

# Public Document Pack

## JOHN WARD

Head of Finance and Governance Services

Contact: Mrs Bambi Jones on 01243 534685

Email: [bjones@chichester.gov.uk](mailto:bjones@chichester.gov.uk)

East Pallant House

1 East Pallant

Chichester

West Sussex

PO19 1TY

Tel: 01243 785166

[www.chichester.gov.uk](http://www.chichester.gov.uk)



A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 29 September 2016 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr G Hicks, Mr I Curbishley, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs, Mr P Jarvis, Mr S Morley, Mr P King (Auditors) and Mr M Young (Auditors)

## AGENDA

- 1 **Chairman's Announcements**  
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 6)  
The committee is requested to approve the minutes of its ordinary meeting on 30 June 2016.
- 3 **Urgent items**  
The chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items agenda item.
- 4 **Declarations of Interest**  
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 28 September 2016 is available upon request to Member Services (the contact details for which appear on the front page of this agenda).
- 6 **Audit Results Report 2015-16 - Ernst & Young LLP** (Pages 7 - 28)  
To consider and note the attached report which summarises the external auditor's audit conclusion in relation to the Council's financial position and results of operations for the year end 31 March 2016.
- 7 **Statement of Accounts (Audited)** (Pages 29 - 36)  
The committee is requested to consider the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2016 and note the audited outturn position and to agree the Letter of Representation.  
*(Note: The appendix to this report will be circulated as a separate document to members of the committee and senior officers only. It may be viewed on the Council's website [here](#).)*
- 8 **2015/16 Annual Governance Statement and Corporate Governance report** (Pages 37 - 42)  
The committee is required to report to Council each year on the effectiveness of the Council's governance arrangements. The committee is therefore requested to

consider this annual report and to recommend it to Council for approval.

9 **Formal complaints, FOI requests and Subject Access Requests Analysis 2015-16** (Pages 43 - 59)

The Committee is requested to consider the information provided in this report and to make any appropriate recommendations as to future monitoring arrangements to identify business improvement where appropriate.

10 **Internal Audit - Audit Plan Progress** (Pages 60 - 84)

The committee is requested to consider and comment on the audit reports and to note progress against the Audit Plan.

11 **Exclusion of the Press and Public**

There are no restricted items for consideration.

12 **Late items**

The committee will consider any late items as follows:

- 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

### NOTES

1. The press and public may be excluded from the meeting during any item of business wherever it is likely that there would be disclosure of "exempt information" as defined in section 100A of and Schedule 12A to the Local Government Act 1972.
2. The press and public may view report appendices which are not included with their copy of the agenda on the Council's website unless these contain exempt information.
3. Restrictions have been introduced on the distribution of paper copies of supplementary information circulated separately from the agenda as follows:
  - a) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior Officers receive paper copies of the supplements (including appendices). Other members may request a copy of the supplementary information or a copy is available in the Members' Room, East Pallant House.
  - b) The press and public may view this information on the Council's website at [Chichester District Council - Minutes, agendas and reports](#) unless they contain exempt information.
4. The open proceedings of this meeting will be audio recorded and the recording will be held for one year by the town council. A copy of the recording will also be retained in accordance with the council's information and data policies. If members of the public make a representation to the meeting, they will be deemed to have consented to being audio recorded. By entering the committee room they are also consenting to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please contact the contact for this meeting at the front of this agenda.
5. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intentions before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided. (Standing Order 11.3).

# Public Document Pack Agenda Item 2



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 30 June 2016 at 9.30 am

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

**Members not present:** Mr T Dempster

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

**Officers present:** Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr N Bennett (Legal and Democratic Services Manager), Mr T Day (Environmental Coordinator), Mrs K Dower (Principal Planning Policy Officer (Infrastructure Planning)), Mr P Harrison (Strategic Asset Mgmt Surveyor), Mr T Jackson (Acting Group Accountant (Technical & Exchequer)), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer) and Peace (Planning Obligations Monitoring & Implementation Officer)

## 64 **Chairman's Announcements**

No apologies had been received.

## 65 **Approval of Minutes**

The minutes of the last meeting held on 22 March 2016 were considered. The reference to blue badge claims (page 3, penultimate paragraph) is a County issue. An update of recycling targets (page 5, final paragraph) was provided to the committee.

The minutes were agreed as a correct record.

## 66 **Urgent items**

There was one urgent item which the Chairman agreed should be taken as a matter of urgency by reason of special circumstances. This item was taken at agenda item 14 Late Items.

67 **Public Question Time**

No public questions had been received.

68 **Declarations of Interest**

No interests were declared at this meeting.

69 **Annual Audit and Certification fees 2016-17**

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

Mr M Young from Ernst & Young LLP presented the report advising that the Audit fee was based on previous audit experience of the authority and assumes no change to the risk profile. It was not envisaged that the audit fees stated in the report would be subject to change.

**RESOLVED**

That the Ernst & Young LLP Audit and Certification Fees 2016-17 be noted.

70 **Audit Plan 2015-16 Progress**

Mr Young gave an oral update on progress with the 2015-16 audit.

There had been nothing of significance arising from the work carried out to date which he considered necessary to bring to the committee's attention. As in previous years, minor errors had been found in the Housing Benefit audit, but he had nothing significant to report here either. Further work would be carried out towards the end of July and the audit would be complete in time for the September committee meeting.

71 **S106 Annual Monitoring Report**

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

Mrs Peace, Mrs Dower, Mr Day and Ms Munns, West Sussex County Council, attended to answer members' questions, including the following:

- The balance was being returned in respect of the Shippams agreement. This was because the agreement specifically stated that the money had to be spent on a camera which had cost less than the commuted sum provided. The developer requested that the money be returned. The S106 monies could not be used for maintenance as this was not specified in the legal agreement.
- The spending officers liaise with ward members and with parish councils. The monitoring officer requires the spending officers to provide quarterly updates.
- The S106 monitoring officer is not involved in the drawing up of S106 agreements – the role is solely to monitor the agreements.

- Monies assigned to South Downs National Park are managed by them.
- Reminder of a pre-Council briefing on 19 July from WSCC regarding CIL governance and spending arrangements.
- Ms Munns undertook to come back to members with information on a number of queries raised.

The Chairman had received an email from Mr S Oakley with a number of questions on this item which she read to the committee. Answers were provided.

The volume of information provided to the committee in the appendices was queried but considered necessary to provide the fullest information. This will be reviewed in a year's time.

## **RESOLVED**

- 1) That the income and expenditure in respect of S106 contributions between 1 April 2015 and 31 March 2016 be noted.
- 2) That the information on agreements within two years of the expenditure target date as set out in Appendix 4 be noted.
- 3) That the details of non-financial obligations as set out in Appendix 5 be noted.

## **72 2016-17 Treasury Management Strategy - update**

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

Mr Jackson took members through the proposed amendments in the strategy specified in Appendix 1 which reflected necessary changes to Tables 4, 5, 6 and 9 of the Strategy. The changes amended the limits for approved Investment Counterparties, non-specified investments, Pooled Funds and Money Market Funds given the impact of the recent (and proposed future) investment in the Local Authority property Fund.

A discussion took place on various issues – culminating in the decision to specify the proposed funds limit for the Council's own banker as a separate stand-alone limit in Table 4 instead of the original proposal. All other proposed changes stated in Appendix 1 were agreed. Given the Council's recent change of bank, consideration was also given to whether the Council would benefit from having two operational banks to reduce the risk of exceeding the cap on funds invested in the event of a possible downgrading of counterparties. But this was rejected as impractical.

Additional to the proposals in Appendix 1, the limit on Total Medium and Long term Investments in Table 6 was agreed to be increased from £20m to £35m for consistency with the Limits specified in Table 9 for 2016-17. Mrs Belenger undertook to review the entirety of the document to ensure consistency in the limits.

## **RESOLVED**

That the proposed amendments to the Council's 2016-17 Treasury Management Strategy be approved.

**RECOMMENDED TO CABINET**

That the Treasury Management Strategy be recommended to Full Council for approval.

**73 Overarching Investment Opportunities Protocol**

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

Mrs H Belenger, Mr T Jackson and Mr P Harrison attended to take questions. Mr Ward confirmed that New Homes Bonus money had no conditions attached to its use and could be used to fund investments however the use of this reserve would be a matter for Council approval.

Officers confirmed that this Protocol would not impose restrictions on their ability to progress investment opportunities.

**RESOLVED**

That the committee endorses the broad principles as set out in Paragraphs 7 to 11 of the report as an overarching investment opportunities protocol, together with the Land & Property Sub-Strategy Investment Protocol at Appendix 1.

**RECOMMENDED TO CABINET**

That the Overarching Investment Opportunities Protocol, together with the Land & Property Sub-Strategy Investment Protocol be approved.

**74 Strategic Partnerships Annual Report**

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

**RESOLVED**

That the findings of the annual review of partnerships, as stated in paragraph 3.3 of the report, be endorsed.

**75 Internal Audit - Audit Plan Progress**

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

Mr James presented the report, providing an update on the recommendations made in the two audits - Key Financial Systems 2015-16 and Personnel and Recruitment. Mr J Todd, the Corporate Fraud Officer, attended for the Fraud audit report, which

had been sent to members as a background paper as there had been no medium/high level recommendations.

Mr James advised that the annual audit programme was on track.

**RESOLVED**

That the audit reports and progress against the audit plan be noted.

**76 Committee work programme 2016-17**

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

**RESOLVED**

That the committee's work programme for 2016-17 be agreed.

**77 External Auditor Appointment**

Mrs Belenger and Mr Ward informed the committee of a recent requirement by the Department for Communities and Local Government for local authorities to decide which procurement option they wish to take with regard to external auditor appointments by 31 December 2017.

The choices are a) to formally opt in to a sector-led appointing body; b) to set up an independent Auditor Panel or c) to join with other councils in setting up a joint independent Auditor Panel. The organisation involved with option a) (the Public Sector Auditor Appointments Limited) would require a formal indication of this route by 30 September 2016.

The new appointment regime will begin on 1 April 2018, meaning new appointments will need to be made by 31 December 2017. At present the sector-led body, the Public Sector Audit Appointments Ltd, if appointed by the DCLG, aims to award contracts to firms by June 2017, giving six months to organise which firm is appointed to each individual authority.

Mrs Belenger advised that some other West Sussex finance officers had indicated that they were planning to go with the sector-led body. The current external auditor arrangement was working well and fees had reduced over the last few years. It was considered better to be part of a larger group and to have the benefit of the economies of scale.

Due to the need to make a quick decision it was suggested that the committee gives its support to the appointment of the sector-led body to provide external audit services for the Council and that it delegates authority to the Head of Finance & Governance, following consultation with the cabinet member for Finance and Governance and the Chairman of the Corporate Governance & Audit Committee, to make this recommendation to Cabinet and to Council.

**RESOLVED**

That the Head of Finance & Governance, following consultation with the cabinet member for Finance and Governance and the Chairman of the Corporate Governance & Audit Committee, be given delegated authority to make recommendations to Cabinet and to Council on the appointment of the Council's external auditor with effect from 1 April 2018.

**78 Exclusion of the Press and Public**

**RESOLVED**

That the public, including the press, be excluded from the meeting for the following items on the grounds that it is likely that there would be a disclosure to the public of 'exempt information' of the description specified in Paragraphs 1 (information relating to an individual) or 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A to the Local Government Act 1972 and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

**79 Potential liabilities of outstanding litigation (Part 2)**

The committee considered the report circulated with the agenda.

**RESOLVED**

That the potential liabilities of the Council be noted.

The meeting ended at 11.55 am

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CHAIRMAN

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Date:



# Chichester District Council

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure –** If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Corporate Governance and Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Chichester District Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in Appendix C:</p> <ul style="list-style-type: none"> <li>• review of the Annual Governance Statement, which is currently under final review by management before releasing to us;</li> <li>• completion of our final review and sign off of audit procedures performed;</li> <li>• review of the final version of the financial statements;</li> <li>• approval of accounts by the Corporate Governance and Audit Committee;</li> <li>• re-certification of the accounts by the Head of Finance and Governance Services;</li> <li>• completion of subsequent events review; and</li> <li>• receipt of the signed management representation letter.</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Objections	<p>We have received no objections to the 2015/16 accounts from members of the public.</p>
Audit differences	<p>There are no unadjusted audit differences. There are no adjusted audit differences of sufficient importance to merit your attention.</p>
Scope and materiality	<p>In our audit plan presented at the March 2016 Corporate Governance and Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1,488k. We have reassessed this based on the actual results for the financial year and materiality decreased to £1,481k. The basis of our assessment 2% of gross operating</p>

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expenditure, which has remained consistent with prior years.

