

Public Document Pack

JOHN WARD

Head of Finance and Governance Services

Contact: Mrs Bambi Jones on 01243 534685

Email: bjones@chichester.gov.uk

East Pallant House

1 East Pallant

Chichester

West Sussex

PO19 1TY

Tel: 01243 785166

www.chichester.gov.uk



A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 30 March 2017 at 9.30 am**

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

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 - 5)
The committee is requested to approve the minutes of its ordinary meeting on 26 January 2017.
- 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 12:00pm the day before the meeting is available [here](#) or from the Democratic Services Officer (whose contact details appear on the front page of this agenda).
- 6 **Audit Plan 2016-17 - Ernst & Young LLP** (Pages 6 - 23)
The committee is requested to consider and note the 2016-17 Audit Plan.
- 7 **Accounting Policies** (Pages 24 - 27)
The committee is requested to formally adopt the amendments to the Accounting Policies for the financial year ended 31 March 2017 and shown in Appendix 1.
- 8 **Budget Carry Forward Requests 2017** (Pages 28 - 31)
The committee is requested to recommend that Cabinet approves the requests totalling £120,800 for budgets to be carried forward in 2017-18.
- 9 **Strategic, Operational and Programme Board Risk Registers Update** (Pages 32 - 55)
The committee is requested to consider the agenda report and its appendices and to note the current strategic risk register, the current high scoring programme board and organisational risks, the plans and mitigation actions in place and to raise any issues or concerns. Appendix 1b is confidential* and is available to members of the committee and relevant officers only.

***Note** Exempt category Para 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

- 10 **Internal Audit Reports, Audit Plan & Progress Report** (Pages 56 - 78)
The committee is requested to consider and note a) current progress against the 2016-17 Audit Plan, b) the two Audit Reports, c) the update on the Car Parking Audit recommendations and d) the 2017-18 Audit Plan.
- 11 **2017-18 Corporate Governance & Audit Committee Work Programme** (Pages 79 - 82)
The committee is requested to consider and approve its work programme for 2017-18.
- 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
- 13 **Exclusion of the Press and Public**
There are no restricted items for consideration. However, the documents listed below include information which is considered to be exempt under Paragraph 3 of Schedule 12A of the Local Government Act 1972 and **are attached for members of the committee and senior officers only (salmon paper)**.

9. 2016-17 Strategic Risk Update

Appendix 1b – Information relating to cyber-attacks to the authority.

NOTES

1. The press and public may be excluded from the meeting during any item of business where 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. 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 here [here](#) unless they contain exempt information.
3. The open proceedings of this meeting will be audio recorded and the recording will be retained in accordance with the council’s information and data policies. If a member of the public enters the committee room or makes a representation to the meeting, they will be deemed to have consented to being audio recorded. If members of the public have any queries regarding the audio recording of this meeting, please liaise with the contact for this meeting at the front of this agenda.
4. 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 intention 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.

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 26 January 2017 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr G Hicks, Mrs N Graves, Mrs P Hardwick and Mr S Morley

Members not present: Mr I Curbishley, Mr F Hobbs and Mr P Jarvis

In attendance by invitation: Mr P King (Ernst & Young LLP)

Officers present: Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr S Hansford (Head of Community Services), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer) and Mrs V McKay (Valuation and Estates Manager)

105 **Chairman's Announcements**

The Chairman welcomed all to the meeting.

Apologies had been received from Mr Curbishley, Mr Hobbs and Mr Jarvis.

106 **Approval of Minutes**

The committee considered the minutes of the last meeting which had been circulated with the agenda (copy attached to the official minutes).

RESOLVED

The minutes of the meeting held on 24 November 2016 were agreed as a correct record.

107 **Urgent items**

There were no urgent items for consideration at this meeting.

108 **Declarations of Interest**

No interests were declared at this meeting.

109 **Public Question Time**

No public questions had been received.

110 **Certification of claims and returns annual report 2015-16 - Ernst & Young LLP**

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

Mr P King, Executive Director of Ernst & Young LLP, presented the report.

The housing benefit audit was complicated and normally resulted in the issue of a qualification letter in an overwhelming number of authorities, as there is no materiality limit and the assessment is based on the claim being either right or wrong. This audit had resulted in a receipt to the Council of additional subsidy of £160,356.

The indicative fee of £9,913 for 2016-17 had been based on the fee two years earlier in 2014-15 and unless the quantum of work was different in 2016-17 then the indicative fee would be the final fee. Similarly, the fee for 2015-16 had been based on 2013-14 and if less audit work was required then there may be a fee reduction.

Mr King drew members' attention to the summary of recommendations and confirmed that he had been happy with the responses.

RESOLVED

That the certification of claims and returns annual report 2015-16 be noted.

111 **Audit Progress Report - Ernst & Young LLP**

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

Mr King advised members of the new format and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES). Mrs Belenger reassured the committee that the council was aware of the changes and that two members of staff would be attending the close down workshops to understand what was required of the council in preparing future year end accounts. Plans were already in place for an earlier closedown of accounts by one month this year, as this is now the final dry run year in order to meet the early closure requirements for 2017-18 accounts. Following the end of the financial audit in 2017, a review would take place to allow the team to understand where the holdups might be in preparation for 2018.

