

Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room 1, East Pallant House, 1 East Pallant, Chichester on Thursday 26 June 2014 at 09.30am.

## **Members (10)**

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

Mrs C M M Apel	Mr B Finch
Mr M Bell	Mr G Hicks
Mr J Cherry	Mrs P Hardwick
Mr T Dignum	Mr R Marshall

Present (7)

### **Apologies for absence:**

None

### **Officers Present for all agenda items**

Mrs B Jones, Principal Scrutiny Officer  
Mr J Ward, Head of Finance & Governance Services

### **Officers Present for Specific Items Only**

Mrs B Bayliss, Planning Obligations Monitoring Officer  
Mrs H Belenger, Accountancy Services Manager  
Mr D Cooper, Group Accountant  
Mr T Day, Environmental Coordinator  
Mrs C Dring, Benefits Manager  
Mrs J Dodsworth, Head of Business Improvement Services  
Ms N Golding, Principal Solicitor  
Mrs L Grange, Housing Delivery Manager  
Mr S Hansford, Head of Community Services  
Mr S James, Principal Auditor  
Ms L Le Vay, Design and Implementation Manager  
Mr W Townsend, Health & Safety Manager

### **Chichester District Council Members present as observers or contributors**

Mr J Connor  
Mrs C Purnell  
Mr S Oakley

### **Invited Representatives Present for Agenda Items 6 and 7**

Mr Paul King, Director, Ernst & Young LLP (EY)

## **Invited Representatives Present for Agenda Item 10**

Mr Mike Bleakley, Planning Services Manager, South Downs National Park  
Ms Elaine Munns, Team Manager, Strategic Planning Division, Communities and Infrastructure, WSCC

### **179. Chairman's announcements**

### **180. Minutes**

The committee agreed the minutes of the previous meeting. The Chairman advised that the report on 1 The Ridgeway, detailed in minute 176, would be available for a future meeting of this committee.

#### **RESOLVED**

That the Minutes of the meeting held on 20 March 2014 be signed as a correct record.

### **181. Urgent Items**

There were no urgent items for consideration at this meeting.

### **182. Declarations of Interest**

There were no declarations of interest.

### **183. Public Question Time**

No public questions had been submitted.

### **184 Ernst & Young LLP (EY) : Audit and Certification Fees 2014/15**

Mr P King from EY attended for this and the next agenda items. He advised the committee that the 2014/15 certification fee was based on the 2012/13 actual certification fee adjusted to reflect schemes that no longer require certification.

#### **RESOLVED**

That the Ernst & Young LLP Audit and Certification Fees 2014/15 be noted.

### **185 Ernst & Young : Audit Plan 2013/14**

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

Mr King advised that no significant risks were identified to achieving the Value for Money (VfM) conclusion. However an area of on-going risk was the Council's spending benchmarked against other local authorities, which indicated that in some services the absolute level of spend was high compared to other authorities. Mr King advised that this piece of work allowed EY to identify areas on which to concentrate their audit and that high spend was not an indication of lack of VfM. Mr Ward gave some examples of where services appear to be high spend areas and explained the reasons for this. Mr Dignum advised that he had requested the Head

of Finance & Governance Services to produce a report for the next meeting of this committee explaining the high level of spend in some service areas.

The Chairman was pleased to note a change in EY policy in disclosing its materiality for the Council's financial statements. Mr King confirmed that EY had resolved to become more transparent, having used the same level of 2% of gross expenditure in previous years.

#### **RESOLVED**

That progress against the Audit Plan 2013/14 be noted.

#### **186 Draft Statement of Accounts 2013/14**

The committee considered the agenda report (copy attached to the official minutes). The Head of Finance & Governance Services advised that it had been challenging to produce the draft Statement of Accounts in time for this meeting due to the concurrent introduction of the new financial management system. The Group Accountant and Accountancy Services Manager answered members' questions as follows.

- Are the figures for NNDR correct on page 22? *We reflect only our share of NNDR rates of 40%.*
- What does the figure on page 51 relating to Grants and Contribution Reserve reflect? *It is grants which the Council receives; it has nothing to do with the grants distributed by the Grants & Concessions Panel.*
- Why had there been an increase in Housing Benefit provision (page 37 of the report)? *£35m had been paid out last year in housing benefit. Until recently there had been no reserve for housing benefit bad debt. The Council was refining the process to determine what the appropriate level of reserves should be. The Group Accountant explained the various movements within earmarked reserves.*

Mr Cherry was very pleased with the £800,000 surplus in the General Fund 2013/14 and stated that he considered paragraph 3.6.3 of the report was a good statement of the Council's objectives.

