not yet paid to them, or a debtor for cash paid to government and major preceptors in advance of it receiving the cash from NNDR ratepayers.

Top-ups and Tariffs

Top-up income receivable and tariff expenditure payable is recognised by the council in the Comprehensive Income and Expenditure Statement on an accruals basis under the heading of Taxation and Non-specific Grant Income and Expenditure. Debtors and creditors in respect of these items are recognised in the Balance Sheet.

Safety net income and levy expenditure

Safety net income and levy expenditure is recognised by the council in in the Comprehensive Income and Expenditure Statement on an accruals basis under the heading of Taxation and Non-specific Grant Income and Expenditure. Debtors and creditors in respect of these items are recognised in the Balance Sheet.

1.11 Employee Benefits

Updated wording

i. **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in year in which the benefit was earned. The accrual is charged to Surplus or Deficit on the Provision of Services, within the Comprehensive Income and Expenditure Statement but then

reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

ii. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring. ~~is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.~~

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

iii. Post-employment Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by West Sussex County Council.

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

The Local Government Pension Scheme (LGPS)

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the West Sussex County Council pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% based upon the single average gilt yield which gives the same present value as the Bank of England nominal gilt curve applied to the cash flows of a typical LGPS employer plus the mean 'credit spread' applying to AA corporate bonds within the iBoxx Over 15 Years Index, at the IAS19 valuation date. This discount rate recommended by the Actuary is not equal to the iBoxx index yield at the accounting date and this is consistent with the approach taken last year.

The wording in this paragraph will be updated when the Actuaries Results Report is received.

The assets of West Sussex pension fund attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- un-quoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into the following components:

- **Service Cost Comprising:**
 - **current service cost** - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council** - the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Remeasurements comprising:
 - ⊖ **expected return on assets** – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - **the return on plan assets** – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - ⊖ **gains or losses on settlements and curtailments** – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - ⊖ **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **contributions paid to the West Sussex County Council pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.13 Financial Instruments

Updated wording

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

i. Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to individuals under the housing private sector renewal scheme, and tenants of certain council owned shops for improvements, and repairs and maintenance (where the tenant has a repair obligation) at less than market rates (soft loans), i.e. these are currently interest free loans. Therefore, when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, if any, from the individual or organisation given a soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, if these soft loans are considered not to be material to the council's accounts the amount presented in the Balance Sheet is the outstanding principal receivable, and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable (if any) for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ii. Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The Council has no Available for Sale Assets as at 31 March 2014.

1.14 Foreign Currency Translation

Remove accounting policy wording as transactions are not material to the accounts

~~Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.~~

1.16 Interest

Updated wording

Gross interest earned by the council is in the first instance credited in total to the Comprehensive Income and Expenditure Account. For 2013-14 this amounted to £xxx,xxx. In accordance with council policy the interest is subsequently transferred to the various reserves and funds of the council. The majority of interest is transferred to the Revenue Reserve Fund council's Capital Projects Reserve and used to finance the Capital Programme. ~~or one off costs for pump priming or Performance Improvement.~~

1.22 Jointly Controlled Operations and Jointly Controlled Assets

Remove accounting policy as not relevant as the council is not currently involved in these types of arrangements

~~Jointly controlled operations are activities undertaken by the council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity.~~

~~Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity.~~

~~The council is not currently involved in these type of arrangements.~~

1.26 Property, plant and Equipment (extract)

Rewording of the paragraph relating to Componentisation

Componentisation

~~The componentisation limits that were applied with effect from 1 April 2010 for assets re-valued thereafter are; (a) assets over £500,000 and (b) where components are over £100,000.~~

International Accounting Standard 16 (IAS16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and derecognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement or acquisition expenditure incurred and revaluations carried out from 1 April 2010.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation. The Council's policy on componentisation is:

- Only assets with a gross book value of £500,000 and over will be considered for componentisation.
- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 20% in relation to the overall value of the asset and over £100,000 will be considered and then only if the component has a different useful life for depreciation purposes, so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

20 March 2014

Audit Reports, Audit Plan and Audit Plan Progress

1. Contact

Report Author:

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: sjames@chichester.gov.uk

2. Recommendations

2.1. **That the committee considers the various reports and whether any further action is required and notes the Audits that have been placed on the Members Bulletin Board and emailed to members.**

2.2. **To note the Audit Plan for 2014/2015.**

2.3. **To note the Audit Plan Progress.**

3. Main Report

3.1. Housing Benefit Audit

A copy of the Housing Benefit Audit has been placed on the Members Bulletin Board and emailed to all members of this committee. If any members wish to discuss the audit report please contact the report author.