RESOLVED

That the audit progress report against the council's 2015-16 audit and plans for the 2016-17 audit be noted.

112 **Budget 2017-18 Review**

Mrs Tull provided a short oral report on the outcomes of this review. Members had been satisfied with the explanations on the projected variances on the 2017-18 budget.

Mr Ward advised that this was an opportunity for members of both this committee and the Overview and Scrutiny Committee to scrutinise the budget before it went to Cabinet and Council for approval. The car parks expenditure budget included enforcement and staffing costs, however this is not apportioned to individual car parks, however the Parking Services Manager could provide members with estimates of on-street and off-street enforcement costs. Mr Barrett stated that it would be interesting to consider the income for car parks, especially rural car parks, to consider whether income had increased or decreased as a result of the change in charges. The chairman suggested that should members have detailed questions relating to the operation of the car parks service, they should address them to the service manager Mrs Murphy.

RESOLVED

That this oral report be noted.

113 **Treasury Management Strategy Statement for 2017-18**

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

Mr Catlow presented the report.

The committee made the following comments:

- Queried the availability of any guidance from CIPFA in respect of building returns from investments into base budgets. Mr Catlow advised that there was no guidance but that CIPFA would say be prudent.
- Query by Philippa Hardwick as why only the Property Fund interest was included in the revenue budget as it could be a volatile income source and shouldn't the entirety of our pooled funds be put into revenue instead as this income seemed more certain. Mrs Belenger stated that the Property Fund rate of return was considered to be stable as it was based on rental payments received, whereas the other investments were less certain. However, should the investment income be lower than forecast, then an option is to transfer a lesser amount into the investment opportunity reserve.
- The footnotes next to headings on page 41 are picked up on the following page – this should be amended to refer to Table 5.
- Queried the meaning of 'currently rated above BBB' - The council's bank is BBB+ rated. We try to minimise what is held within the council's bank account and to stay within secured investments. If at any time there was a downgrade to the council's bank we would be able to get our money out and put it in AAA rated money market funds.

- Reputational and practical risk to changing bank accounts in future – there are clauses within the current bank contract to allow the Council to terminate the contract, if necessary. We found it relatively easy to move bank accounts. If there was a risk then we would move account. We also have arrangements at an alternative bank, Svenska Handelsbanken and in business continuity terms we could use them.
- Queried the ratings of other banks – Handelsbanken is based in Sweden so probably A- to A rated. They have a particular operating model which means they are seen as very low risk. The majority of UK clearing banks are BBB+ rated or above. Lloyds and Barclays are A- rated. We went through a tendering exercise and Nat West were the best bid in terms of service and price. We monitor them continuously based on credit ratings alerts. Arlingclose also looks at ratings and Credit Default Swaps which would alert us if there was an issue.
- The council does not hold offshore accounts.
- Automatic sweeping arrangements are set up so that funds are moved within the council's bank operational current accounts to the deposit account, and vice-versa when there is an overdraft to be covered. This saves time and resources as officers used to have to do transfer requests and authorise these transfers in the past.
- Pages 39 para 5.2 Borrowing Sources has no explanation. Table 4 on page 40 dealing with authorised limits lists the borrowing sources. Mr Catlow agreed to move this information to para 5.2.
- Query regarding benchmarking and the family of authorities chosen. The council uses the family of district councils which use Arlingclose as their treasury adviser. In the past we had used CIPFA's benchmarking group however due to the cost of that facility and as the numbers had dwindled it was no longer feasible for the council to use this grouping.
- Clarify in Table 8 where information is coming from – amend to 'district council average'.
- Clarify in Table 9 – change to 'mean of all district councils'
- Appendix 2 – add definition of 'internal investments' and 'external funds'.
- Add definition of the benchmarking group.
- Rate of Return on page 55 – LAPS fund no longer the only one.
- Mr Oakley requested information about the treatment of the community infrastructure levy (Table 2 page 37) – Mr Catlow advised that this was not part of the Treasury Management Strategy and undertook to provide a written response.

RECOMMEND TO CABINET

That subject to the amendments suggested above, Cabinet and Council be recommended to approve the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy and relevant Prudential Indicators and Minimum Revenue Provision statement for 2017-18.

114 Internal Audit - Audit Plan Progress

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

Mr James presented the two audit reports – Chichester Careline and Industrial Estates and Investment Properties – and the audit plan progress report.

The committee made the following comments:

- Queried the criteria for the traffic light system and whether it was purely at auditors' discretion – confirmed that it was auditors' discretionary judgement over a period of time. This was then discussed and agreed with the service concerned.
- The Estate Rent Arrears audit would be presented to the committee at its next meeting.

RESOLVED

That progress against the audit reports on Chichester Careline and Industrial Estates & Investment Properties and the audit plan be noted.