The threshold for reporting audit differences which impact the financial statements has also not changed and remains £74k.

We carried out our work in accordance with our Audit Plan.

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Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- Risk of management override.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.

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Other reporting issues

We have no other matters we wish to report.

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Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

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We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Paul King

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• Reviewing accounting estimates for evidence of management bias;</li> <li>• Evaluating the business rationale for significant unusual transactions; and</li> <li>▶ Evaluating the appropriateness of any changes in accounting policy.</li> </ul>	<p>We completed our planned procedures and identified no errors, omissions or inappropriate transactions. Our testing identified no indication of either management bias or the override of controls.</p>

#### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report.

## **Control themes and observations**

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

As reported in the Executive Summary, our review of the Annual Governance Statement is outstanding. We will provide a verbal update in the Corporate Governance and Audit Committee on 29<sup>th</sup> September 2016 as to whether we can confirm that it is not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

## **Request for written representations**

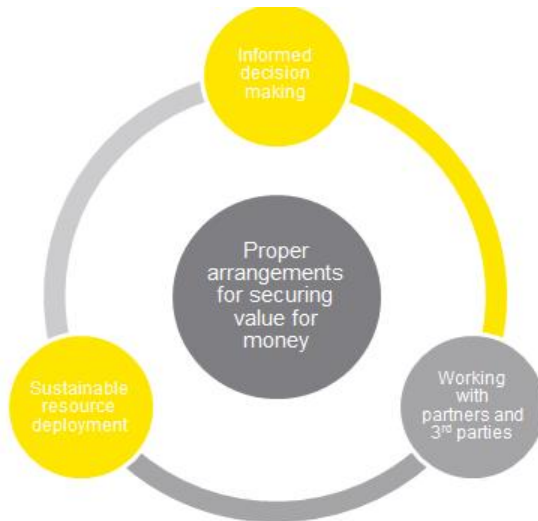
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix D. We have not asked for any specific representations in addition to the standard representations that we requested on all engagements.

## **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office. We have completed our work in this area and had no matters to report.



## 4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

### Overall conclusion

We did not identify any significant risks in relation to these arrangements either in our initial planning or continuous risk assessment procedures.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

## Appendix A – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan taken to the Corporate Governance and Audit Committee in March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Corporate Governance and Audit Committee on 29<sup>th</sup> September 2016.

We confirm that we have met the reporting requirements to the Corporate Governance and Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan.

## Appendix B – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	49,090	49,090
Certification of claims and returns	7,847	7,847

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

## Appendix C – Draft audit report

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CHICHESTER DISTRICT COUNCIL**

#### **Opinion on the Authority’s financial statements**

We have audited the financial statements of Chichester District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 35, and
- the Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Chichester District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Head of Finance and Governance Services and auditor**

As explained more fully in the Statement of the Head of Finance and Governance Services’ Responsibilities set out on page 13, the Head of Finance and Governance Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Governance Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the ‘Statement of Accounts 2015/16’ to identify material inconsistencies with the audited financial statements and to identify any information that is

apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the 'Statement of Accounts 2015/16' for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## **Conclusion on Chichester District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Authority's responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### ***Auditor's responsibilities***

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Chichester District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Chichester District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Chichester District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Chichester District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

***Certificate***

We certify that we have completed the audit of the accounts of Chichester District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

*Paul King (Executive Director)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton  
XX September 2016*

## Appendix D – Management representation letter

[To be prepared on the Council's letterhead]

*[Date]*

Paul King  
Ernst and Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
Hampshire  
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Chichester District Council (“the Council”) for the year ended 31<sup>st</sup> March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Chichester District Council as of 31<sup>st</sup> March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in

accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, the Cabinet, the Corporate Governance and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following dates:
  - Full Council on 20<sup>th</sup> September 2016;
  - Cabinet on 20<sup>th</sup> September 2016; and



- the Corporate Governance and Audit Committee on 29<sup>th</sup> September 2016.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements any guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

#### **F. Subsequent Events**

1. Other than those described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Yours faithfully,

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Head of Finance and Governance Services

---

Chairman of the Corporate Governance and Audit Committee

## Appendix E – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Chichester District Council's ability to continue as a going concern for the 12 months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Corporate Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have received all requested confirmations.
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have not identified any material instances of non-compliance with laws and regulations.
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Plan and Audit Results Report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Annual Audit Letter / Audit Results Report
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	Audit Plan Audit Results Report] Annual Audit Letter if considered necessary
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	Certification Report
Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Chichester District Council's ability to continue as a going concern for the 12 months from the date of our report.

Required communication	Reference
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Corporate Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management and the chairman of the Corporate Governance and Audit Committee. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>We have received all requested confirmations.</p>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Plan and Audit Results Report</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Annual Audit Letter / Audit Results Report</p>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Audit Plan                      Audit Results Report                      Annual Audit Letter if considered necessary</p>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Certification Report</p>

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**Chichester District Council**

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE 29 September 2016**

**Statement of Accounts for 2015-16**

**1. Contact(s)**

**Report Authors:**

John Ward – Head of Finance and Governance Services  
Telephone: 01243 534805 Email: [jward@chichester.gov.uk](mailto:jward@chichester.gov.uk)

David Cooper - Group Accountant  
Telephone: 01243 534733 E-mail: [dcooper@chichester.gov.uk](mailto:dcooper@chichester.gov.uk)

**2. Recommendation**

**2.1. That the Committee consider the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2016, and note the audited outturn position and agree the Letter of Representation.**

**3. Main Report**

**3.1. Introduction**

3.1.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These regulations require that the following procedures are adhered to for the approval and publication of the annual accounts:

- No later than 30 June following the financial year end the responsible financial officer must certify the annual accounts before they are passed to the auditor.
- The responsible financial officer must re-certify the presentation of the annual accounts after the audit is completed and before member approval is given.
- The annual accounts must be published with the audit opinion and certificate, and before must have been approved by members. The Council must also secure approval and publication by no later than 30 September.

3.1.2 The Head of Finance and Governance Services, the Council's responsible financial officer, certified the draft Statement of Accounts as authorised for issue on 29 June 2016. The draft statements were then passed to the Council's external auditors, Ernst & Young LLP.

3.1.3 The draft Statement of Accounts was also placed on deposit for public inspection for the period 1 July 2016 to 11 August 2016. During this period the Council did not receive any questions or objections to its accounts from the public.

- 3.1.4 Ernst & Young LLP performed their audit during July to September 2016. Finance officers met with the Audit Manager during the audit period to address issues and agree any changes that were highlighted during the audit. The Head of Finance and Governance Services re-certified the audited Statement of accounts on 19 September 2016. It is anticipated that the external auditors will issue their unqualified opinion on the accounts on 30 September 2016. The Audit Manager will be presenting his audit findings to this committee ahead of this report.

### **3.2. The Statement of Accounts**

- 3.2.1 The Statement of Accounts, as defined in the regulations and specified in the relevant sections of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Accounting Code of Practice comprises:
- A Narrative Report
  - Statement of Responsibilities for the Statement of Accounts
  - The accounting statements
  - A statement of accounting policies
  - Notes to the accounts.

The Council's draft accounts for consideration are attached in Appendix 1.

### **3.3. The Accounting Statements**

- 3.3.1 The Comprehensive Income and Expenditure Statement (CIES) provides a summary of the resources generated and consumed by the Council in the year that have contributed to the changes in resources shown in the Movement in Reserves Statement.
- 3.3.2 The format and headings disclosed within the CIES comply with CIPFA's Service Reporting Code of Practice (SeRCOP) and The Code of Practice on Local Authority Accounting in the United Kingdom. All local councils must follow these Codes to enable direct comparisons to be made of the accounting information across local authorities.
- 3.3.3 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the council, analysed into those reserves that can be used to fund expenditure 'Usable Reserves', and other reserves 'Unusable Reserves'.
- 3.3.4 The Balance Sheet sets out all the Council's assets and liabilities at the end of the financial year. The statement shows the balances and reserves at the Council's disposal, its liabilities and assets employed in its operations, together with summarised information on the assets held.
- 3.3.5 The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the year and how the movements in cash resources have been reflected in cash flows.
- 3.3.6 The Collection Fund is an agent's statement that reflects the council's statutory requirement as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the



collection of council tax and national non-domestic rates (NNDR) from taxpayers and its distribution to precepting bodies, and the government. For council tax, the precepting bodies are the District Council, Parish Councils, West Sussex County Council, and the Police and Crime Commissioner for Sussex.

From 1 April 2013, the regime around the income that local councils collect from NNDR 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 (West Sussex County Council in Chichester's case). The main aim of the scheme, known as the Business Rates Retention scheme, is to give councils a greater incentive to grow businesses in their area. It does however also increase the financial risk due to non-collection, appeals against the rating list and the volatility of the NNDR aggregate rateable value.

The scheme allows the council to retain a proportion of the total NNDR received. Notionally Chichester's share is 40% with the remainder being paid to central government (50% share) and West Sussex County Council (10% share). However, a complicated mechanism of tariffs and levies means that this Council's share of NNDR from day one of localisation is just 5% of the amount collected, and will retain 20% of any growth thereafter.

The Collection Fund is incorporated in the Balance Sheet and the Cash Flow Statement.

A council tax collection rate of 98.3% was achieved in 2015-16 (98.1% 2014-15). For business rates, a collection rate of 98.2% was achieved for the year (98.8% 2014-15).

The Council opted to form an NNDR Pool for 2015-16 along with West Sussex County Council and the other coastal West Sussex District and Borough Councils, in order to maximise the benefit from retained business rates. Under this arrangement the Pool gains by avoiding the levy payable to the government on business rate growth that would be required from the participating District/Borough Councils if they did not pool their business rates with the County Council. The levy avoided (or gain) is then used to fund initiatives that benefit the pool member authorities. This pooling arrangement will remain for 2016-17 as agreed in the Financial Strategy.

3.3.7 The Statement of Responsibilities for the Statement of Accounts details the respective responsibilities of the Head of Finance and Governance Services and the Council.

3.3.8 Further interpretation of the accounts highlighting key issues is contained within the narrative report section of the Statement of Accounts.

### **3.4. Analysis of the 2015-16 General Fund position**

3.4.1 The audited outturn position on the General Fund for 2015-16 is a surplus of £1.263m that is transferred to the General Fund Balance.

3.4.2 The main variances between the General Fund original budget and the outturn position in 2015-16 are as follows:

<u>Ref</u>		<u>£'000</u>
	<b><u>Underspend / Additional Income</u></b>	
a	Chichester Contract Services activities	(380)
b	Earmarked reserves transfers to the General Fund	(319)
c	Car parks	(316)
d	Investment property income	(299)
e	Housing service staffing	(174)
f	Homeless Hostel income	(104)
g	Estates income	(89)
h	Unringfenced Government grants	(62)
i	Electoral Services	(60)
j	Business Rates Retention Scheme	(46)
		<u>(1,849)</u>
	<b><u>Overspend / Shortfall of Income</u></b>	
k	Provisions raised during the year	206
l	Approved service restructuring costs	120
m	Information Communication Technology	80
n	Leisure Centres	70
o	Land charges income	48
p	MMI Settlement Clawback	25
	Minor variations	37
		<u>586</u>
	<b>Total variance</b>	<u><u>(1,263)</u></u>

The following paragraphs provide an explanation for the main variances:

- a. Chichester Contract Services identified more efficiency savings and generated additional income from services, as follows:
- an above RPI increase on certain Trade Waste Service charges, ranging from 6.5% to 8.7% (£126,000);
  - A revised process for apportioning additional Recycling credits from WSCC to local District Councils and Boroughs (£179,500);
  - 1,100 more customers subscribed to the Green Waste service (£43,500); and,
  - Staff vacancy savings (£31,000).

£118,800 of the operating surplus for 2015-16 is recurring and has been reflected in the base budget for 2016-17.

- b. A review of earmarked reserves by the Heads of Services identified that a number of reserves were no longer required. As a result £319,000 has been returned to the Council's General Fund.
- c. Car Parks - generated an increased surplus of £316,000 due to:
- The area available for free on-street parking reducing, creating increased sales of off-street car park season tickets (£162,100);

- Staff vacancy savings (£83,300), where posts were held vacant pending a service restructure;
- Reduced use of external contractors and increased use of Chichester Contract Services (£60,100); and,
- CCTV Staff saving (£10,500).