Mr Marshall gave his congratulations on a very good outcome for the year. He stated that it was important for the committee to receive the draft accounts before these were made available for public inspection. He suggested that under the Financial Strategy section the issues facing the authority should be linked to the Corporate Risk Review. The Head of Finance & Governance Services confirmed that this would be reviewed at the next iteration of the Statement of Accounts.

Mr Dignum asked the committee to record its thanks to the accounts team for producing the draft Statement of Accounts in time for this meeting. In addition to the surplus of £800,000 there had been a conservative use of resources and the New Homes Bonus grant was being used for community purposes. The capital reserve had been set at £5m but there was now £8.8m in reserve, with total useable reserves totalling £32m. Officers are currently considering opportunities for the use of some of these reserves, and these will be reported to Cabinet and Council in due course.

Mrs Apel requested that members be provided with some training on financial matters. The Head of Finance & Governance Services agreed to look into this.

**RESOLVED**

That the Draft Statement of Accounts be noted.

**187 Carry Forward Requests**

The committee considered the agenda report (copy attached to the official minutes). The Head of Finance & Governance Services advised that these carry forward totals had been included in the draft Statement of Accounts which the committee had just reviewed.

Mrs Apel requested an update on the appointment to the Estates Post. The Head of Finance & Governance Services advised that there had been difficulties in trying to appoint to this position, however it had been possible to fill the post with the assistance of a recruitment agency.

Mr Hicks requested to know where the Westgate CHP sum was shown in this statement. The Head of Finance & Governance Services advised that this only relates to carry forward amounts for the revenue account; Westgate would appear in capital budgets.

**RECOMMENDED TO CABINET**

That the requests for budgets totalling £214,600 for budgets to be carried forward in 2014/15 be approved.

**188 Revised Treasury Management Strategy Statement**

The committee considered the agenda report (copy attached to the official minutes). The Chairman of the Task and Finish Group gave a report back to the committee saying that the group had held a number of meetings which had allowed good discussion and contribution to a revised Treasury Management Strategy and Treasury Management Practices (TMPs). The Accountancy Services Manager drew members' attention to the addition of Appendix A which sets out investment types, risks, maximum value and minimum credit rating. The Head of Finance & Governance Services and Accountancy Services Manager answered members' questions as follows.

- Is it the remit of this committee to have an annual report on investments and how they compare against this strategy? *Cabinet receives a report half yearly detailing how we are performing against the treasury management strategy. A report is due to go to Cabinet in July detailing how we performed in 2013/14. All members get Cabinet reports. Officers receive weekly reports and the portfolio holder receives monthly reports.*
- Is there a requirement for officers and staff to sign a declaration regarding conflict of interests in respect of investments? *The Council's Code of Conduct sets out the requirements of staff to declare any interests and staff are reminded about declarations for Related Party Transactions as part of the final accounts process. There are criteria in the Treasury Management Practices which set out roles and responsibilities for staff engaged in treasury*

*management. Money market funds are tightly regulated and there is robustness within systems. Brokers have controls in place. Declarations are audited each year.*

- Can we include something on the Updated Economic Background section on page 16 of the appendix pack to reflect the Carney statement regarding interest rates? *The Treasury Management Strategy is due to go to Cabinet in September. Changes can be incorporated in the report to Council in September for final approval.*
- Not sure how performance will be reported against the newly included performance measure on page 23 of the appendix pack. *Performance against this indicator will be reported by way of a chart, an example of which was shown in the Members training pack as delivered by the Council's treasury advisor.*

Mr Marshall requested to know the reason why this committee makes some recommendations to Cabinet when the committee reports to the Council. A definitive answer regarding the Constitutional process regarding recommendations will be forwarded to members following this meeting.

#### **RECOMMENDED TO CABINET**

That the Treasury Management Strategy Statement and the Investment Strategy 2014/15 be agreed.

#### **189 Strategic & Organisational Risk Registers update**

The committee considered the agenda report (copy attached to the official minutes). The Accountancy Services Manager answered members' questions as follows.