3.2. Estates Audit

A copy of the Estates Audit has been placed on the Members Bulletin Board and emailed to all members of this committee. If any members wish to discuss the report please contact the report author.

3.3. Audit Plan 2014 /2015

Internal Audit maintains a three year rolling programme of audits. The programme has been derived by a systematic review that includes corporate governance and risk assessments, also new and emerging risks. It also takes into account the experience and knowledge of staff concerned. Each audit will also review the arrangements for securing value for money, and identification of potential areas for efficiency gains. The first year of the three year rolling programme forms the Annual Plan for 2014 / 2015.

4. Climate Change Implications

4.1. None

5. Human Rights and Equality Impact

5.1. None

6. Background Papers

6.1. The Housing Benefit Audit and The Estates Audit has been placed on Knowledge Hub.

7. Appendices

Appendix 1 – Progress Report, Audit Plan

Appendix 2 – Three Year Plan 2014 / 2017

Appendix 3 – Annual Plan 2014 / 2015

Progress Report – Audit Plan

As at 28th February 2014

Appendix 1 to agenda item 7

Audits	Auditor	No of Days	Days Remaining	Position with Audit
Security of Assets	Kevin McLafferty	15	15	
Safety Inspections - Allianz	Julie Ball	20	20	
CDC Business Continuity	Kevin McLafferty	10	10	
Emergency Planning	Kevin McLafferty	10	10	
Data Protection / Freedom of Information Review	Kevin McLafferty	15	7.5	Draft Report
Project Management	Ann Kirk	10	8.25	
Value for Money	Julie Ball	10	10	
Records Management / Data Quality	Julie Ball	10	7.75	Draft Report
Rent Deposit Scheme Review	Kevin McLafferty	10	10	
Service Reviews	Ann Kirk	15	15	
Audits	Auditor	No of Days	Days Remaining	Position with Audit
Carry Forwards	All Audit Staff	70	35.5	
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Audit Reviews	Stephen James	10	0	
Quality Audits - Chichester Contract Services	Stephen James	20	0	
Corporate Advice	All Audit Staff	10	6.5	
Contingency	All Audit Staff	113	55	
AGS, Evidence & Partnerships	Stephen James	30	5.5	
PSIAS	Stephen James	20	18	
E&Y - International Standard of Auditing	Ann Kirk / Julie Ball	50	12	
Individual Service Risk Registers & Corporate Risk Registers	Stephen James	5	5	

NFI	Ann Kirk	20	0	
Internet & E-mail	Julie Ball	5	4	
Performance Standard	Ann Kirk / Julie Ball	5	0	
Mileage	Ann Kirk / Julie Ball	5	2	
Follow Ups	Ann Kirk / Julie Ball	20	0	
Completed Audits	Auditor	Published		
Fraud Prevention	Kevin McLafferty	Jun-13		
Bank Reconciliation	Ann Kirk	Jun-13		
Customer Services	Julie Ball	Jun-13		
CPE / Car Parks	Julie Ball / Ann Kirk	Sep-13		
Debt Recovery Review	Ann Kirk	Sep-13		
Energy Usage	Kevin McLafferty	Sep-13		
Reconciliation Review	Julie Ball	Sep-13		
Tangmere Section 106 Review	Stephen James	Sep-13		
Performance Indicators	Ann Kirk / Julie Ball	Jan-14		
Contracts	Ann Kirk	Jan-14		
Housing Benefits and Council Tax	Julie Ball	Mar-14		
Property Estates and Shops	Kevin McLafferty	Mar-14		

Strategic three year plan by risk 2014-15 (Year 1) to 2016-17 (Year 3)