£245,400 of the operating surplus for 2015-16 is recurring and has been included in the base budgets for 2016-17.

- d. Investment Properties generated a surplus of £290,000 due to two new acquisitions:

- Crane Street £181,000
- Woodruff Centre £118,000.

£270,400 of this additional income is recurring and has been reflected in the base budget for 2016-17.

- e. Housing Service staffing costs decreased by £174,000 due to savings for posts held vacant pending a service restructure.

- f. Occupancy levels at the Council's Homeless Hostel were significantly higher than budgeted for, therefore generating additional income via rents. These rents are generally recovered from Housing Benefit payments which are subsidised by the government. ▽

- g. The Estates service generated a surplus of £89,000 due to higher occupancy and rent levels at :

- St James (£21,000)
- Terminus Road (£99,000)
- Industrial estates and shopping parades (£13,700).

This was partially offset by increased periods of vacancy at other sites (£44,000).

- h. The Council received a number of unanticipated government grants during 2015-16:

- Localisation of council tax support (£20,000)
- NNDR transitional replenishment grant (£1,000)
- Repair & renew administration grant (£1,000)
- Transparency code set up grant (£8,000)
- Council tax annexe discount (£7,000)
- Land Charges search claim (£26,000).

- i. Electoral Services underspends due to:

- Staff vacancy savings (£35,000); and,
- An additional grant contribution from the Cabinet office as a contribution towards changes required to the register of electors (£41,500). This was partially offset by additional printing costs (£16,500).

j. Business rate retention scheme – Additional income £46,000

Additional Business Rates generated from renewable energy schemes that were not anticipated in the base budget for 2015-16.

k. The Council provided for an increased risk of non-payment of debt owed to the authority. In some cases this was due to higher levels of debt compared to 31st March 2015, in others it was due to changes in the estimated likelihood of the debt being repaid. The changes are as follows:

- Council tax and business rates court costs £20,000
- Housing hostel and letting agency £9,000
- Housing benefit overpayments £131,000
- General bad debts £46,000.

l. There were additional approved service restructuring costs during the year of:

- Redundancy costs £78,000
- Retirement costs £42,000.

m. There was a salary overspend of £80,000 in respect of Information Communication Technology. This mainly related to the appointment of an ICT Manager post. Offsetting savings to fully fund this post have not yet been identified.

n. The Council's Leisure Centres suffered a shortfall in income of £70,000 mainly due to reductions in Direct Debit memberships, dry-side activities and catering income.

o. Fewer land charge searches were requested in 2015-16 (9,363) compared to 2014-15 (10,348)

p. MMI Settlement Clawback

Municipal Mutual Insurance Ltd (MMI), the Council's previous insurer, was the predominant insurer of public sector bodies prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The Council and most of MMI's public sector members elected to participate in a 'Scheme of Arrangements' effectively becoming 'Scheme Creditors', meaning they may have to pay back part of all claims for which they have received settlements since 1993 in the event of the Scheme of Arrangements being triggered.

Following a review of the financial position of the company by the Scheme Administrators and the continuing high level of mesothelioma and child abuse claims being reported, the administrators have increased the levy rate payable by scheme participants from 15% to 25%.

For the Council, the total payments subject to the levy is some £246,000, and after deducting the levy already paid at the 15% rate, a further payment of £25,000 was required.

3.4.3 The impact of these variations will be taken into account while monitoring and forecasting the 2016-17 budget, and will also be considered when the setting the 2017-18 base budget.

### **3.5. Pension Costs**

3.4.1 Accounting standards require Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying for each authority investing in fund, the pension assets and liabilities contained within the fund at a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.

3.4.2 The calculations provided the by Council's pension Actuary shows a deficit of £4.130m at the 31 March 2016 (£16.537m deficit at 31 March 2015) which represents the difference between the assets that the Council has within the fund (equities, bonds, property and cash) which amount to £140.21m (£138.21m at 31 March 2015) while liabilities amount to £144.34m (£154.75m at 31 March 2015). In his report to the council, the actuary identifies the reason for the improved position for 2015-16 as being due to an increase in the net discount rate over the period; the positive impact of which has outweighed the likely lower than expected asset returns.

3.4.3 The actual contributions payable by the Council are based on the Actuary's own assumptions in a valuation that is undertaken on a triennial basis. This valuation was last undertaken at 31 March 2013 and shows the council's share of the pension fund is currently funded to 99%. This takes a longer-term view of the pension fund rather than the annual adjustments required by IAS19.

3.4.4 Although the 2016 triennial valuation of the Pension fund was undertaken during Summer 2016, we do not expect to hear the outcome of this until October. Given interest rates are expected to remain low over the medium term, the most likely outcome at this point is an increased forecast deficit for the scheme which will flow through into adjusted contribution rates for employers over the coming years.

### **3.6. Financial Strategy and Impact of the Recession**

3.1.1 The Council's financial position remains strong relative to many local authorities. However, the Council will continue to face financial pressure for the foreseeable future.

3.1.2 Although the Council has been able to achieve a balanced position over recent years, including the 2015-16 out-turn and 2016-17 budget, further government reductions in our settlement are expected and alongside other budgetary pressures over the next five year period. Cabinet approved a new deficit reduction plan of £3.8m on 6 September 2016, and the Council is currently considering seeking a four-year financial settlement from the Department for Communities and Local Government to help increase certainty in financial forecasts.

3.1.3 The issues currently facing the Council include:

#### **Government Issues**

- Level of Government Funding
- Specific Government Grants
- Localisation of Business Rates including further proposed changes
- Anticipated changes to New Homes Bonus funding
- Council Tax Capping
- Welfare Reform
- Amended Waste Regulations and increased recycling targets
- Devolution deals and proposals for the 3SC area

#### **Economic Issues**

- Low interest rates
- Competitive employment market
- Generally low inflation, but some contractual costs increasing
- Possible effects of “Brexit”

#### **Local Issues**

- Income Streams
- Use of Reserves

3.1.4 It is standard practice to analyse previous year underspends when determining the forthcoming budget. Therefore the 2015-16 outturn position will be taken into account in the forthcoming annual budget process when preparing the 2017-18 detailed revenue estimates, although many recurring variances that were identified early in last year via budget monitoring have already been removed from the 2016-17 budget as detailed in the variance analysis above.

### **3.7. Outstanding Litigation and Claims**

3.6.1 It is considered good practice to report to those charged with governance in respect of outstanding litigation and claims at the year end. A report on outstanding litigation and claims was reviewed by this Committee at its meeting in June. The report has been reviewed by officers and where required the financial impacts of such claims will have been reflected in the Council’s Statement of Accounts. The details of these claims are disclosed in Note 33 to the Statement of Accounts.

## **4. Appendix**

Appendix 1 – Audited Statement of Accounts 2015-16

## **5. Background Papers**

None

**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 September 2016**

**Annual Governance Statement and  
Corporate Governance Report 2015-16**

**1. Contacts**

Stephen James - Principal Auditor,  
Tel 01243 534736 Email: [sjames@chichester.gov.uk](mailto:sjames@chichester.gov.uk)

**2. Recommendation**

**To consider the draft Annual Report on Corporate Governance at Appendix 1 and to recommend this to the Council for approval.**

**3. Main Report**

All members have a responsibility for corporate governance. However, this committee is charged with identifying and looking at key risk areas in greater depth. This is to provide assurance to the Council and members that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Under its terms of reference the Committee is required to report to Council each year, or at any time where significant issues or concerns are raised on corporate governance and the internal arrangements in place to monitor and control risks. Attached at Appendix 1 is a draft report to the Council to fulfil this requirement which the Committee is requested to consider.

In order to sign up to such a statement, members of the Committee will need assurance that key systems are in place within the Council. As such the Council's internal audit service has the responsibility to independently review and report to the Committee and report is attached at Appendix 3.

**4. Human Rights and Equality Impact**

None

**5. Appendices**

Appendix 1 – Draft annual report of the Corporate Governance & Audit Committee

Appendix 2 – Annual Governance Statement 2015/16

Appendix 3 – Annual Report on the effectiveness of Internal Audit Section 2015/16

**6. Background Papers**

Evidence in support of annual governance statement 2015/ 2016

## Chichester District Council

COUNCIL

22 November 2016

### Draft Annual Report of the Corporate Governance and Audit Committee 2015-16

#### Background

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To this end members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Council's affairs and stewardship of its resources.

In March 2016 the Corporate Governance & Audit Committee considered the Strategic and Organisational risk registers to ensure the adequacy of the Council's actions to control and manage risks.

During 2015/2016 the six highest risks identified in the Corporate Risk Register were:

- **Financial Resilience:** That the council is unable to set a balanced budget. This is an on-going risk.
- **Skills / Capability / Capacity:** Failure to have resilience in the staff structure due to cost reductions and so lack the right number of staff with the right skills to deliver services
- **Business Continuity:** That a business continuity incident occurs and the organisation fails to respond effectively and continue to deliver services.
- **Cyber Attack Across Entire Estate:** Failure to have necessary processes and procedures in place to eliminate a Cyber Attack.
- **Non Achievement of Recycling Target of 50% by 2020:** Failure to achieve a Recycling Target of 50% by 2020 could mean the council will incur significant fines.
- **Devolution of Public Services:** Failure to engage in the Devolution of Public Services could potentially lead to the council being isolated and therefore unable to influence and shape the process.

The Council has taken early action as the current financial crisis started to emerge and has, over the last five years achieved in excess of £7.8m of savings and increased income. During the period 2013-2016 the Council has achieved revenue savings of 2.2m and has generated additional income of £1.4m (£1.2m more than expected). Despite exceeding the target the financial forecast still looks unpredictable. The financial strategy



and plan 2016/2017 approved by Council in December 2015, anticipated further funding reductions over the next five-years. It has been via this medium term modelling that the council has been able to plan ahead and implement sensible and considered efficiencies. This planning has helped to avoid making severe service cuts, yet thus far enabled the council to set balanced budgets.

## **Annual Governance Statement**

The Annual Governance Statement has been prepared in accordance with the CIPFA / SOLACE guidance on “Delivering Good Governance in Local Government”. The Statement clearly sets out the 6 fundamental principles of good governance:

- i. Determining the council’s purpose, its vision for the local area and intended outcomes for the community.
- ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- iii. Promoting our values and upholding high standards of conduct and behaviour.
- iv. Taking informed and transparent decisions and managing risk.
- v. Effective Management – capacity and capability of members and officers.
- vi. Engaging with local people and other stakeholders to ensure robust accountability.

## **Other Potential Risk Issues**

The drafting of the Annual Governance Statement has highlighted some risks that have come to light which are receiving attention from those charged with governance, these can have common themes and can overlap with other areas of risk that have been identified. They are being monitored to track whether there are any changes in their risk score. The risks identified as being new or emerging are listed below:

- **Health & Safety:** Failure to adhere to H&S policies and procedures leading to the death or injury of an employee or third party resulting in prosecution.
- **Contract Management:** Failure to manage and specify contracts where contractor or key partners fails to deliver goods and or services which prevent the council from delivering its corporate plan objectives
- **Failure of partners to deliver:** Delivery partners have been engaged and consulted on the draft Infrastructure Business Plan throughout its preparation.
- **Staff resources to deliver projects:** To have sufficient staff to deliver projects across the council.
- **Financial resources to deliver projects:** The investment fund has been increased to allow further projects to come forward.
- **Triple dip recession and impact on income streams:** The Office for National Statistics (ONS) is raising concerns about the state of the economy and as the council is reliant on its income streams this risk should remain. Although the triple dip recession did not occur, there is continued uncertainty about the UK economy, post referendum result.

- **Termination of leisure contract either by the council or the contractor:** Need to ensure that there are strong working relationships between the contractor and regularly monitor performance.
- **Community Tensions:** To monitor the media reporting of local responses/concerns to local or national issues.

Other than those areas set out above, which are themselves subject of further on-going review, members of the Committee are assured that key systems are in place within the council. This is supported by the internal audit service, which has the responsibility to review independently and report to Committee.

## **Annual Report on the effectiveness of the Internal Audit Section 2015/2016**

The council is required to conduct an annual review on the effectiveness of its Internal Audit function, also is responsible for ensuring that there is a sound system of internal control together with the identification of risk.