The meeting ended at 11.10 am

CHAIRMAN

Date:

Chichester District Council

Year ending 31 March 2017

Audit Plan

February 2017

Ernst & Young LLP



Building a better
working world

Corporate Governance & Audit Committee
Chichester District Council
East Pallant House
1 East Pallant
Chichester
West Sussex
PO19 1YT

24 February 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Corporate Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 30 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
For and behalf of Ernst & Young LLP
Enc

Contents

1. Overview	1
2. Financial statement risks	2
3. Value for money risks	3
4. Our audit process and strategy.....	4
5. Independence.....	9
Appendix A Fees.....	12
Appendix B UK required communications with those charged with governance	13

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.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 Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use 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. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Chichester District Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

In sections two and three of this plan we provide more detail on the identified risks and we outline our plans to address them. Our proposed audit process and strategy is set out in section four.

We will provide an update to the Corporate Governance and Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Risk of management override

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.

Our approach will focus on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- ▶ Reviewing accounting estimates for evidence of management bias, and
- ▶ Evaluating the business rationale for significant unusual transactions
- ▶ Evaluating the appropriateness of any changes in accounting policy

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

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.

For 2016/17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has not identified any risks which we view as relevant to our value for money conclusion.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements; and
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (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.

4.2 Audit process overview

As part of our audit planning procedures we have assessed the design of your internal controls and determined where it will be most efficient to adopt a controls reliance approach. In those areas we will test the controls we determine as key to preventing and detecting material misstatement.

Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ Accounts receivable;
- ▶ Cash and bank;
- ▶ Housing Benefits;
- ▶ Payroll; and
- ▶ Accounts Payable.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Corporate Governance and Audit Committee.

Internal audit

As in prior years, we have reviewed internal audit plans and the results of their work. As necessary, we have reflected on the findings from these reports in this audit plan.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Land and property valuations	Council valuers
Pensions	Council actuary, EY third party specialists and EY Pensions team
NDR appeals provision	Council's third party specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence

standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and
- ▶ Satisfying ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council, is £1,481k based on 2% of gross service expenditure. We will communicate uncorrected audit misstatements greater than £74k to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Chichester District Council is £49,090.

4.6 Your audit team

The engagement team is led by Paul King, who has significant experience on Chichester District Council. Paul King is supported by Martin Young who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Corporate Governance and Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Corporate Governance and Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Corporate Governance and Audit Committee timetable	Deliverables
High level planning	Ongoing	June 2015	<ul style="list-style-type: none"> • Audit Fee letter
Risk assessment and setting of scopes	November - December 2016	January 2017	<ul style="list-style-type: none"> • Audit Plan
Testing routine processes and controls	January 2017 - February 2017	March 2017	<ul style="list-style-type: none"> • Audit Plan; and • Report to those charged with governance via the Audit Results Report.
Year-end audit	August 2017	September 2017	<ul style="list-style-type: none"> • Report to those charged with governance via the Audit Results Report; • Audit report (including our opinion on the financial statements; and overall value for money conclusion); • Audit completion certificate; and • Reporting to the NAO on the Whole of Government Accounts return.
Completion of audit	September 2017	September 2017	<ul style="list-style-type: none"> • Report to those charged with governance via the Audit Results Report; • Audit report (including our opinion on the financial statements; and overall value for money conclusion); • Audit completion certificate; and • Reporting to the NAO on the Whole of Government Accounts return.

Conclusion of reporting	October 2017	November 2017	• Annual Audit Letter
----------------------------	---------------------	--------------------------	-----------------------

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; and ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report. .

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

Mark Catlow (Senior Manager) left EY in 2015/16 and took on the role of Group Accountant (Technical & Exchequer) at Chichester District Council. Mark Catlow is not considered to be in a position senior enough to exert direct and significant influence over the preparation of the financial statements. As such no specific safeguards are necessary.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Paul King the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to

publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	49,090	49,090	49,090	
Total Audit Fee – Code work	49,090	49,090	49,090	
Certification of claims and returns ¹	9,913	9,913	7,847	
Non-audit work	0	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Corporate Governance and Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>▶ Report to those charged with governance</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	<p>▶ Report to those charged with governance</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Corporate Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>▶ Report to those charged with governance</p>
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>▶ Report to those charged with governance</p>
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>▶ Report to those charged with governance</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ 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 ▶ Enquiry of the Corporate Governance and 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 Corporate Governance and Audit Committee may be aware of 	<p>▶ Report to those charged with governance</p>

Required communication	Reference
<p>Independence</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 director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> • Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

Agenda Item 7

Chichester District Council

Corporate Governance and Audit Committee

30 March 2017

2016-17 Accounting Policies

1. Contacts

Report Author:

Mark Catlow, Group Accountant

Tel: 01243 521076 E-mail: mcatlow@chichester.gov.uk

2. Recommendation

- 2.1. That the committee considers this report and approves the Council's existing accounting policies as an appropriate basis to prepare the Council's 2016-17 financial statements.
- 2.2. That the committee notes the impact of the implementation of a revised Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS) and the new Expenditure and Funding Analysis (EFA).
- 2.3. That the committee notes the revised presentation of the Council's expenditure of its services within the Comprehensive Income and Expenditure Statement.
- 2.4. That the committee considers if the proposed placement of the new EFA note gives sufficient prominence to this new information within the Council's statement of accounts.