Appendix 2 to agenda item 7

	Risk Factor	Annual	Auditor	Duration (Days)	Comments
1	Partnership Review / Annual Governance Statement	Annual	SJ	20	Review of Partnership arrangements. Is the partnership achieving what it set out to achieve. Allocation of cost and resources.
2	Annual Governance Evidence	Annual	SJ	10	To compile evidence to support the Annual Governance Statement.
3	Public Sector Internal Audit Standard	Annual	SJ	20	To evaluate the effectiveness of Internal Audit and that it complies with the standard.
4	Key Financial Controls	Annual	?/AK/JB	45	To undertake testing of the key controls on the main financial systems of the council.
5	NFI	Annual	AK/JB	20	To review the information from data matches which have been undertaken. And that appropriate action has been taken.
6	Internet & Email Monitoring	Annual	AK/JB	5	Experience has shown by monitoring staff they are complying with the communications policy.
7	Performance Standards	Annual	AK/JB	15	Outturns with possible inclusion of targets and local indicators. Recent resource outlay due to incomplete information submitted by service areas. Testing the original source of the data for the original performance indicators.
8	Mileage	Annual	?/?	10	Mileage checks are undertaken on a quarterly basis. There will be changes relating to VAT.
9	Quality Audits - Chichester Contract Services	Annual	SJ	20	To undertake Quality Audits across all services at the Depot.
10	Customer Service Centre	Year 1	SJ	20	To look at the arrangements dealing with and recording customer queries and how they are dealt with.
11	Contract Compliance Assurance Testing	Year 1	?	10	Select sample of contracts and check that Financial Regulations have been complied with.
12	Income Management	Year 1	AK/JB	15	To ensure that reconciliations are continued to be carried out.
13	Key Financial Controls - Walkthroughs	Year 1	?/AK/JB	30	To identify the key controls in place.
14	Data Collection	Year 1	?/AK/JB	40	How do we treat Data.
15	Budgetary Control	Year 1	AK/JB	15	New CIVICA system.
16	Trade Waste	Year 1	?	15	Key Risks will be picked up as part of Reconciliation and Debt Recovery Reviews. Quality Audits carried out quarterly.
17	Post Implementation Testing - FMS CIVICA	Year 1	?/AK/JB	40	To check that the controls are present and working.
18	Community Wardens	Year 1	?	10	Health & Safety, lone working, safe guarding of assets, leased vans and vehicles, are they achieving their objectives, performance management ? CRB checks, Grant funding.

Risk Factor		Annual	Auditor	Duration (Days)	Comments
19	Council Tax	Year 1	?	15	Last audited 2011 - 2012.
20	NNDR	Year 1	?	15	Last audited 2011 - 2012.
21	Cash Management	Year 1	?	20	Banking arrangements and collection with Coin Co.
22	Farmers Market	Year 1	?	10	Review Governance Arrangements.
23	CRB Checks	Year 1	JB	10	To ensure compliance with employment regulations.
24	Complaints - Customer Care	Year 1	AK	5	To ensure that they are logged and dealt with within the timescale allowed.
25	Business Continuity	Year 1	?	10	Services have business continuity plans in place and arrangements have been tested.
26	Emergency Planning	Year 1	?	15	Verify that the appropriate plans are in place and tested where necessary for the district.
27	Procurement	Year 1	?	15	Check that Contract Standing orders have been complied with.
28	Car Parks	Year 1	?	18	Processing PCN's and complaints from customers.
29	Pest Control	Year 2		20	Mileage, time management-rotas of work, record keeping-benchmarking, information given to public, security of chemicals, value for money, review contracts covering costs, lone working-chemicals in vans, notices of no value in vans. Performance related pay.
30	Customer Accounts (Debtors)	Year 2		15	Audit undertaken 2010/11.
31	Licensing	Year 2		15	Alcohol and Gambling.
32	Economic Development	Year 2		15	Review governance arrangements.
33	Facilities Management/Caretaking	Year 2		20	Lone working, use of vehicles including drivers logs, out of hours-call outs. Track-It call analysis response times for requests. Security arrangements, are they responsible for escorting people out of the building. Reception, Caretakers, all buildings, fittings and fixtures.
34	Private Hire and Taxis	Year 2		15	Public Safety, vehicle inspection regime and frequency and record keeping, identity checks. Costing and whether we are recovering costs.
35	Debt recovery	Year 2		20	All services follow the Councils Debt Recovery procedures.
36	Codes of Practice Members and Employees	Year 2		15	To ensure that staff and Councillors are complying with their codes of practice. Completing the Gifts and Hospitality registers in line with the Local Government Acts 1972 and 2000.
37	Disabled Facilities Grant	Year 2		15	To ensure that there are adequate controls in place for the allocation of Disabled Facilities Grants.
38	Fixed Asset System	Year 2		10	To review the Fixed Asset System and that it is accurate and up to date.
39	Banking Arrangements	Year 2		20	Banking collection arrangements and procedures are in place.
40	Procurement	Year 2		10	That Contract Standing Orders are complied with.