Internal Audit published a three-year risk based rolling programme of audits, which was produced following consultation with the Head of Finance & Governance and was approved by the Corporate Governance & Audit Committee. The Annual Audit Plan for 2015/2016 represents year one of the three year plan. Each of the audits undertaken was on a risk-based approach, which was linked to the Council's Corporate Risk Register. The Accountancy Services Manager is the risk manager and reviews risks on a periodic basis, any changes and updates to the Corporate Risk Register is reported to the Corporate Governance & Audit Committee.

The Audit Section for 2015/2016 is made up as follows:

- Principal Auditor (1FTE)
- Senior Auditor (3.6 days a week annualised hours)
- Auditor (3 days a week)
- Auditor (3 days a week)
- Auditor (3 days a week) Started Maternity leave on the 30<sup>th</sup> November 2015
- Auditor (3 days a week) Covering Maternity Leave

The Internal Audit Section completed the following Audits /Reviews during 2015/2016:

- Safety Inspections Zurich
- Car Parks
- Development Management
- Fraud Review and IAS240
- IT Security of Assets
- Housing Register
- Project Management
- Personnel & Recruitment
- Housing Benefits
- Consultants Review
- Fraud Review
- Car Parks PCN
- Complaints Customer Care
- Income Management
- Disclosure Barring Scheme
- NFI
- AGS, Partnership & Internal Audit

A number of recommendations were made, all of which had been agreed by management and Corporate Governance & Audit Committee. The audits have been followed up throughout the year to ascertain whether the recommendations have been implemented within the given timescales. Where recommendations are not implemented they are brought to the attention of the Corporate Governance & Audit Committee.

From the original 2015/2016 annual audit plan 9 audits were deferred or not undertaken, this was mainly due to changes in legislation, systems not being in place or awaiting outcome of independent reviews. The time allocated was absorbed by non-programmed work. These reviews were reported to the Corporate Governance & Audit Committee periodically. Audits were reviewed by the Principal Auditor before publication. In some cases audits were started before the 31<sup>st</sup> March 2016, but will not be finished until after the 1<sup>st</sup> April.

The Audit Section undertook testing on the Key Financial Systems (previously International Auditing Standard). Internal Audit tested the main financial systems to ascertain that the appropriate levels of controls were present. In addition Internal Audit undertakes sample testing of the controls based upon agreed criteria with External Audit (EY). This allows External Audit to place reliance on the work of Internal Audit and avoid duplication.

The areas tested were:

- Bank Reconciliation
- Creditors
- Council Tax
- Debtors
- Housing Benefit
- NNDR
- Payroll

The Internal Audit Section continues to respond to requests by services, where advice and assistance is required, whilst remaining impartial.

The Internal Control arrangements within the Council are robust and regularly reviewed by Internal and External Audit.

**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 September 2016**

**Complaints, Freedom of Information Requests and Data Protection  
Analysis - 2015/16**

**1. Contacts**

**Fiona Delahunty – Customer Service Centre Manager**

Telephone: 01243 534734

E-mail: [fdelahunty@chichester.gov.uk](mailto:fdelahunty@chichester.gov.uk)

**2. Recommendation**

**2.1. The Committee is requested to consider the information provided in this report and to make any appropriate recommendations as to future monitoring arrangements to identify business improvement where appropriate.**

**3. Background**

3.1 The Corporate Governance and Audit Committee receive an annual analysis of all formal complaints and compliments, freedom of information requests and data subject access requests received by the authority, together with a summary of the Local Government Ombudsman's Annual Report.

**3.2 The Council's complaints procedure:**

The complaints procedure has three stages:

Stage 1 – Initial complaint investigated by the Manager responsible for the service team.

Stage 2 – If the customer is dissatisfied with the response to stage 1, the investigation is reviewed by the Head of Service for that team.

Stage 3 – If the customer is dissatisfied with response to stage 2, they are offered the opportunity to seek an independent investigation by the Local Government Ombudsman.

3.3 From April 2015 – March 2016 the Council received 146 complaints. 90% of those were responded to within the 10 day target date. Appendix 1 provides a graphical illustration of complaints received as follows:-

- Table 1 - the number of complaints received during the preceding 3 years.
- Table 2 - the number of complaints under each stage of the complaints process during the preceding 3 years.

- Table 3 - the categories of complaints received during the preceding 3 years.
- Table 4 - the complaints per service team.
- Table 5 - compliments per service team.
- Table 6 - the number of FOI requests received per service team.

Appendix 2 provides a summary of complaints received.

- 3.4 The annual report letter from the Ombudsman shows the number of complaints received for Chichester was 20, 19 of these have been decided. Of the decided, complaints 2 were upheld, 14 were closed after initial enquiries and 3 were referred back to the Council to resolve. All Ombudsman decisions are published and can be viewed on their website. <http://www.lgo.org.uk/decisions>

The Ombudsman upheld two complaints;

- 3.5 A planning complaint was upheld - to view details please view this link <http://www.lgo.org.uk/decisions/planning/planning-applications/15-001-253>  
To improve our procedures when a customer requests a file is removed from the website the Customer Services team now raise a request which is sent to the Service Team Manager and the Customer Services Manager to ensure the files are removed that day and reviewed by an Officer.
- 3.6 A council tax complaint was upheld - to view details <http://www.lgo.org.uk/decisions/benefits-and-tax/council-tax/14-008-121> to improve our procedures, the billing and enforcement processes were reviewed and improved. Additional training has been given where required. A new enforcement agent contract was awarded in April 2015. This includes a Trace and Collect scheme which is used to verify an address when a care of address is the only available address the Council hold.
- 3.7 All complaints are recorded, categorised and monitored by Customer Services. The percentage of procedures/enforcement, quality of service and committee decision complaints has increased. However Officer conduct and decision complaints have reduced.

#### **4.0 Learning Points**

- 4.1 Following feedback from customers the Council has simplified the charging policy for bulky household waste collections by changing the minimum spend of £45.00 for up to three items. Prices now start at £20.00 for the first item and £15.00 for additional items added. Residents are now able to access this service online where they can easily book and pay for a collection. For more information view this link <http://www.chichester.gov.uk/bulkyhouseholdwastecollection>.
- 4.2 The Pay on Foot system was introduced at Avenue De Chartres Car Park in January 2015. With any new system a level of teething issues can be expected and this new system resulted in an increased number of complaints for the service, which were all responded to and the service worked closely with the contractor to resolve these, along with providing staff on hand to

assist the public within the car park. The system has allowed customers more flexibility in terms of when they return to their vehicle, and therefore encourages visitors to stay longer within the city. In January 2016 a customer survey was carried out to gain feedback on the system and this feedback has been used to improve signage. Consideration is being given to increasing the number of payment machines within the car park.

## **5.0 Outcomes to be achieved**

- 5.1 The primary purpose of investigating complaints is to resolve customer dissatisfaction where possible. However, by recording and monitoring the nature of complaints, it is possible to identify trends or address issues to avoid future complaints and to improve service delivery and/or to contribute to a review of policy.
- 5.2 Each Head of Service has access to monthly reports containing the detail of all complaints received and their service areas performance in dealing with each complaint.
- 5.3 Not all customers wish to formalise their complaint but it is important as an organisation to understand areas where there is dissatisfaction and to try to rectify it. To this end, other channels of feedback and performance monitoring are made available with mechanisms in place to address issues:-
  - The website has a generic email account called CDC Complaints. Often customers will use this to report an issue. These are forwarded to the appropriate service area to contact the customer and deal with the request.
  - The website has the option to provide feedback on usability and usefulness on each page. This information is fed back to the service areas responsible for the appropriate page.
  - The Customer Service Centre undertakes monthly performance monitoring with customers contacting the Council by telephone and those visiting the Reception Service. This information is used to identify areas where service improvements may be made.
  - All telephone calls to the Customer Service Centre are recorded and monitored. These recordings are used to mentor and train staff with a view to improving quality of service.
  - The Council have a Facebook and Twitter account which is a quick and easy way for customers to make contact and provide feedback.

## **6.0 Freedom of Information Requests**

- 6.1 The Freedom of Information (FOI) Act gives people the right to ask the Council for recorded information they hold. If the request relates to environmental information, this will be handled under the Environmental Information Regulations (EIRs). The Council is required to reply to requests within 20 working days.

- 6.2 The Customer Services team administers the FOI process.
- 6.3 From April 2015 – March 2016, 656 requests for information were received; 86 of these were redirected to other agencies.
- 6.4 93% of the requests were answered within the 20 working day deadline.
- 6.5 The number of requests received can take up a great deal of officer time in collating the responses. Many requests continue to be received from the press or from commercial organisations. The legislation does not provide for the Council to recover costs for the officer time involved unless the estimated staff costs involved in locating or compiling the information exceeds £450. Under these circumstances, the Council can refuse the request on grounds of cost, or charge the applicant £25 per hour for the estimated work. Information that is regularly asked for is provided and published on the Council's website to allow future requesters to self serve the information.

## **7.0 Data Protection Requests**

The Data Protection Act 1998 provides individuals with the right to access their personal information. Requesters are required to pay £10 administration fee and the Council has 40 working days in which to provide the information. In 2015-16 the Council received 6 requests for personal data from members of the public. We also received 3 requests from other Authorities and 4 from the Police.

## **8.0 Improvements to Procedures and Publications**

- 8.1 Adopt a model publication scheme as recommended by the Information Commissioner.

## **9.0 Proposal**

- 9.1 To continue with existing monitoring and recording of formal complaints, freedom of information and subject data access requests.
- 9.2 To continue to provide feedback on performance to service areas to provide opportunity to improve service delivery.
- 9.3 To continue to provide performance monitoring within the Customer Service Centre to gain customer insight and improve service delivery.

## **10.0 Alternatives that have been considered**

- 10.1 None

## **11.0 Resource and legal implications**

- 11.1 There is a legal obligation to comply with the Freedom of Information and Data Protection Acts. Compliance does require a significant amount of staff time. However the Customer Services Manager and Head of Business Improvement Services have gained a Practitioner qualification for Freedom of Information to help assist and advise staff in dealing with requests.



## 12.0 Consultation

12.1 None

## 13.0 Community impact and corporate risks

13.1 As outlined in paragraph 11.1 the Council are legally obliged to comply with FOI and DPA legislation. However, there are also exemptions to be considered before the disclosure of requested information. Failure to apply these exemptions correctly can lead to personal damage or distress to an individual and/or legal challenge and subsequent financial penalties for incorrect application of the Acts, leading to financial and reputational damage to the Council.

## 14.0 Other Implications

	Yes	No
<b>Crime and Disorder:</b>		X
<b>Climate Change</b>		X
<b>Human Rights and Equality Impact</b>	x	
<b>Safeguarding</b>		X
<b>Other (please specify) eg biodiversity</b>		x

## 15.0 Appendices

Appendix 1 Graphical illustration of complaints received

Appendix 2 Summary of complaints received

## 16.0 Background Papers

None

Complaints/ Freedom of Information Graphical Reports.