3. Background

- 3.1. In following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), the Council complies with the requirements of International Financial Reporting Standards (IFRS) except where CIPFA has agreed that departures from these standards are necessary and permissible in the context of local government, or to comply with the statutory framework that the sector is subject to.
- 3.2. The Code specifies the principles and practices required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority.
- 3.3. The Code is reviewed continuously and is normally updated annually. The 2016/17 Code has been developed by the CIPFA/LASAAC Local Authority Code Board and has effect for financial years commencing on or after 1 April 2016. The most noteworthy changes within the 2016/17 Code (included in this report for consideration) relates to changes intended to improve the presentation and

readability of Local Authority Financial Statements.

4. Changes to the Council's 2016-17 financial statements and accounting policies

- 4.1. CIPFA/LASAAC has been working on a project for the last couple of years to both streamline the financial statements and improve their accessibility to the user. To support the simplification of Local Authority Financial Reporting they have published a Good Practice Guide ("Telling the Story") for Local Authorities to assist CFOs in removing clutter and explaining the IFRS based accounts.
- 4.2. The 2016/17 Code includes changes resulting from the "Telling the Story review" on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the CIES and MIRS and the introduction of the new EFA.
- 4.3. The 2016/17 Code now requires the service segments section of the CIES to be provided in the way in which local authorities organise themselves and manage financial performance. It is no longer based on the full Service Reporting Code of Practice (SeRCOP) definition of total cost.
- 4.4. For Chichester, the following segments will therefore form the basis of reporting the costs of service provision for 2016-17:
 - Business and Improvement Services
 - Commercial Services
 - Community Services
 - Contract Services
 - Finance and Governance
 - Housing and Environment Services
 - Planning Services
 - Corporate and Central Services.
- 4.5. The 2016/17 Code has removed the lines for earmarked reserves and their transfers from the MIRS. This is because the earmarking of reserves has no formal status in financial reporting or statute for local government and as such the earmarking process does not take funds out of the General Fund. An analysis of the Council's earmarked reserves, and their movements during the year will still be provided as a note to the main financial statements.
- 4.6. The disclosure of the Surplus or Deficit on the Provision of Services has been removed from the MIRS and this is now incorporated in the Total Comprehensive Income and Expenditure line.
- 4.7. The 2016/17 Code has introduced the new EFA statement which takes the net expenditure that is chargeable to the Council's General Fund and reconciles it to net expenditure disclosed on the CIES.
- 4.8. The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

- 4.9. The proposed presentation of the EFA for the Council is shown at Appendix 1.
- 4.10. The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. Officers have carefully considered this and recommend that it is placed at Note 5, immediately after the Council's accounting policies, critical judgements and descriptions of estimation uncertainties in the figures in the accounts. This allows readers of the accounts to assess the information contained in this new statement whilst fully aware of the framework within which the figures in the EFA have been prepared.
- 4.11. The Council's remaining accounting policies are considered to be adequate to deal with all material transactions and balances, including all material sources of income and no further changes are recommended.

5. Resource and legal implications

- 5.1. The Council is required by the Accounts and Audit Regulations to comply with CIPFA's Code of Practice for Local Authority Accounting in preparing its accounts.

6. Appendices

- 6.1. Appendix 1: Draft format of the Council's Expenditure and Funding Analysis

7. Background Papers

- 7.1. None.

Appendix 1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles (GAAP). It also shows this expenditure is allocated for decision making purposes between the council's portfolio responsibilities.

2015-16				2016-17			
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure statement	
£000	£000	£000		£000	£000	£000	
x	X	x	Business and Improvement Services	x	X	x	
x	X	x	Commercial Services	x	X	X	
x	X	X	Community Services	x	X	X	
x	X	X	Contract Services	x	X	X	
x	X	X	Finance and Governance	x	X	X	
x	X	X	Housing and Environment Services	x	X	X	
	X	X	Planning Services	x	X	X	
x	X	X	Corporate and Central Services	x	X	X	
xxx	xxx	xxx	Net Cost of Services	xxx	xxx	xxx	
x	x	x	Other Income and Expenditure	x	x	x	
xxx	xxx	xxx	Surplus or Deficit	xxx	xxx	xxx	
x			Opening General Fund Balance	x			
x			Less/ Plus Surplus or (Deficit) on General Fund in year	x			
xxx			Closing General Fund balance at 31 March	xxx			

Agenda Item 8

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

30 March 2017

Carry Forward Requests

1. Contacts

Report Author:

David Cooper, Group Accountant,

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

2. Recommendation

2.1. That the Committee considers and recommends to Cabinet the requests for budgets to be carried forward to 2017-18 totalling £120,800.

3. Background

3.1. In accordance with Financial Regulations, at the end of each financial year the Committee may determine that unspent balances of a specific nature may be carried forward into the following financial year.