Risk Factor		Annual	Auditor	Duration (Days)	Comments
41	Land Charges	Year 2		15	Is the information accurate and reliable.
42	Museum	Year 2		25	To review the arrangement for income and visitor usage.
43	Public Relations/Complaints	Year 2		15	Corporate adherence to the complaints procedure, check that CRM are reporting them.
44	MOTs	Year 2		10	To verify DVLA procedures are complied with.
45	Sports Development	Year 2		15	Review governance arrangements.
46	Payroll	Year 2		15	Review governance arrangements in light of new FMS.
47	CCTV	Year 2		15	Data Protection. Freedom of information Coverage. Security.
48	Value for Money	Year 2		10	To undertake a selection of Value for Money studies.
49	Project Management	Year 2		10	To check that PRINCE2 or similar methodologies are being employed to manage all projects.
50	Rent Deposit Scheme Review	Year 2		10	WRAP system. Review the system.
51	Westgate and Southbourne	Year 3		20	Review governance arrangements.
52	Health & Safety Inspections	Year 3		10	Ensure inspection records are maintained for relevant services and that they are adequate.
53	Personnel	Year 3		15	To include recruitment and statistical data.
54	Community Careline	Year 3		15	A high staff turnover exists, and the system is becoming more electronically enabled with government targets. Review business plan.
55	Grants	Year 3		15	To review the Grants awarded by the Council and ensure respected paperwork been completed and is it reported to Committee.
56	Investments	Year 3		15	To ensure governance arrangements are in place
57	Cemeteries	Year 3		10	Revenue, maintenance and health & safety are potential risks. The topple testing is a five year programme. Still not computerised and loss of key staff and knowledge, a risk.
58	Development Management	Year 3		15	To review the arrangements for the Development Management Team and arrangements with SDNP.
59	Equalities	Year 3		10	Compliance with new legislation, impact assessment.
60	Customer Services Centre	Year 3		20	Review governance arrangements.
61	Grounds Maintenance/Parks and Open Spaces	Year 3		15	Review governance arrangements.
62	Westward House	Year 3		15	Review governance arrangements.
63	Elections	Year 3		15	Review governance arrangements.
64	Financial Systems	Year 3		20	Review governance arrangements.
65	Business Improvement District	Year 3		10	Review governance arrangements.
66	Energy Usage	Year 3		20	Review governance arrangements.

Risk Factor		Annual	Auditor	Duration (Days)	Comments
67	Consultants Review	Year 3		10	Report due to CGAC. Review the use of Consultants within the council.
68	Choice based lettings	Year 3		25	Use of Locata system, Home Visits and Monthly Magazine.
69	Planning Enforcement	Year 3		20	Fees and charges. Enforcement - consistency across the Council. Working relationship with South Downs National Park.
70	Reprographics	Year 3		15	Review governance arrangements.
71	Records Management/Data Quality	Year 3		10	That Data held is accurate and up to date and retention policy applied with.
72	Service Reviews	Year 3		15	To undertake an inspection of individual Service Reviews.
73	Debt recovery Review	Year 3		10	To ensure that debt is effectively managed.
74	S106 Review (Community Infrastructure Levy)	Year 3		10	To review S106 applications made in individual parishes and that a response has been sent to Development Management.
75	Security of Assets	Year 3		15	Are assets protected and insurance adequate for the security. Security of council premises. Inspection regimes. Schedules and asset register list.
76	Safety Inspection - Allianz	Year 3		20	That the council is maintaining its plant and machinery and that it accords with the requirement of the council's insurers.
77	Data Protection/Freedom Of Information Review	Year 3		15	Collating statistic and ensuring compliance with regulations including CoCo.
78	Property/Estates and Shops	Year 3		20	Industrial estates and shops, rent reviews, property portfolio managed effectively and inspection regimes. Review Income Management and Debt Recovery.
79	Contracts	Year 3		20	To review the contracts, and check whether the necessary paperwork is present, and that Standing Orders have been followed.
80	Building Control	Year 3		15	Building Control to ensure that inspections are undertaken in a timely manner, that they are collecting the fees and that these are reconciled to the main accounting system, that revenue is being monitored.