Table 1

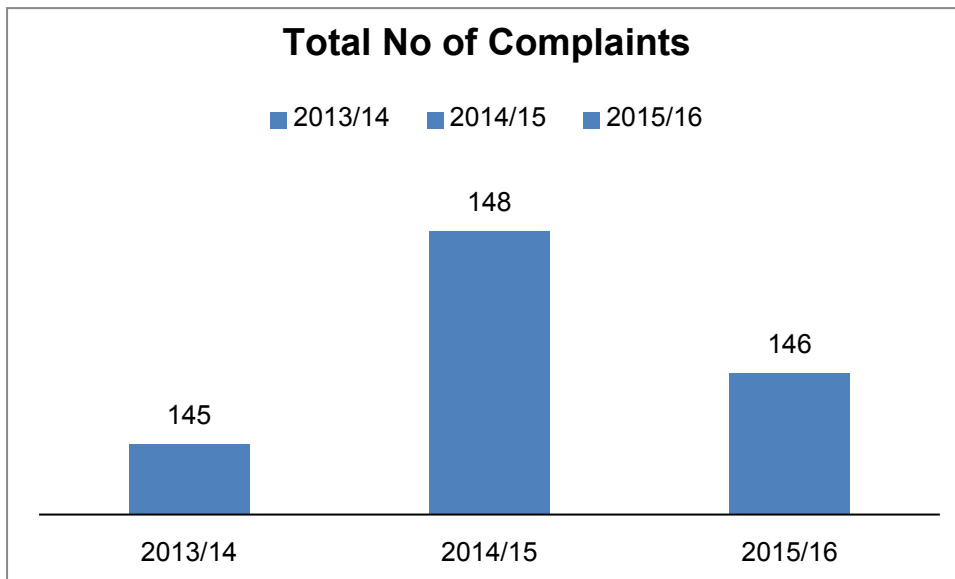


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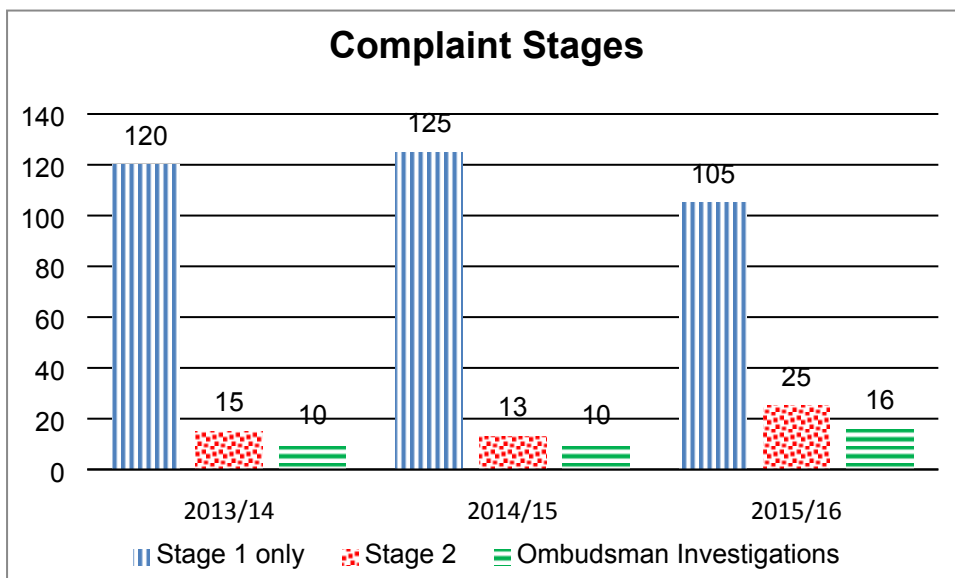


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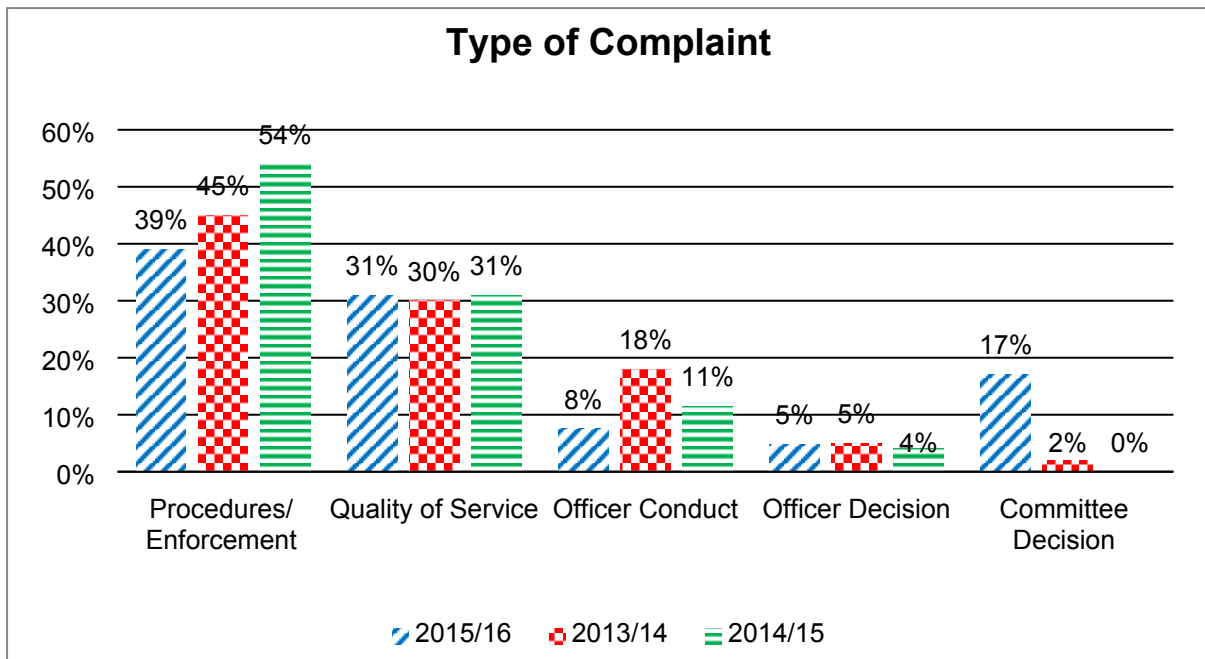


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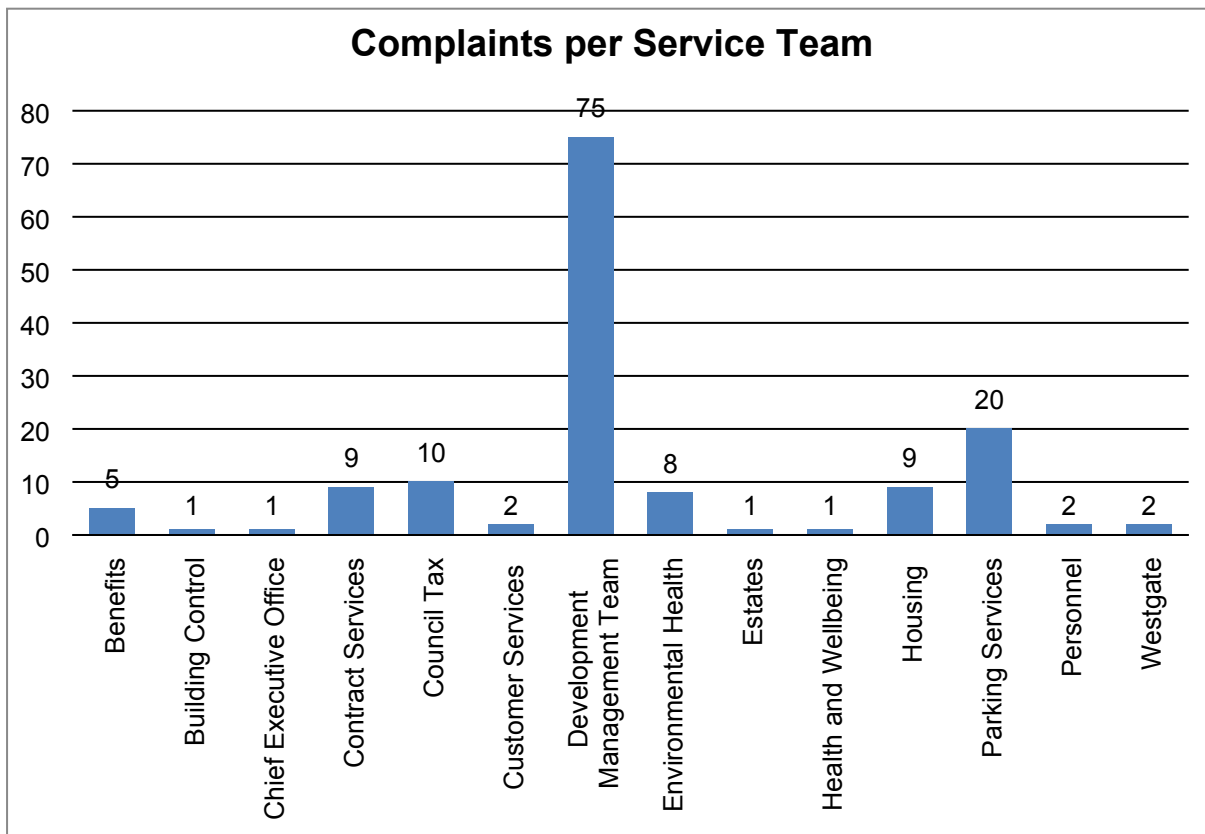


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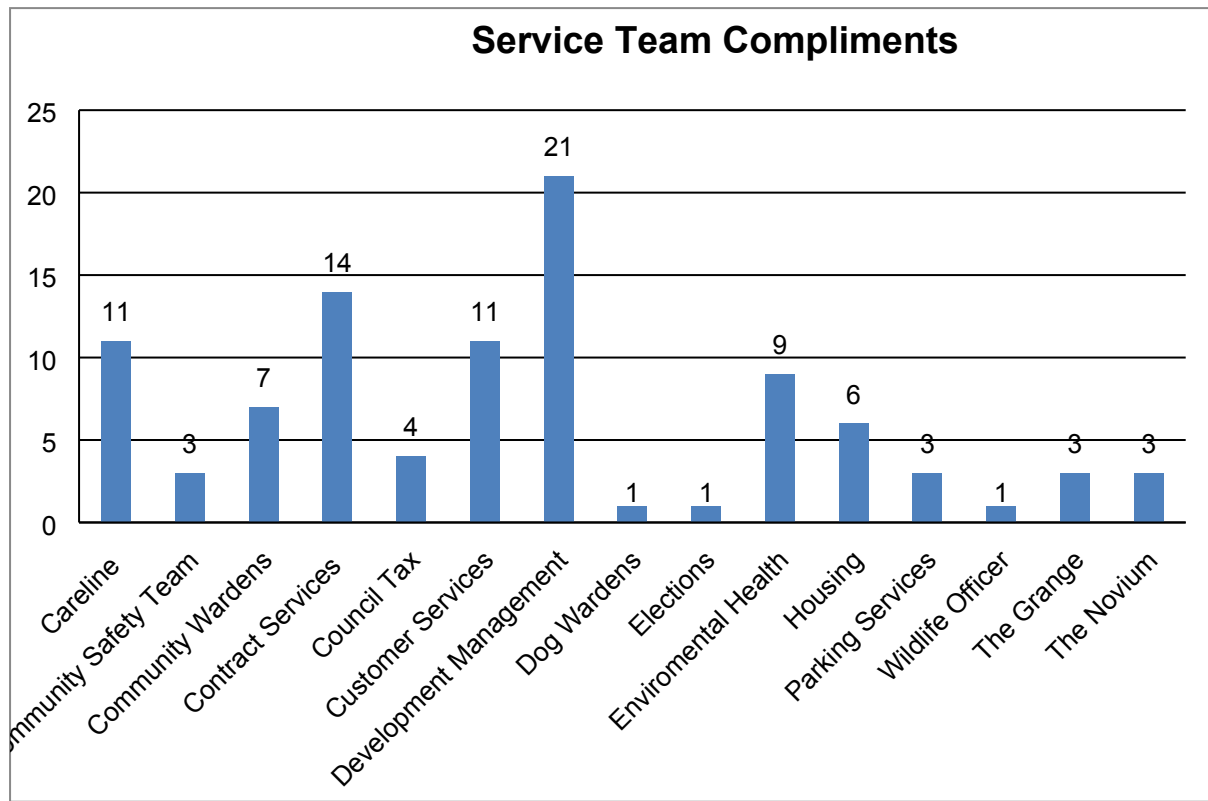
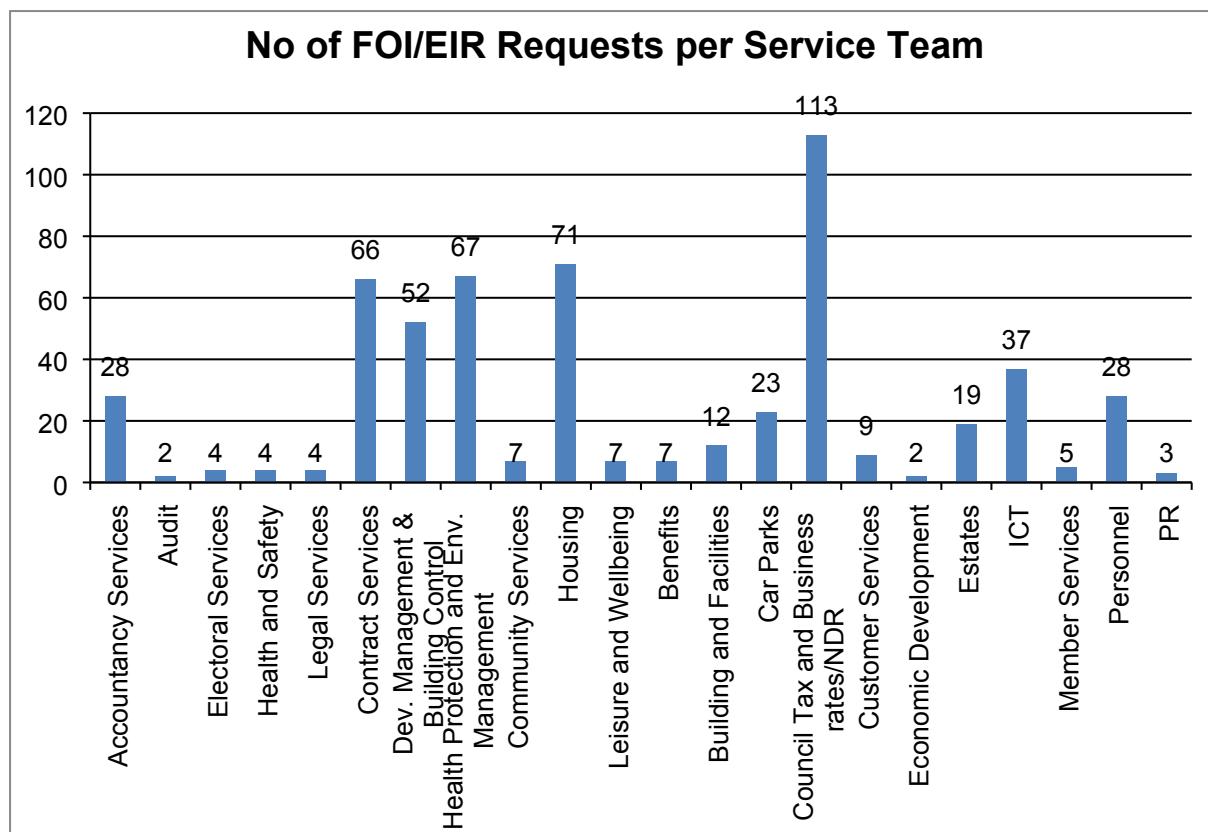