3.2. Unspent balances at the year-end normally revert to general balances and are taken into account when considering the budget strategy for future years. Exceptionally, however, the Committee may take the view that an underspend arises from circumstances outside the control of the budget manager and that it is in the Council's best interests to carry forward a budget.

4. Main Report

4.1. The Accounts and Audit Regulation 2015 came into force on 1 April 2015. These new regulations retain the present deadlines for the issue and publications of the Council's Statement of Accounts (30 June and 30 September respectively) for 2016-17, but shorten this timetable from 2017-18 onwards. From 2017-18 the Council will be required to issue its Statement of Accounts by 31 May, and approve and publish its audited accounts by 31 July.

4.2. In preparation for this earlier deadline the Accountancy Service has implemented a number of initiatives to accelerate the closedown process. This includes:

- the de-cluttering of the accounts with the removal of disclosures that are not considered material to the reader of the financial statements;
- a review of materiality and wider use of estimates;
- the introduction of a mini closedown at the end of quarter three (December) for the capital accounts; and,
- the bringing forward of approvals for carry forward requests.

- 4.3. The closedown of accounts for financial year 2016-17 therefore provides the opportunity for a further dry run to assess the changes implemented to ensure that the statutory deadlines for 2017-18 are achieved.
- 4.4. The Council's financial system provides budget managers with easy access to the financial data relating to their approved budgets. As a result these managers no longer need to rely on the Accountancy Service to provide them with up to date financial information as they are able to self-serve the system for themselves. Therefore budget managers are now better placed to be able to forecast their year-end budgetary position earlier than before.
- 4.5. All carry forward requests agreed by this Committee, are agreed in principle, subject to the funds being available and unspent at the year end. It may be necessary to claw-back the approval if it is found that the budget requested to be carried forward has been spent or the income not received when the Council's outturn position is established.
- 4.6. The earlier approval of carry forward request benefits the Accountancy Service with the year-end closure process, and also budget managers as approved carry forwards will be available in their budgets from the start of the new financial year.
- 4.7. The carry forward requests in Appendix 1 have been received from budget managers. The Committee is asked to consider the reasons behind each carry forward requested to satisfy itself that the underspends have not arisen due to poor performance, and request the Cabinet to approve their carry forward into 2017-18. These requests are supported by the Chief Executive and the Head of Finance and Governance Services.

5. Appendices

- 5.1. Schedule of Carry Forwards Requests from 2016-17 to 2017-18

6. Background Papers

- 6.1. None.

Carry Forward Requests from 2016-17 To 2017-18

Appendix 1

Housing and Environment

The Manhood Peninsula Project (MPP) Officer post has been extended by 6 months to 30 Sept 2017. There is no funding remaining for this commitment in the project budget . There is an underspend in the 2016/17 salary budget in Environment Protection due to maternity leaves & staff vacancies which has been identified as budget that could be carried forward to fund the commitment to MPP Project Officer Post.

Transfer from Homlessness and Advice salary underspends to fill a post in the Environmental Protection Team that has been seconded to the Corporate Policy Team to support the Pay Review project.

Accountancy

Underspend against the approved establishment as 1.5 FTE Assistant Accountant posts were vacant during the year. 1 FTE was recruited to in late August, but the remaining 0.50 FTE is still vacant. The total underspend has also arisen due to changes in an individual's contracted hours from full time to part time working. These vacant roles will be recruited to in the coming months. Total underspend of £34,000 is requested to be carried forward to fund temporary staff in Accountancy Services to aid the production of the Council's final accounts and completion of the final stages of the implementation of the Civica System Asset Register Module.

Chichester Contract Services

Request to carry forward remaining budget from S1801 into 2017/18.

In April 2016 Cabinet endorsed the Recycling Action Plan based on the Council's commitment to achieving a 50% recycling rate by 2020 and to reducing the amount of waste going to landfill. £50,000 was approved for communication initiatives and recycling guidance. £18,000 has been spent to date (January 2017). The remaining budget is required for 2017/18 to support the continued delivery of the Recycling Action Plan and will be allocated to:

- Garden Recycling Service promotion.
- Production of bin stickers for all residents if trial project successful.
- Contribution to purchasing further recycling bags if trial project successful.
- Undertaking samples of recycling loads to assess quality and levels of contamination.
- Communication material to support the Communications Strategy.

The 2017/18 Recycling Action Plan has been agreed by the Waste and Recycling Panel and will be reported to the Overview and Scrutiny Committee in March 2017 and Cabinet in April 2017.

Budget Manager	Amount
	£
Alison Stevens	8,800
Rob Dunmall	30,000
Helen Belenger	34,000
Amie Huggett	31,000

Carry Forward Requests from 2016-17 To 2017-18

Appendix 1

Business Improvement

This money is to fund out Public Relations Intern until the end of August 2017. We have had to identify alternative funding sources to fund this post and have carried out work for West Sussex Telecare, which has brought in £11,000. This money is being used to fund the Intern's post and we would like to carry forward £7,000 of this to continue paying for the post until the end of August.