Individual progress plan as at1 April 14		Appendix 3 to agenda item 7										Balance
Individual Audit Plan for 2014-2015												
		Stephen	Actual	A Another	Actual	A Another	Actual	Ann	Actual	Julie	Actual	
Audits for 2013-2014 and Other Chargeable Work	988	260		260		156		156		156		
Audits	Audit Days											
Customer Service Centre - Customer care	20	20										20
Contracts Compliance Assurance Testing	10					10						10
Income Management	15			10		5						15
Key Financial Controls - Walkthroughs	30			10				10		10		30
Data Collection - How do we treat Data	40					14		13		13		40
Budgetary Control	15							7.5		7.5		15
Trade Waste	15			15								15
Post Implementation Testing - FMS - CIVICA	40			10		10		10		10		40
Community Wardens	10					10						10
Council Tax	15			15								15
NNDR	15					15						15
Cash Management (Banking Arrangements & Collection with Coin Co)	20			20								20
CRB Checks	10									10		10
Complaints - Customer Care	5							5				5
Business Continuity	10					10						10
Emergency Planning	15			15								15
Procurement	15			15								15
Car Parks Processing PCN's and complaints from Customers	18			18								18
Carry forwards	20	10		10								20
	338	30	0	138	0	74	0	45.5	0	50.5	0	
Annual Activity												
Audit Reviews	10	10										10
Chichester Contract Services Quality Audits	20	20										20
Corporate Advice	10	3		2				2		3		10
Contingency	74	19		19		14.0		8.5		13.5		74
Partnership & AGS	20	20										20
AGS Evidence	10	10										10
Public Sector Internal Audit Standard	20	20										20
Key Financial Controls	50			15		5		15		15		50
Individual Service Risk Registers and Corporate Risk Register	10	10										10
NFI	20			4				16				20
Internet and e-mail	5									5		5

		Stephen	Actual	A Another	Actual	A Another	Actual	Ann	Actual	Julie	Actual	
Performance Standards	15					15						15
Mileage	10							5		5		10
Follow Ups	20							10		10		20
Fraud review	17			17								17
Chargeable Work--Total	649	142	0	195	0	108		102	0	102	0	649
Non-chargeable activity												
Management	33	31		2								33
Administration	63	15		11		11		13		13		63
Elections	1	1										1
Committee Reports and Attendance	10	10										10
Training	35	9		6		6		7		7		35
Meetings	43	11		7		7		9		9		43
Holidays	145	38		38		23		23		23		145
Sickness	9	3		1		1		2		2		9
Non-Chargeable Work--Total	339	118	0	65	0	48		54	0	54	0	339
Total	988	260	0	260	0	156		156	0	156	0	988
Chargeable Work %		55%	#DIV/0!	70%	#DIV/0!	70.0%	#DIV/0!	70%	#DIV/0!	70%	#DIV/0!	
Non-chargeable Work %		45%	#DIV/0!	30%	#DIV/0!	30.0%	#DIV/0!	30%	#DIV/0!	30%	#DIV/0!	
Contingency use.												
Total	0.00		0.00		0.00		0.00		0.00		0.00	
Completed												
Current work												
On-going												

Chichester District Council

Corporate Governance and Audit Committee

20 March 2014

Business Continuity Management

1. Contacts

Report Author:

Warren Townsend, Health and Safety Manager

Tel: 01243 534605 E-mail: wtownsend@chichester.gov.uk

2. Recommendation

- 2.1 It is recommended that the Committee note the report and determine what, if any, further action they wish to see taken.

3. Background

- 3.1. This report provides details on the progress and current position of Business Continuity (BC) management arrangements within CDC. Actions have previously been reported to the Corporate Governance Committee when BC was managed by the Emergency Planning officer in Environmental Health. BC responsibility was handed over to the Corporate Health and Safety team in June 2013.

4. Outcomes to be achieved

- 4.1. To ensure that Chichester District Council has a robust business continuity management system that is simple to use in the event of a business interruption.

5. Progress Report

5.1. BC Policy

There is currently a BC Policy dated August 2012. This Policy is in the process of being reviewed following the changes in overall BC management responsibility and the management restructure. The Policy is also being rationalised to make it more streamlined. The reviewed Policy will be taken to the Strategic Risk Group on 16th June 2014 for approval.

5.2. Training

All Heads of Service (HoS) and designated staff from their Service areas attended BC plan-writing training in January 2014. In February the HoS were briefed on the next stage of BC by the Corporate H&S Manager who introduced a new BC Plan template at the same time.