- CRR 86 Contaminated land LSVT sites and orphaned sites in the district - If Allianz broke the contract then perhaps the risk assessment should be higher? *It is anticipated as a rural district that any contamination is low risk as little industrial contamination is expected, and because there have been no claims in the last 15 years since LSVT took place. The reason Allianz chose to exercise the break clause in the contract was that they had originally taken over this contract from Cornhill, and it is not a market they wished to operate in. The original cover was for £100m whereas cover now would be no more than £10m to £20m. The wording of this type of policy had changed considerably since 2001.*
- Three separate risks on page 80 relate to loss of key staff. What are we doing to mitigate against this type of risk? *Difficulty is being experienced in some service areas in recruiting staff into professional roles where their skills are relative to the private sector. Organisationally there is an issue regarding skills shortage which we are seeking to address through strategic risk CRR 08.*
- Why isn't the insurance position set out in the risk history on page 78? *There is work to be done to understand the risk before we can test the market. In the interim we are self-insuring. We are going through an assessment process at present which will be reported back to the Senior Leadership Team.*

#### **RESOLVED**

- 1) That the amended Risk Management Policy and Strategy be noted.

- 2) That the current Strategic Risk Register and the internal controls and any associated action plans in place to manage those risks be noted.
- 3) That the current high scoring Organisational Risks and the mitigation actions in place be noted.

#### **RECOMMENDED TO CABINET**

That the amended Risk Management Policy and Strategy be approved.

#### 190 **S106 Annual Report**

The committee considered the agenda report (copy attached to the official minutes). The Planning Obligations Monitoring Officer, Design & Implementation Manager and Ms Munns from WSCC and Mr Bleakley from SDNP answered members' questions as follows.

- Caspian Close, Fishbourne – what are the timescales? *Hyde Martlet have advised that they will be starting on site on the 3 affordable rented units at Nicholsfield, Loxwood and drawing down these funds in August..*
- Mr Finch stated that his ward has a strategic site. There are predictable objections from developers preferring that S106 is used for contributions and not CIL. If it takes longer between the project commencing and development starting the local objection is greater and we need to be able to sell neighbourhood plans harder. How do we make sure there is no undue delay in spending monies beyond seven years? *The Council are very much dependent on registered providers spending these funds. We aim to spend the commuted sums in a similar area of the district to the donating site, however many affordable housing schemes take several years to come to fruition and even then the registered providers are under pressure to take up any surplus government funding rather than use the allocated commuted sums. As Government grant is reduced it is likely that demand for the commuted sums funds from the registered providers will increase and that funds will be spent more promptly.*
- Under CIL wards will have a list of projects to put forward and this seems to be a much quicker process than S106. *Infrastructure delivery is dependent upon available funds and there is often a delay. Affordable housing is dependent upon infrastructure and may also be dependent upon funds from a number of S106 contributions for schemes to go forward. This doesn't necessarily relate to a large number of houses. There is a prioritisation process under CIL and a CIL governance officer group has been started to cover these issues to consider how we map funding streams and priorities and then dovetail with the capital spending programme.*
- We appear to have £1m more in contributions than reported in previous years, but we only spent half the value of the contributions. Why are we still keeping the Park and Ride contribution when it has been decided not to pursue this? *We will need to look into the Park and Ride contributions in relation to the wording of agreements. We can only spend the money in accordance with the agreements.*
- Where does the interest for S106 go? *Interest earned on the balance is put back into the S106 pot.*

- What was the problem with the viability assessments at paragraph 9 in the report? *The Council's consultants had undertaken their assessment based on the available information however in relation to the strategic sites not all information had been provided by the developers. Meetings had taken place and we are now awaiting this additional information so the consultants can review the viability assessment and drill down into the finer detail.*
- Graylingwell Hospital, College Lane (page 164) – is there any update on this? *We are aware that an application is on the go to revisit the phasing. Further explanation will be added and an update will be provided in the next report to the committee in September.*
- Query regarding the restriction of school places and how the money comes in. *Ms Munns from WSCC undertook to respond to Mrs Apel on this matter with colleague contact details. She advised that education was not as easy as highways to resolve as County Local Committees considered highways matters and there is a democratic process. Education looks at basic need.*
- Impressed by recent visit to Capron House in Midhurst; how much S106 money was forthcoming to the Council? *This is an example of good partnership working and there were benefits to the Council in respect of tourism etc. However, no financial contribution was due to the Council.*

#### **RESOLVED**

- 1) That the income and expenditure between 1 April 2013 and 31 March 2014 in respect of S106 contributions be noted.
- 2) That the information on agreements within two years of expenditure target date be noted.
- 3) That the details of non-financial obligations as set out in Appendix 5 to the report be noted.
- 4) That the update on consultation software set out in section 6 of the report be noted.
- 5) That the current situation with respect to the implementation of Community Infrastructure Levy (CIL) set out in section 9 of the report be noted.