Table 6:



## Formal Complaints 1 April 15 - 31 March 16

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Quality of Service	Benefits Service		√		Complaint from customer concerning personal and financial information being sent to an old address
Quality of Service	Benefits Service	√			Complaint about the handling of benefit claim.
Procedures/Enforcement	Benefits Service	√			Complaint about the handling of benefit claim.
Procedures/Enforcement	Benefits Service			√	Ombudsman Decision 15 017 994 Complaint regarding Benefit Payment. Final decision: The Ombudsman will not investigate the complaint because it is reasonable to expect him to appeal to the First Tier Tribunal.
Procedures/Enforcement	Benefits Service	√			Housing Benefit claim
Procedures/Enforcement	Building Control	√			Complaint concerning Building Control procedures
Committee Decision	Chief Executive Office		√		Committee decision regarding determination of planning application for skate park
Quality of Service	Contact Services	√			Complaint about a member of staff and their conduct.
Quality of Service	Contract Services	√			Complaint received about waste collection service
Quality of Service	Contract Services	√			Waste collection service
Procedures/Enforcement	Contract Services	√			Waste collection for a customer with a disability
Quality of Service	Contract Services	√			Customer complaint. Black or brown bins were not emptied recently and they are located on the edge of the front garden by the pavement and clearly visible with only a thin bamboo screen in front of them. Also dry flattened cardboard was not collected again.
Quality of Service	Contract Services	√			Complaint regarding the rudeness of waste collection crew
Quality of Service	Contract Services	√			Complaint about Trade waste payment.

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Quality of Service	Contract Services	√	√		Complaint concerning bin collection point.
Officer Conduct/Performance	Contract Services	√			Complaint concerning Officer smoking in a Council vehicle
Procedures/Enforcement	Council Tax	√	√	√	Ombudsman Ref:15 010 511 Council Tax Payment Decision not to investigate the matter as there is a right of appeal to the Valuation Tribunal and insufficient remaining injustice to warrant investigation.
Procedures/Enforcement	Council Tax	√			Complaint concerning empty homes procedure for Council Tax
Quality of Service	Council Tax			√	Ombudsman ref 14008121 re Council Tax complaint re bailiff action. Decision complaint upheld Council found guilty of injustice and maladministration and compensation of £150.00 paid as suggested by Ombudsman.
Quality of Service	Council Tax	√			Complaint received about her address being incorrect on the Council Tax system, when she has advised before and that the officer she spoke to this morning was patronising.
Procedures/Enforcement	Council Tax	√			Council Tax Arrears
Procedures/Enforcement	Council Tax	√			Council Tax Account
Quality of Service	Council Tax	√			Incorrect information given regarding Council Tax
Quality of Service	Customer Services	√			Information customer given re waste collection service
Quality of Service	Customer Services and Building Control	√			Service received from Building Control and Customer Services on submission of Building Notice
Procedures/Enforcement	Development Management			√	Ombudsman Ref:15 009 098 Complaint to the Ombudsman regarding a decision made by the Council to include his home in the City's Local Building List. The Ombudsman will not investigate this complaint about the Council's decision as it is outside her jurisdiction because it was not made to her in time.

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Procedures/Enforcement	Development Management	√	√		Committee decision regarding the determination of planning application
Committee Decision	Development Management	√			Complaint about the planning meeting regarding the Park Farm development in Selsey.
Committee Decision	Development Management	√	√		Committee decision regarding the determination of planning application
Procedures/Enforcement	Development Management	√			Determination of planning application
Procedures/Enforcement	Development Management	√			Determination of planning application
Procedures/Enforcement	Development Management	√	√	√	Ombudsman ref: 15 006 885 complaint concerning a planning decision. Ombudsman's decision not to investigate
Procedures/Enforcement	Development Management			√	Ombudsman ref: 15 006 793 Complaint regarding planning application decision. Ombudsman decision not to investigate
Procedures/Enforcement	Development Management	√			Complaint regarding the process used for the determination of application.
Procedures/Enforcement	Development Management			√	Ombudsman Complaint ref: 15 006 511 regarding planning enforcement matter. Ombudsman decision not to investigate
Officer Decision	Development Management	√			Complaint about determination procedures for planning application
Committee Decision	Development Management	√			Determination of Planning Application
Officer Decision	Development Management	√			Complaint received about not being told about a neighbours planning application.
Procedures/Enforcement	Development Management	√			Determination of planning application.
Committee Decision	Development Management	√	√		Determination of planning application
Committee Decision	Development Management	√	√	√	Ombudsman Ref: 15 012 377 Committee decision re determination of planning application. Ombudsman decision; not to investigate because there is no sign of fault causing injustice in the way the Council dealt with planning matters.

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Quality of Service	Development Management	√			Complaint from customer regarding advice and service received from planning officer.
Committee Decision	Development Management	√			Committee decision regarding the determination of planning application
Committee Decision	Development Management	√			Committee decision regarding the determination of planning application
Procedures/Enforcement	Development Management	√			Planning Application decision SDNP
Quality of Service	Development Management		√	√	Ombudsman Ref:15 001 253 Complaint concerning information published on our website. Ombudsman decision is the complaint is upheld. The Council failed to remove all references to untrue comments when the matter was first raised. Compensation paid at the suggestion of the Ombudsman of £250.00 and apology given.
Procedures/Enforcement	Development Management	√			Enforcement Complaint
Quality of Service	Development Management	√			Complaint concerning personal information being published on our website when customer submitted a comment on a planning application
Committee Decision	Development Management	√	√		Committee decision regarding the determination of planning application
Committee Decision	Development Management	√			Committee decision regarding the determination of planning application
Committee Decision	Development Management	√			Committee decision regarding the determination of planning application
Officer Conduct/Performance	Development Management	√			Complaint regarding information given to Planning Committee regarding SDNP application.
Officer Decision	Development Management	√			Complaint received about officer decision
Procedures/Enforcement	Development Management			√	Ombudsman reference: 15 018 636 Determination of planning application. Decision; The Ombudsman will not investigate this complaint about the grant of planning permission for development next to the complainants home as she is unlikely to find fault in the Councils actions.
Committee Decision	Development Management	√			Determination of planning application



Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Quality of Service	Development Management	√			Customer did not receive a response to his enquiry
Procedures/Enforcement	Development Management	√			Planning Enforcement Complaint
Committee Decision	Development Management	√			Determination of planning application
Procedures/Enforcement	Development Management	√			Planning enforcement complaint
Procedures/Enforcement	Development Management		√		Complaint concerning street art in Chichester. Holding response sent
Procedures/Enforcement	Development Management		√		Customer not happy with response to Stage 1 complaint concerning planning application
Quality of Service	Development Management	√			Customer was unable to use Public Access to make a comment because of a re-occurring error message
Procedures/Enforcement	Development Management	√	√		Planning Application - length of time taken to determine the application and wording on conditions
Procedures/Enforcement	Development Management	√	√		Planning Application Decision
Committee Decision	Development Management	√	√	√	Ombudsman Ref 15 007 181 Committee Decision re determination of planning application. Ombudsman decision not to investigate complaint
Quality of Service	Development Management	√			Customer did not receive a return call from the Officer when a message was left with Customer Services
Officer Decision	Development Management	√	√		Information provided by Officer re agricultural application
Procedures/Enforcement	Development Management	√			Planning application for tree works
Officer Conduct/Performance	Development Management	√			Complaint that customer has not received a response from the Officer
Officer Conduct/Performance	Development Management	√			Complaint about Planning in cahoots with WSCC and Southern water over land ownership.
Procedures/Enforcement	Development Management	√	√		Customer not satisfied with response regarding a Planning Enforcement matter

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Committee Decision	Development Management	√	√		Committee decision regarding the determination of planning application
Committee Decision	Development Management	√	√		Committee decision regarding the determination of planning application
Procedures/Enforcement	Development Management	√			Planning Application for listed building
Committee Decision	Development Management	√			Determination of planning application
Procedures/Enforcement	Development Management	√			Determination of planning application
Procedures/Enforcement	Development Management			√	Ombudsman ref: 1 5 010 964 Decision not to investigate complaint about not providing paper copies of planning applications and accepting cheque payment
Procedures/Enforcement	Development Management Team		√		Determination of a planning application
Quality of Service	Development Management	√			Complaint concerning how the Planning Application was dealt with
Quality of Service	Development Management	√			Complaint received about the process and how an application has been handled.
Quality of Service	Development Management	√			Complaint received about how long it's taken for a Planning decision to be made.
Procedures/Enforcement	Development Management	√			Complaint received about enforcement not acting on neighbour.
Procedures/Enforcement	Development Management	√			Complaint about that a neighbour's property had extension built without correct planning permission and that the Council took no action.
Officer Decision	Environmental Health	√			Complaint regarding comments made by Council's engineer concerning a planning application
Procedures/Enforcement	Environmental Health	√	√	√	Ombudsman ref: 15 017 805 Complaint concerning resurfacing of path. Ombudsman decision not to investigate customer complaint that the Council acted with fault in resurfacing private land rather than a footpath. The Council was acting on behalf of another authority and not carrying out one of its own functions.