5.3. Business Impact Analysis (BIA's)

Zurich (the Council's insurer) undertook a BIA for CDC in 2013 following a health check, also undertaken by Zurich, of BC management arrangements in December 2012. The BIA involved interviewing all of the Assistant Directors to identify the key critical activities within their Service areas and the impact of not being able to run those services and agreeing the maximum tolerable period of disruption. The key threats considered were loss of IT, loss of buildings, loss of staff and problems with supply chains. Zurich produced a report in June 2013 outlining the critical services which were then discussed and agreed by the senior management team and was then given approval by CMT.

Following this, the HoS were tasked with extending the BIA process for their immediate and first 3-day priority service activities. For each of the key threats they considered their current mitigation and to identify additional resources required to reinstate those services in the event of a business interruption. Those resource requirements were then collated for the preparation of the Corporate Business Continuity Plan.

5.4. Business Continuity Plans

The HoS are in the process of writing their BC plans, using the new corporate template, for their critical services that need to be reinstated within the first 3 days in the event of a business interruption. These are due back to the Corporate H&S team at the end of March. They will be collated to form the overall Corporate BC plan. This plan will be invoked by SLT in the event of a business interruption. HoS will then complete their BC plan for the remaining activities, i.e. the over 3-day priorities.

5.5. Shadow Planner

This is an externally hosted website that is used as a depository for BC plans and associated procedures/documentation. It was implemented in CDC several years ago. Shadow planner is no longer deemed fit for purpose as it is a complicated system containing far more detail than would be needed in the event of a business interruption. The contract with Shadow planner expires in 2015 and therefore the decision was taken by SLT to find simpler storage solutions and create a cost saving for the Council. BC plans and associated procedures/documents will be stored on the laptop desktop of each HoS and/or an encrypted memory stick stored off-site. One other option of sharing space on Arun DC's servers is also being discussed with Arun.

5.6 Testing of BC Plans

BC plans have not previously been tested. Once the plans have been completed, together with the associated documentation, it will be necessary to test them to ensure they are robust. Testing will take place in September 2014

6. Alternatives that have been considered

- 6.1 The option to retain Shadow planner has been considered but for the reasons stated in 5.5 it has been decided to cease using it and replace it with a simple solution that doesn't incur additional cost to CDC.

7. Resource and legal implications

- 7.1 There could be legal implications of not having a robust business continuity management system. If the Council is not adequately prepared for a business interruption then some of its statutory functions may be capable of being performed.

8. Consultation

Not applicable

9. Community impact and corporate risks

- 9.1. There is a corporate risk of not having a robust business continuity management system as there would be financial, reputational and legal implications of not being capable of continuing to provide a service to the public.

10. Other Implications

Are there any implications for the following?		
	Yes	No
Crime & Disorder:		✓
Climate Change:		✓
Human Rights and Equality Impact:		✓
Safeguarding:		✓
Other (Please specify): eg Biodiversity		

11. Appendices

None.

12. Background Papers

None.

Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE 20 March 2014

Corporate Governance and Audit Committee Work Programme 2014/15

1. Contacts

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Bambi Jones – Principal Scrutiny Officer
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2. Recommendation

The committee is requested to consider and agree its work programme for the year.

3. Background

3.1 Each year the Corporate Governance and Audit Committee (CGAC) prepares its work programme identifying the issues it will consider throughout the year.

3.2 At its meeting in March 2012 the committee agreed the following principles:

- To meet five times a year, with the following cycle: June/July, September, November, January and late March/early April
- Routine reports, primarily for information or endorsement, would be drawn to members' attention between meetings, via the Members' Bulletin Board or alternative means. If members had no comment or their questions had been satisfactorily answered, the report would if necessary be submitted to the next meeting for endorsement without discussion. However, if a member was dissatisfied with the response to a question or felt the topic deserved discussion, it would be submitted to the next meeting for debate.
- Task and Finish Groups can be used to take an issue off-line for deeper consultation and report back with recommendations.
- Where major documents (such as Treasury Management) are brought to the committee for approval, highlighting or underlining should be used to identify changes from previously approved versions.
- Reports should be shorter and more use should be made of executive summaries.

4. **Developing a work programme**

4.1 The 2014/15 CGAC work programme has been developed taking the following into account consultation with the external auditor and with the internal audit unit.