#### **191 Audit Reports and Progress Report**

The committee considered the agenda report and two audit reports – Records Management and Data Quality in the Contact Centre and Fraud Prevention - which had been circulated by email to members (copy attached to the official minutes). The Principal Auditor gave a verbal update on the Freedom of Information/Data Protection review. The Principal Auditor and Benefits Manager answered questions as follows.

- Query regarding training of staff in the contact centre as to which tier authority handles which service. *The Principal Auditor undertook to request the Customer Services Centre Manager to respond directly to Mrs Apel.*
- What level of training do internal auditors receive? *The Internal Audit team has completed the Public Sector Internal Audit Standard which replaced the Code of Practice for Internal Audit in Local Government. Training of auditors and*

*qualifications is covered by the standard. The submission needs to be externally assessed. Guidance relating to the assessment process will be given by the Institute of Internal Auditors..*

- When does the change of responsibility come in in respect of fraud? *Transfer of housing benefit fraud will be rolled out over a number of years to the DWP. Our current date is December 2015.*
- Do we have figures for the total fraud recorded and the percentage of recovery? *Figures were not to hand at the meeting and will be forwarded to the committee.*
- Problems in car parking where large sums of cash are involved and therefore potentially the possibility of fraud. What work is going on to prevent this? *Following the recent car parks audit, further audits are programmed annually.*
- EY flagged management override in their report which is a significant risk to the Council in hiding fraud. How does Internal Audit investigate this? And should the committee be asking for an audit of management practices to be carried out? *Internal Audit works closely with the services and the Head of Finance & Governance Services will investigate any concerns. A risk assessment is carried out first to ascertain the scope of an audit. Segregation of duties is considered. We have a whistle blowing policy and an anti-fraud culture. The Head of Finance & Governance Services agreed that it could be useful to do an audit of management ability to override controls, either as a single audit or separately by service as part of other programmed audits and he would investigate this.*

The Principal Auditor presented the amended three year plan to members with the amendments suggested from the previous meeting. He advised the committee that Service Reviews and CIL/S106 audits would be brought forward to Year 1 and the Complaints and Community Wardens audits would be undertaken in Year 2. The Principal Auditor advised that the Service Reviews and CIL/S106 audits would be brought forward to year 1 and the Complaints and Community Wardens audits would be delayed to Year 2.

There had been an issue with recruiting Internal Audit staff recently. Management are currently considering how best to deal with staffing levels in the team.

#### **RESOLVED**

That the audit reports, amended three year plan and audit plan progress be noted.

## 192 **Business Continuity**

At the last meeting of this committee, members had requested to receive an oral update with regard to data backup issues, a security examination of cloud services and the feasibility of more regular backup of the council's data. The Head of Business Improvement Services advised as follows.

1) Cloud storage – Local government data is restricted and needs to be stored with a data storage house with a Level 2 security rating or above. The majority of current providers are not secure enough. The Socitm review suggested that the Council review the situation in two to three years' time. We have looked at the options and it costs more for off-site storage, however if we go down this route then it would be financially more beneficial to outsource our entire data instead of doing it piecemeal.



2) Data back-up arrangements – Currently a full data back-up is carried out once a week over the weekend (duration of 23 hours) and is then taken to and deposited in the bank in a fireproof safe on Monday morning. The rest of the week each evening a backup of the changes made to the current data is carried out and saved in the Council's fireproof safe the following morning. The risk had been reviewed and considered low risk.

The committee asked the following questions which were answered by the Head of Business Improvement Services.

- What are the security arrangements we work to? *We have to comply with Public Services Network (PSN) regulations. This is an annual accreditation. At the June annual conference with the Cabinet Office it was confirmed that cloud storage was being looked into.*
- What are other authorities doing in this respect? *Most authorities are storing their data in house due to the cost. Each time we go out to procurement on a new IT product or service, we get costs on a number of variations like on-site, hosted service and partial elements delivered in different ways. At a recent review it was £50,000 cheaper to deliver in house than to have a supplier provide a managed service. Every year we negotiate our support and maintenance contracts to reduce costs. Last year we managed to achieve reductions on both Idox and Northgate fees.*

**RESOLVED**

That the oral update provided with respect to electronic data storage and IT backup arrangements be noted.

**193 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.

**194 Report on potential liabilities of outstanding litigation**

Ms Golding, Principal Solicitor, reported to the committee on the Council's current on-going legal negotiations.

**RESOLVED**

That the potential liabilities of the Council be noted.

(Note: The meeting closed at 12.46pm)

\_\_\_\_\_  
(Chairman)

Date: \_\_\_\_\_