This money is to fund our part-time temporary advertising and sponsorship officer. This is income that we have generated this year which will cover the post for another year, while we arrange for this money to sit in the base budget. The remaining £2,400 required to fund the post will come from income that we are due to receive in April.

Total Carry Forwards

Budget Manager	Amount
	£
Sarah Parker	7,000
Sarah Parker	10,000
	120,800

Agenda Item 9

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

30 March 2017

Strategic Risk Update

1. Contacts

Report Author:

Helen Belenger, Accountancy Services Manager,
Tel: 01243 521045 E-mail: hbelenger@chichester.gov.uk

2. Recommendation

- 2.1. That the committee notes the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, and raises any issues or concerns.
- 2.2. That the committee notes both the current high scoring programme board and organisational risks and the associated mitigation actions in place, and raises any issues or concerns.

3. Background

- 3.1. In accordance with the governance arrangements set out in the Risk Management Strategy and Policy, the Strategic Risk Group (SRG) reviews the strategic and programme board risk registers, and the high scoring organisational risk register bi-annually. The Corporate Governance and Audit Committee last received an update on the risk registers on 24 November 2016.
- 3.2. Since November, the Corporate Management Team (CMT) has received quarterly updates on the risk registers in January, and in March to consider any new risks associated with the service plans for 2017-18. The outcome of the last CMT review was incorporated into the risk registers which have been considered by the SRG on 15 March 2017.

4. Outcomes to be achieved

- 4.1. The Strategic, Programme Board and Organisational Risk registers are current and relevant to the Council and its operation, and those risks are well managed in accordance with the Council's Risk Strategy and Policy.

5. Update on the Strategic Risk Register

- 5.1. The strategic risk register was considered by the relevant risk owner prior to the review by CMT and SRG.
- 5.2. SRG considered the updated risk register, with its discussions focussed on the current risk scores, the latest situation affecting the risk position, and the mitigation action plans that are in place or being developed to manage the identified risks.

- 5.3. The heat map below shows where the individual risks are placed based on the recent assessment against the risk scoring matrix:

LIKELIHOOD				
	8			
		1	9,88, 97	
			98	68,145
IMPACT				

Key to Risk Numbers:

1 = Financial Resilience, 8 = Skills, Capability/Capacity, 9 = Business Continuity, 68 = Health & Safety, 88 = Recycling Target, 97 = Cyber Risk, 98 = Devolution, 145 = Breach of Data Protection Act

- 5.4. Since the last report to the Committee in November 2016, the following risk scores have changed are:

- **CRR 1 Financial Resilience** - the risk score has reduced from 6 to 4.
- **CRR 8 Skills, Capability and Capacity** – the risk score has reduced from 6 to 3.
- **CRR 98 Devolution of Public Services** – the risk score has reduced from 9 to 3.

- 5.5. Appendix 1 (a) and (b) reflect the following recommendations made by SRG:

- a. **CRR 1 Financial Resilience:** That under the risk description after the bullet point “Unpredictable Government policy” add (e.g. Brexit and localisation of business rates. Under the internal control Financial Strategy Principles item 11 add Section 151 Officer continues to review the risks and opportunities that will emanate from 100% localisation of business rates.
- b. **CRR 8 Skills/Capability/Capacity:** That officers reconsider the current likelihood and impact scores at their next review.
- c. **CRR 10 Contract Management:** Due to progress made on the mitigation action plans, that this risk now be moved to the organisational risk register under the Head of Finance and Governance as the risk owner.
- d. **CRR 88 Non Achievement of Recycling Target of 50% by 2020:** As the EU recycling target was now enshrined into UK law. To amend the description to “could mean the Council may incur significant fines, taxes or extra landfill taxes or reputational damage.”
- e. **CRR 97 Devolution of Public Services:** To review this risk after the high level meeting expected in May.
- f. **CRR 127 Shared Services:** Due to the decision not to progress this project this strategic risk is deleted from the risk register.

- g. **CRR 128 Non-compliance of the Payment Card Industry Data Security Standard (PCI DSS)**: This was a new risk identified by the Accountancy Service. After discussions it was agreed that this risk should be moved to the organisational risk register under Finance & Governance and that a new strategic risk of Data Protection is added to the risk register. This is now under a new risk number **CRR 145 Breach of the Data Protection Act – Loss of Data**.

6. Programme Board Risk Registers

- 6.1. Three Programme Boards were set up for Business Improvement, Commercial and Infrastructure matters with head of service leads along with the relevant portfolio holder. A risk register, if necessary, is compiled for each board. Any high scoring risks from these risk registers would be escalated within the Risk Management Framework for consideration by senior officers and members as necessary.
- 6.2. Three new risks were identified by the Business Improvement Board.
- PBR06 – Revenues & Benefits Service Disruption
 - PBR 07 – Failure to achieve channel shift
 - PBR 08 – Insufficient resources to deliver projects
- 6.3. Only one risk from the Programme Boards is currently high scoring; PBR 08 Insufficient resources to deliver projects. Appendix 2 sets out the associated mitigation plans for this high scoring risk. All other risks on the Programme Board registers have risk scores lower than 6.