4.2 It has come to light over the last year in discussion with members of the Committee that the Members' Bulletin Board is not being used as it was originally intended and that very few members are accessing it to read reports and to comment on them.

Some of the routine reports which have been put onto the Members' Bulletin Board this year include:

- Audit scopes
- Audits where recommendations are not high risk
- Formal complaints annual report
- Health and safety annual report
- Employment statistics 2012/13
- Energy use in buildings and vehicles

Members are asked to consider the items in bold at the end of the work programme and to decide how these topics should be covered in the future.

4.4 Members are requested to consider this work programme and to make comments or suggestions as appropriate.

5. **Implications**

Are there any implications for the following?

	Yes	No
Crime & Disorder:		x
Climate Change:		x
Human Rights and Equality Impact:		x
Safeguarding		x
Other (Please specify): eg Biodiversity		x

6. **Background Papers**

CGAC minutes 22 March 2012

The Council's Constitution – Corporate Governance & Audit Committee Terms of Reference

7. **Appendices**

Appendix 1 – Corporate Governance & Audit Committee Work Programme 2014/15

Corporate Governance and Audit Committee

Draft 2014/15 work programme

Subject	Methodology	Lead Officer
26 June 2014		
Audit and certification fees letter 2014/15	E&Y	Paul King / Simon Mathers
Audit Progress Report	E&Y	Paul King / Simon Mathers
Draft Statement of Accounts	Officer report	John Ward
Strategic Risks – recommendations from Strategic Risk Group on 16 June 2014	Officer report	Helen Belenger
Audit Plan 2013/14	E&Y	Paul King / Simon Mathers
Overview & Scrutiny 2013/14 annual report	Officer report	Bambi Jones
S106 Annual Monitoring report	Officer report	Lone Le Vay
Treasury Management Task & Finish Group – report back	Chairman T Dignum report	Helen Belenger
Update on planning software to aid S106 processing (requested by CGAC Sep 2013)	Officer report	Stephen James
Internal audit - individual reports and audit plan progress 2013/14 and new audit plan 2014/15 - Fraud Prevention ?	Officer report	Stephen James
25 September 2014		
Audit Results Report 2013/14	E&Y - Auditor report for discussion	Paul King / Simon Mathers
Audited statement of accounts 2013/14	Officer report	John Ward Helen Belenger
Partnerships report – ties in with the following Governance report	Officer report	Amy Loaring
Corporate Governance – report to Full Council App 1 CGAC report to Full Council App 2 Annual Governance Statement 2014/15 App 3 Report on Partnerships 2013/14 App 4 Effectiveness of Internal Audit section	Officer report	Steve James
Public Sector Internal Audit Standard	Officer report	Steve James
Internal audit - individual reports and audit plan progress	Officer report	Stephen James

27 November 2014		
Annual audit letter ending 31 March 2014	E&Y	Paul King / Simon Mathers
Financial Strategy & Plan	Officer report	John Ward
Treasury Management Strategy 2015/2016	Officer report	Helen Belenger
S106 exceptions report	Officer report	Lone le Vay
Strategic and operational risk management Mid-year report on risks	Officer report	Helen Belenger
Internal audit - individual reports and audit plan progress	Officer report	Stephen James
22 January 2015		
Grant claims certification report 2013/14	E&Y report	Paul King
Audit Progress Report	E&Y	Paul King / Simon Mathers
Budget (report back from Budget TFG	Officer report	John Ward/ TFG members
Internal audit - individual reports and audit plan progress	Officer report	Stephen James
12 March 2015		
CGAC work programme 2014/15	Officer report	Bambi Jones
Accounting Policies	Officer report	Helen Belenger
Strategic and operational risk monitoring – end of year report	Officer report	Helen Belenger
Fraud Prevention	Officer report	Stephen James
Internal audit - individual reports and audit plan progress	Officer report	Stephen James

Reports which are routinely posted onto the Members' Bulletin Board, but which the committee may wish to review during the year:

- Carry forward requests – November progress report
- Audit scopes – throughout the year
- Audits where recommendations are not high risk – throughout the year
- Formal complaints annual report - September 2013
- Health & Safety annual report 2012/13 – September 2013
- Ernst & Young – annual audit letter – November 2013
- Employment statistics 2012/13 – annual report - November 2013
- Business continuity – annual update? – March 2014
- Energy use in buildings and vehicles annual report - March 2014