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Quality of Service	Environmental Health	√			Not happy with the fact that he has paid us for a service and that the Pest company we use was unable to come out and treat.
Quality of Service	Environmental Health	√			Complaint about and Officer failing to make contact to take out of date product and receipt and statement.
Procedures/Enforcement	Environmental Health - Licensing team	√	√		Complaint concerning issue of Taxi license
Procedures/Enforcement	Estates			√	Ombudsman ref: 15 015 985. Complaint regarding lease of property. The Ombudsman decision not investigate complaint because it is reasonable to expect the customer to have complained to the Ombudsman within 12 months of becoming aware of the matters now complained about.
Officer Conduct/Performance	Health and Wellbeing	√			Complaint about letters aimed at over 65s sent to various address regarding wellbeing.
Officer Conduct/Performance	Housing	√			Complaint about a member of staff's conduct.
Officer Conduct/Performance	Housing	√			Attitude of Officer during interview
Quality of Service	Housing	√			Time taken to investigate fraudulent claim of request for housing
Procedures/Enforcement	Housing	√			Homeless Procedures.
Quality of Service	Housing	√			Complaint about the way his homeless application has been handled.
Officer Conduct/Performance	Housing	√			Complaint regarding an officer decision re housing
Officer Conduct/Performance	Housing	√			Complaint about the conduct of Housing officer.
Officer Conduct/Performance	Housing	√			Complaint regarding a member of the Environmental Housing team
Quality of Service	Housing			√	Ombudsman Investigation ref 15 000 751 Complaint re Disabled Facilities Grant and workmanship of adaptation which was completed in 2012

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
					Decision The Ombudsman will not investigate as they are unlikely to be able to achieve the outcome requested.
Quality of Service	Parking	√			Complaint received about faulty lighting in South Pallant car park, parking not replying to customer e-mails
Quality of Service	Parking	√			Complaint about her way her parking permit has been handled.
Quality of Service	Parking Services	√			Complaint about Parking Machine 23 constantly not working.
Quality of Service	Parking Services	√			Customer complaint about lack of response to his email regarding street lights at Leatherbottle Lane Chichester
Quality of Service	Parking Services	√			Attitude of Civil Enforcement Officer
Quality of Service	Parking Services	√			Complaint regarding the barrier and intercom service at Avenue de Chartres car park.
Procedures/Enforcement	Parking Services	√			Complaint concerning Sunday Parking
Quality of Service	Parking Services	√			Complaint regarding the smart cards not working properly.
Quality of Service	Parking Services	√			ADC barrier continuously not lifting for customer although they have a season ticket
Quality of Service	Parking Services	√			Complaint concerning response when barrier would not open and subsequent processing of refund.
Procedures/Enforcement	Parking Services	√			Complaint received about the letter sent from Parking in response to her initial challenge to a Penalty Charge Notice
Procedures/Enforcement	Parking Services	√			Insufficient signage re car boot sale in Market Avenue Car Park
Quality of Service	Parking Services	√			Complaint concerning Avenue de Chartres car park. Customer experienced barrier and ticket machine problems.
Procedures/Enforcement	Parking Services			√	Ombudsman ref: 15 003 437 Complaint concerning informal appeal of parking fine. This complaint has not been investigated under the Council's complaints procedure as it is regarding a parking fine and after the informal challenge the customer has a further right to appeal. Ombudsman decision not to investigate

Type of Complaint	Service Team	Stage 1	Stage 2	Stage 3 LGO	Description
Quality of Service	Parking Services	√			Complaint concerning Avenue de Chartres car park season ticket
Procedures/Enforcement	Parking Services	√			Unlawful parking in Orchard Gardens Chichester
Quality of Service	Parking Services	√			Customer given incorrect information when barrier failed to lift at ADC
Quality of Service	Parking Services	√			West Wittering Car Park was not fully open over the May bank holiday weekend
Quality of Service	Parking Services	√	√		Customer complaint that he did not receive a response within statutory time period
Procedures/Enforcement	Personnel	√	√		Council's Interview process
Quality of Service	Westgate	√	√		Complaint concerning disabled access to Jacuzzi

## Chichester District Council

**CORPORATE GOVERNANCE & AUDIT COMMITTEE 29 September 2016**

### **Audit Reports & Progress Report – Audit Plan**

#### **1. Contacts**

**Report Author:**

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: [sjames@chichester.gov.uk](mailto:sjames@chichester.gov.uk)

#### **2. Recommendation**

**The committee is requested to consider and comment on the audit reports and to note progress against the Audit Plan.**

#### **3. Main Report**

##### **3.1. Data Security (Public Service Network)**

Internal Audit looked at the PSN compliance checklist for 2015/16 together with supporting documentation, and have documented processes are in place for the responsibility of recording responses and review prior, prior to PSN submission for certification.

Internal Audit have recommended that a formal review process be introduced to ensure that the PSN submission is carefully reviewed on a timely basis.

##### **3.2. Rent Deposits**

This audit covered the processes in place for applicants who were offered a Rent in Advance and Bond Deposit, to ensure that it is self-funding and that evidence is sort before payment is made.

A number of minor/important recommendations were made but the significant one was to formalise the review process so that quarterly recommendations are signed and dated by a senior member of staff.

##### **3.3. Treasury Management**

A new Treasury Management process has been introduced. This audit aimed to document the process and identify controls that could then be tested.

No major concerns were reported and the recommendations made were regarding the reconciliation process, which needs to be completed on a quarterly basis by an independent person and reviewed, signed off and dated.

#### **4. Background**

4.1. Not Applicable

**5. Outcomes to be achieved**

5.1. Not Applicable

**6. Proposal**

6.1. Not Applicable

**7. Alternatives that have been considered**

7.1. Not Applicable

**8. Resource and legal implications**

8.1. Not Applicable

**9. Consultation**

9.1. Not Applicable

**10. Community impact and corporate risks**

10.1. Not Applicable

**11. Appendices**

Appendix 1 – Data Security (PSN)

Appendix 2 – Rent Deposits

Appendix 3 – Treasury Management

Appendix 4 – Audit Plan Progress Report

## 12. Other Implications

Are there any implications for the following?		
	Yes	No
<b>Crime &amp; Disorder:</b>		√
<b>Climate Change:</b>		√
<b>Human Rights and Equality Impact:</b>		√
<b>Safeguarding:</b>		√
<b>Other (Please specify):</b>		√

## 13. Appendices

13.1. Progress Report – Audit Plan

## 14. Background Papers

13.1 None





**Internal Audit Report  
2015-2016**

**Data Security (Public Services Network)**

**Auditor  
Julie Ball  
August 2016**

## Contents

**Audit:** Data Security (PSN)  
**Auditor:** Julie Ball

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## 1 Introduction

- 1.1 The Code of Connect compliance (CoCo) was introduced in 2008 to Local Authorities. The Public Services Network (PSN) superseded this in 2013 and is a national framework set out by the Government and managed by the Cabinet Office. Chichester District Council has achieved PSN accreditation since this date which provides an assured network over which Government can safely share both communications and services.
- 1.2 Any organisation that has a business needs to communicate directly with individual government departments through the PSN network, need to achieve certification from the Cabinet Office annually. There are currently 15 services within the council that have email accounts to send and receive secure data through the PSN Network, these include; Electoral Services and Revenues & Benefits who also access DWP data.
- 1.3 The Cabinet Office sets out a series of technical standards that the council are required to meet, in order to secure the certification, these include:
- a. A completed signed PSN Code of Connection – this is a compliance statement that documents how council information technology meets baseline requirements set by central government.
  - b. A completed PSN Code of Connection Annex B - evidence of compliance to the conditions above to include, governance, technical interoperability (the capability of different programs to exchange data via a common set of exchange formats), service management and information assurance.
  - c. A completed PSN contact details form.
  - d. IT Health Check (ITHC) document - Testing is carried out for any vulnerabilities on the council's network and the security of East Pallant House by external providers SureCloud. A report was received in December 2014 with a number of recommendations.
  - e. A network diagram (An up to date diagram of the council's network infrastructure).
- 1.4 A PSN connection compliance certificate may be withdrawn at any time the council no longer meets the required standards.

## 2 Scope

- 2.1 The scope and objectives of the audit were to ensure that:
- the PSN compliance checklist and all supporting documentation is available and up to date, and
  - there are documented processes in place for the responsibility of recording responses and review, prior to PSN submission for certification

### 3 Findings

- 3.1 The process of PSN accreditation is required to be completed and submitted on an annual basis before the deadline. The council received an email communication from PSN dated 14<sup>th</sup> January 2015. This stated that, *“We’re writing to remind you that your current PSN compliance certificate will expire on 03/02/2015”*. They also write *“As there’s now less than 1 month until it expires you should send your PSN compliance submission to us urgently to make sure you get your new certificate before your current one expires”*. The council’s submission was sent on 27<sup>th</sup> January 2015, five working days prior to expiry of the current PSN. Cabinet require the PSN submission to be submitted at least a month before the expiry date to ensure that the council always has a current certificate.
- 3.2 Audit was informed that prior to submission, senior managers were walked through the process and discussed any issues and work in progress at the time. They also considered the impact of additional work on resources in relation to the ICT Work plan together with the associated risk. However, there is no documentary evidence to support these discussions or confirm any actions required.
- 3.3 The Cabinet Office sets out a series of technical standards that the council needs to meet in order to secure the accreditation. Testing found that all the required data sent to the Cabinet Office had a validation check carried out before being allocated to an Information Assurance Assessor for further checking.
- 3.4 The submission for PSN accreditation sent on 27 January 2015 was declined. A further three submissions dated 9<sup>th</sup> February, 16<sup>th</sup> March and 15<sup>th</sup> June 2015 were presented before the PSN team were satisfied that any deficiencies had been mitigated or addressed before issuing a certificate. However, it is worth noting that there was no suspension of the current certificate made during the period. The PSN reported on three occasions that the decline was due to several high/medium findings in the ITHC remediation plan that have not been addressed or were planned to be addressed but that needed to be resolved. It was also due to a number of statements completed by the service that were not accepted by the PSN as mitigation or a reduction in risk.
- 3.5 The council made its fourth submission on 15<sup>th</sup> June 2015 and received certification on 10<sup>th</sup> July 2015, some five months after the original submission. This delay was partly due to the time taken by the Cabinet office to review the PSN submission and contact the ICT service with any observations and questions and partly due to changes being made by the service to address recommendations from the Cabinet office. The PSN team worked closely with the service to identify remedial action and agreed an achievable time frame for implementation.

- 3.6 The Commitment Statement was signed by the Chief Executive, Section 151 Officer and the Senior Information Risk Officer (SIRO) stating that the council will work with Cabinet throughout the compliance process and period of the connection to the PSN to ensure the ongoing security of the network. For each submission a signed statement was completed as required. However, for the 2016 submission only Paul Over the SIRO was required to sign the statement.

## 4. Conclusion

- 4.1 The service has recognised that there were recommendations from the Internal & External Health Check that were outstanding and required addressing to show that the risks have been mitigated. A formal and timely review prior to the original submission may have eliminated the number of rejections received. Therefore the implementation of a PSN review process needs to be put in place.
- 4.2 The application was submitted to Cabinet some 5 days before the expiry date of the council's PSN certificate. This did not allow sufficient time for PSN to carry out a validation check and for an Information Assurance Assessor to carry out detailed checks before issuing a certificate. The service needs to ensure that their next submission is sent at least 20 working days prior to the expiry date of the current certificate. This year the submission was sent on the 10<sup>th</sup> June and this requirement met.
- 4.3 It is worth noting that no serious observations were reported by the Cabinet Office as this would have resulted in the PSN access being denied to the Council. It is also worth noting that not all vulnerabilities can be addressed at the time of submitting the PSN report due to business dependencies and external factors. However, the Cabinet Office does expect to see that the recommendations from the ITHC have been addressed with suitable mitigations in place to manage the risk presented.

## 5. Recommendations

- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:
- Red – Significant issues to be addressed
- Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed

## 6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.3	A formal process should be adopted so that the PSN submission is carefully reviewed on a timely basis before being sent off for certification and evidenced.	ICT Manager	● Significant	Yes	The ICT Manager has confirmed that an Audit Log has been introduced for all communications with PSN. In addition they will be putting in procedures to ensure that the PSN is not only monitored but checked before submission and any recommendations are actioned.	September 2016

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### Traffic Light Key

Significant Issues to be addressed ●

Important Issues to be addressed ●

Minor/No issues to be addressed ●



**Internal Audit Report  
2016-2017**

**Rent in Advance  
and Deposit Bonds**

**Ann Kirk  
Auditor  
June 2016**

## Contents

**Audit:** Rent In Advance and Deposit Bonds  
**Auditor:** Ann Kirk

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## 1 Introduction

- 1.1 The Council has a statutory duty under the Homelessness Act 2002 to work towards preventing homelessness. The Rent in Advance and Deposit Bonds Scheme offers help to residents of Chichester District who are threatened with homelessness and on a low income, or benefit to gain access to the private sector accommodation. In 2011, to better fulfil the council's statutory obligations and improve supply to the private rented sector properties for Chichester District residents, the service set up their own internal private rented sector letting agency, Homefinder.
- 1.2 The principal of the Rent in Advance and Bond Deposit Scheme is that it is self funding; the council have a fund of £35,000 for 2016/17 to be used on this scheme which is re-imbursed with the money collected from recipients at an amount per week determined on their financial situation. The budget for 2015/16 was £35,000, the service paid out £24,752 and £37,602 was received back during the year.
- 1.3 In addition to the amount payable for Rent in Advance the council also provide a Bond Deposit which is accessible by the Landlord/Agent on departure of the tenant if they have incurred damage to their property whilst the tenant has been living in it. Evidence is sought before payment is made and again the tenant is liable to pay this money back into the fund.