7. Update on the Organisational Risk Register

- 7.1. The SRG considered the high scoring risks and the associated mitigation plans which are shown in appendix 3, which reflects the changes recommended by the group.

8. Other Implications

	Yes	No
Crime & Disorder:		X
Climate Change:		X
Human Rights and Equality Impact:		X
Safeguarding:		X

9. Appendices

- 9.1. Appendix 1(a) – Strategic Risk Register
- 9.2. Appendix 1(b) – Strategic Risk Register (Exempt Information – para 3)
- 9.3. Appendix 2 – Mitigation Plans for High Scoring Programme Board Risks
- 9.4. Appendix 3 – Mitigation Plans for High Scoring Organisational Risks

10. Background Papers

- 10.1. None.

Corporate Risk Register - Strategic Risks Quarterly Update

Report Author: Helen Belenger
Generated on: 17 March 2017



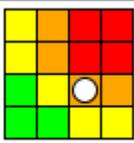
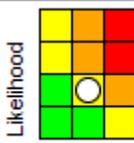
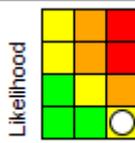
Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

Controlled

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 01	Financial Resilience	JW	9	6	4	3	31-Mar-2018	Good
	CRR 08	Skills / Capability / Capacity	PEO	3	6	3	2	31-Mar-2018	Good
	CRR 09	Business Continuity	JW	9	6	6	3	31-Mar-2018	Good
	CRR 68	Health and Safety	JW	9	4	4	4	31-Mar-2018	Good
	CRR 97	Cyber Risk Attack Across ICT Estate	PEO	6	6	6	6	31-Mar-2018	Good
	CRR 145	Data Protection Act Breach - Loss of Data	PEO	4	-	4	4	31-Mar-2018	Good

Control Pending

Status	Risk No.	Risk Area	SLT Lead	Original Score	Previous 1/4ly Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 88	Non Achievement of Recycling Target of 50% by 2020	BR	6	6	6	3	01-Jan-2020	Improving
	CRR 98	Devolution of Public Services	DS	9	9	3	3	31-Mar-2018	Improving

CRR 01 Financial Resilience		Management	Controlled						
		Corporate links	Corporate Plan Priority - Use Resources Effectively and Efficiently.						
Risk Description:									
<ul style="list-style-type: none"> - Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences. - Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the council including deficit reduction plans. - Failure to maximise income streams. - Unpredictable Government policy (e.g. Brexit and localisation of business rates.) 									
SLT Risk Owner: Diane Shepherd									
Responsible Officer: John Ward.									
Risk Assessment									
Page 36 Likelihood		Assessment Date	31-Dec-2016		Date Reviewed	06-Mar-2017		Target Date	31-Mar-2018
	Impact	Previous Quarterly Score	6	Impact	Current Score	4	Impact	Target Score	3
Internal Controls									Current Status
Five Year Financial Model and Deficit Reduction Plan		<ol style="list-style-type: none"> 1. Monitor and update the 5 year financial model as required and review with CMT. 2. Assess against progress on Deficit Reduction Plan and savings targets. 3. Monitor income volatility in relation to use of NHB (Policy approved) and localisation of both CTS & NNDR. 							Good
Income Streams		<ol style="list-style-type: none"> 1. Monitor income performance and review with CMT so remedial action can be taken. 2. Heads of Services and budget managers monitor income monthly from budget monitoring reports. 3. Service managers to assess fee setting for services in accordance with Fees & Charging Policy, and react when if income reductions occur. 4. Putting money in place to achieve better returns. 							Good
Reconciliation of Income		<ol style="list-style-type: none"> 1. Monthly reconciliations by services. 2. Non compliant services are identified by Internal Audit when service is reviewed as part of the Audit Plan. 3. Support given by Accountancy Services when setting up new income streams and reconciliation processes. 							Improving
Control of Expenditure		<ol style="list-style-type: none"> 1. Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations. 							Good

	2. Quarterly monitoring of major variances by CMT.	
Financial Strategy Principles	<ol style="list-style-type: none"> 1. All key decisions of the Council should relate back to the Corporate Plan. 2. Ensure the revenue and capital programme remain balanced and sustainable over a rolling 5 year period. 3. Over the next 5 years maintain a position of non-dependency on reserves. 4. In order to maintain a balanced budget in a climate of no growth, savings in the revenue budget or external funding will need to be identified before any new revenue expenditure, including capital expenditure that has revenue consequences, is approved. 5. Review costs in response to changes in service demand. 6. Where the Council has discretion over charging for services, consideration needs to be given as to the extent to which service users should bear the costs, and the proportion met by Council Tax. 7. Continue to review the Council's costs in order to find further savings. 8. Match Council Tax increases to a realistic and affordable base budget. 9. Budgets should be pooled with other service providers to achieve more effective and cost efficient outcomes for the community. 10. New Homes Bonus (NHB) should be reserved to reward communities that have accepted growth, whilst also considering the fact that this is not new funding, and to some extent may have to be used to protect services. This should be allocated annually, and only committed once received. 11. Localisation of Business Rates. The decision to pool our business rates should be reviewed annually after receipt of government draft settlement to that the Council is in the best financial position. The Section 151 Officer continues to review the risks and opportunities that will emanate from the 100% localisation of business rates. 	Good
Revenue and Capital Programme Principle	<ol style="list-style-type: none"> 1. Capital receipts, reserves and interest on investment will primarily be available for new investment of a non-recurring nature, thereby minimising the overall financial risk. 2. Ensure that a sufficient level of reserves are maintained, as informed by the Financial Strategy, so that the Council can remain flexible and is able to respond to a changing local government environment. 3. Borrowing could be used for capital schemes or "invest to save" projects providing the cost of servicing the debt is contained within the revenue savings/income the project generates. The payback period for invest to save projects should be shorter than the life of the asset. 	Good
Treasury Management	1. Generate better returns with the Treasury Management Strategy and the Investment Protocol and the Council's view of risk and increased diversity.	Good