## 2 Scope

- 2.1 The scope of the audit was as follows:-
  - To identify and document the processes in place for applicants offered a Rent in Advance and Bond Deposit
  - To confirm controls are in place via walkthrough and testing of the procedures
  - Follow up on previous audit recommendations

## 3 Findings

- 3.1 Although the service does not have detailed procedure notes they have an excel spreadsheet of information required to be completed and in the order of the process to be undertaken. The Senior Private Sector Officer is aware that more detailed procedures are required for consistency across the service, and is intending to produce these in the form of a process diagram. Loss of data and corruption from excel spreadsheets is a possibility, however the risk of

this has been mitigated by the Senior Private Sector Officer separating the information across different spreadsheets and placing password protections on each of them, this is in addition to the council's back up process.

- 3.2 Qualification assessments to determine eligibility under the scheme are undertaken by the Housing Interventions Officer with the Applicant. Once identified this is communicated to the Senior Private Sector Officer via email. A Homefinder Application form is then completed by the Senior Private Sector Officer and the Applicant; this is then to be countersigned by an officer senior to the one completing the form. Testing found that in all cases this had not been completed but has subsequently been actioned by the Senior Private Sector Officer for future applications.
- 3.3 Finding accommodation is the responsibility of the Applicant, however as mentioned in the introduction the council now have Homefinder, a database of properties that the applicant can choose from if they are unable to find one on their own. The accommodation is not restricted to the Chichester District area and could be anywhere in the country. Once a property has been found, the amount of rent in advance the council will pay is determined on the Local Housing Allowance although discretion is applied on a case by case basis.
- 3.4 If the property is within the Chichester District, the councils Environmental Housing Team will visit the property and ensure compliance with Housing Regulations. A report is produced and any issues are required to be rectified, if there are no problems the application can progress. All reports are sent to the Senior Private Sector Officer but kept on the Environmental Housing Teams Uniform system. Internal Audit's testing found that one out of the four cases tested could not be found, but undertaken as shown by a date on the service's spreadsheet. While this is not a legal requirement the Senior Private Sector Officer has specified that he will now keep a copy of these reports on file for future reference and evidence.
- 3.5 The Applicant is required with the Landlord/Agent and Housing Officer to sign a contract between all parties. All contracts tested had been signed with a contractual date at the top of the contract. Internal Audit suggests that all parties date the contract when signing the document to show a complete audit trail.
- 3.6 At the time of the contract being signed the Senior Private Sector Officer also requires the Applicant to complete a Standing Order Form. Once all documentation has been signed, payment to the Landlord/Agent is requested and in all cases tested, authorisation was provided before monies were released.
- 3.7 The Applicants details are recorded onto the services Wrapp system, which is the services database of applicants and is used as a monitoring system. Information entered includes the name, address and amount of rent to be paid back to the council by the Applicant. Testing found that one individual's contract had been filed before being passed for processing onto Wrapp. Although the quarterly reconciliation would have picked up the omission, please see paragraph 3.10, it was agreed by the Senior Private Sector Officer

that the process needs reviewing to ensure that delays do not happen in the future, and this will be included on the new process flow diagram.

- 3.8 Once processed, a Wrapp Number is provided which is entered onto the Standing Order Form as a reference number against future payments to enable monitoring to take place. The Standing Order Form is then sent to the Bank for repayments to commence.
- 3.9 Payments are monitored by the Business Support Officers on a monthly basis and the debt recovery process is followed when necessary.
- 3.10 A complete reconciliation is undertaken on a quarterly basis by the Business Support Officers. Currently this is not reviewed or signed off by a senior member of staff. However, this is an important control and should be part of any reconciliation.

## **4 Conclusion**


- 4.1 In the main, all controls identified within the processes for awarding and monitoring Rent in Advance and Bond Deposits are working well. However, there are new employees joining the service in the near future and they would benefit from the more comprehensive procedure notes which in turn will ensure that the controls are maintained.

## **5 Recommendations**




- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:
- Red – Significant issues to be addressed
- Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed
- 5.2 Recommendations from the previous audit report have been included within the audit testing and no further actions are required.

## 6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.1	Procedure notes are produced to ensure consistency and completeness for all staff	Senior Private Sector Officer	● Important (Amber)	Yes	Agreed and is currently being reviewed	August 2016
3.2	The Homefinder Application Form is countersigned by an Officer more senior to the employee completing the form	Senior Private Sector Officer	● Important (Amber)	Yes	Will be actioned immediately, on the next application	July 2016
3.4	All Environmental Housing Reports are retained for evidence	Senior Private Sector Officer	● Minor (Green)	Yes	Already commenced, a folder has been set up to retain these reports	June 2016
3.5	All parties date the contract when signing the document at the bottom	Senior Private Sector Officer	● Minor (Green)	Yes	The three contract templates have been updated to reflect this change	June 2016

3.10	A formal review process be introduced so that quarterly reconciliations demonstrate they have been reviewed, dated and signed by a senior member of staff.	Senior Private Sector Officer	 Significant (Red)	Yes		July 2016
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**Traffic Light Key**

Significant Issues to be addressed  Important Issues to be addressed  Minor/No issues to be addressed 



## **Internal Audit Report**

### **Treasury Management Audit**

**Philippa Watts**  
**Auditor**  
**June 2016**

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## 1 Introduction

The Chichester District Council Treasury Management and Annual Investment Strategies for 2015/2016 were written in accordance within the CIPFA guidance and legislation and approved by Cabinet and full Council in March 2015. These documents set out the Council's investment priorities and proposed treasury activities for the year 2015/16 and included; approved investment counterparties, investment limits, and the policies on financial risks and reporting requirements.

## 2 Scope

2.1 The scope for this audit review was agreed as follows and ensures that:

- the CIPFA code on Treasury Management practice has been adopted,
- both a treasury management policy statement and suitable treasury management practices have been adopted,
- regular reports are submitted to the Cabinet and full Council,
- implementation, monitoring, and execution of treasury management responsibilities are delegated to a suitable responsible officer,
- And all documented internal procedures are current and updated on a regular basis.

## 3 Testing and Findings

3.1 A sample of 25 investments made during the year 2015/16 were examined to establish that;

- a) a daily cash flow was undertaken when investments were made,
- b) the investment was within the limits set by the Treasury Management Strategy Approved Investment Counterparty List and, where relevant, within the limit set by the Arlingclose counterparty list,





- c) all the relevant documentation had been retained to support the investment, including the appropriate treasury dealing forms authorised by a relevant senior officer who had not been involved in making the deal, and
  - d) the correct interest had been received by CDC.
- 3.2 The entire sample selected was found to comply with; the investment limits, had the relevant supporting documentation including the relevant treasury dealing form and had been appropriately authorised by a senior officer. The interest, where this had matured, had also been correctly received. A cash flow statement was also completed for all the days sampled.
- 3.3 A reconciliation of the treasury management system to the general ledger (Civica) had not been performed on a regular basis. However, in January 2016 one was completed for the period from April to December 2015. It is important that regular reconciliations are undertaken to ensure that any potential discrepancies are revealed.
- 3.4 The reconciliation was undertaken by the Group Accountant (Treasury Management & Capital/Asset Register Project) and the Group Accountant (Technical & Exchequer). It is best practice that reconciliations are undertaken by staff that are not involved in the treasury daily processes. This was recognised within the service and in future reconciliations are to be completed by the Trainee Assistant Accountant and all future reconciliations will be reviewed and signed off by a senior officer, either the Group Accountant (Revenue and Capital) or the Accountancy Services Manager. The service is working with ICT to enable an electronic signature to sign off future reconciliations.
- 3.5 The CDC Treasury Management Strategy and Annual Investment Strategy for 2015/16 were written in accordance with CIPFA guidance and legislation. It was approved by the Cabinet and full Council in March 2015.
- 3.6 There were found to be documented updated internal procedures. These have been updated for the new treasury management system. However they need to be dated to ensure adequate version control.



## 4 Conclusion

- 4.1 Overall, the controls appear to be working satisfactorily in relation to treasury management system. However, the reconciliation process could be improved in order to strengthen the existing controls. This includes; more frequent reconciliations, an independent review of reconciliations and evidence that this has been achieved by a dated sign off of the review. Therefore three recommendations have been made. (See Action Table at Appendix 1).
- 4.2 In order to prioritise the issues raised, the following traffic light indicator has been used:

- 4.3 Red – Significant issues to be addressed
- Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed

## 5 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.3	All reconciliations of the treasury management system to the general ledger are undertaken at least quarterly.	<b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b>	Amber 	Yes	The need to reintroduce regular reconciliations following the service review was already accepted by management. Actions to ensure appropriate, regular reconciliations with suitable separate of duties were already underway and monthly reconciliations have commenced from April 2016.	Already achieved
3.4	Treasury management reconciliations must be reviewed, authorised and dated.	<b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b>	Amber 	Yes	See response above	Already achieved

<p><b>3.4</b></p>	<p>The treasury management reconciliations are undertaken by an officer who is not involved in the daily treasury management process.</p>	<p><b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b></p>	<p>Amber </p>	<p>Yes</p>	<p>See response above</p>	
<p><b>3.6</b></p>	<p>It is suggested that the treasury management procedures are dated to ensure adequate version control.</p>	<p><b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b></p>	<p> Minor (Green)</p>	<p>No</p>	<p>There is only one version of the procedures (the most current) and version control is not relevant.</p>	<p>Not applicable</p>

# Progress Report – Audit Plan



As at 31 August 2016

Brought Forward from 2015/2016

Appendix 1

Audits	Auditor	No of Days	Days Remaining	Position with Audit
S106/CIL	Philippa Watts	18	17	Planning
Business Continuity	Ann Kirk	10	9	Planning
Grants & Contributions (Received)	Steve James	15	15	
Fixed Asset Register (transfer to Civica)	Sue Shipway	5	5	
Facilities Management/Caretaking/Business Services	Julie Ball	20	18.75	To be included in the deficit reduction audit below
Emergency Planning	Sue Shipway	15	12	Planning
<b>2016/2017 - Audit Plan</b>				
Westgate/Southbourne/Midhurst Leisure Centres	Sue Shipway	15	15	
Community Careline	Julie Ball/Ann Kirk	15	11	Planning
Elections	Sue Shipway	15	14.5	Planning
Industrial Estates/Investment Properties	Philippa Watts	10	10	Ongoing
Card Forwards (Data Security)	Stephen James / Sue Shipway	15		
Pest Control	Philippa Watts	10	9	Now outsourced-cover under future contract audits
Museum/TIC	Ann Kirk	20	18	On-going and subject to peer review in 2016-17
CCS - Income (Trade & Green Waste)	Sue Shipway	15	13	Planning
Information Technology (New IT Manager)	To be determined	15	15	
Budget Monitoring - Deficit Reduction (Procurement review target on goods and services)	Philippa Watts	15	15	
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Key Financial Systems - See below for details	Sue Shipway / Julie Ball /Ann Kirk / Philippa Watts	100	66	Ongoing aim to be completed by Jan 2017
Audit Reviews	Stephen James / Sue Shipway	15	7	Ongoing
Chichester Contract Services Quality Audits	Stephen James	20		
Corporate Fraud Officer	Stephen James / Sue Shipway	20	19.5	Monitoring Role only
Meetings / Discussions with EY	Various	2	1.5	Ongoing
Shared Service Project Plan	Stephen James / Sue Shipway	15	3	Ongoing
Committee Reports & Representation	Stephen James	15	14	Ongoing

Corporate Advice	Stephen James / Sue Shipway/ Julie Ball / Ann Kirk	10	7	Ongoing
Contingency	Stephen James/Sue Shipway/ Philippa Watts/Julie Ball/Ann	65	44	Analysed separately
AGS & Supporting Evidence	Stephen James	30	13	Draft Report available
PSIAS	Stephen James/Sue Shipway	20	20	Ongoing
Individual Service Risk Register & Corporate Risk Register	Stephen James/ Sue Shipway	10		
Follow Ups -	Sue Shipway / Ann Kirk / Julie Ball	14	8	Ongoing
<b>Completed Audits</b>				
Fraud Review	Sue Shipway	15	12	Report Completed
Personnel & Recruitment	Sue Shipway	20	0	Completed and reported
Data Security PSN	Julie Ball	15	5	Completed and Report available
Treasury Management	Philippa Watts	10	0	Completed and Report available
Rent Deposit Scheme Review	Ann Kirk	10	0	Completed and Report available
Estate Rent Arrears	Julie Ball	10	0	Report still in draft
Key Financial Systems 2015/2016	Sue Shipway	0	0	YE report only
<b>Inclusion in Key Financial Systems</b>				
Creditors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Debtors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Payroll	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
NNDR	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby		100 See Above	
Council Tax	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Bank Reconciliation	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Budgetary Control	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			

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