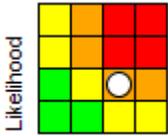
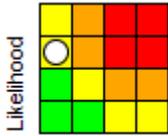
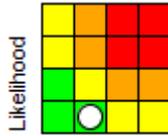
Page 37

Latest Position Statement

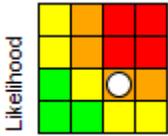
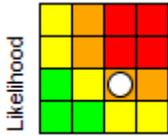
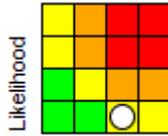
Deficit reduction plan approved, and accepted by DCLG as evidence to secure 4 year funding agreement. Financial targets to be monitored through the programme boards.

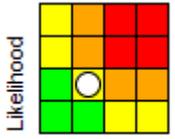
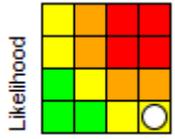
The council continues to set balanced budgets, non-reliance on NHB and other temporary funding, and has a forward funded 25 year asset replacement fund.

Controls for income reconciliation have improved at CCS using the BARTEC system. Currently car parks are been given extra support by accountancy to aid their income reconciliation this year.

CRR 08 Skills / Capability / Capacity				Management	Controlled		
				Corporate links	Corporate Plan Priority - Use Resources Effectively and Efficiently.		
Risk Description: Failure to have resilience in the staff structure, and so lack the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.							
SLT Risk Owner: Paul Over. Responsible Officer: Jane Dodsworth / Tim Radcliffe.							
Risk Assessment							
 Likelihood Impact	Assessment Date	31-Dec-2016	 Likelihood Impact	Date Reviewed	08-Feb-2017		
	Previous Quarterly Score	6		Current Score	3	 Likelihood Impact	Target Date
							Target Score
Internal Controls							
						Current Status	
Workforce Development Plan	1. Ensure commissioning and objectives remain relevant and up to date. 2. Review personnel literature, marketing CDC as an employer at recruitment fairs. 3. CDC salaries - benchmarking exercise to be undertaken and monitored. 4. New apprenticeship Levy.					Good	
Appraisal Process	1. Succession planning considered during appraisal process. 2. Completion of appraisals on time. 3. Strategic training needs identified using Belbin or equivalent. 4. Possible use of 360 degree appraisals.					Good	
Training Plan and Budget	1. Use First Line Managers course to develop new managers. 2. Use diploma management studies for senior managers. 3. Specific training programme for new Directors and Heads of Service.					Good	
Recruitment Benefits	1. Use of benefits packages for relocation, assisted house purchase scheme to aid recruitment. 2. Guidance to be issued for how to use recruitment benefits.					Good	
Staff Satisfaction Survey	1. Staff survey to be undertaken after NWOW project.					Improving	
Strategic Leadership Team & Heads of Service	1. Specific training programme delivered to SLT & HoS to address core competencies. 2. Succession plan currently being put into place.					Good	

Measuring Staff Turnover by Significant Groups	1. SLT to review turnover statistics and the reasons.	Good
Latest Position Statement		
<p>Risk score reduced from 6 to 3 (probable likelihood (3) but impact reduced to contained within service area (1 Minor) as a number of initiatives now in place since risk identified to allow service areas more flexibility in addressing skills shortages.</p> <p>Apprenticeship Levy to come into effect 1.4.17 to progress increase in apprenticeships.</p> <p>Workforce development initiatives now live to provide mentoring, high potential achievers and appointment of interns and apprentices. Managers trained in mentoring skills.</p> <p>Pay Policy report approved by Cabinet 6 Sept 2016 to undertake job redesign exercise to be implemented wef March 2018. Enhancements approved to staff benefits package approved by Cabinet. Interim issues will be addressed on a case by case basis.</p> <p>Staff turnover is currently less than 10%.</p>		

CRR 09 Business Continuity				Management	Controlled			
				Corporate links	Corporate Plan Priority - Use Resources Effectively and Efficiently.			
Risk Description: Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and suffer reputational damage.								
SLT Risk Owner: Diane Shepherd. Responsible Officer: John Ward.								
Risk Assessment								
 Likelihood Impact	Assessment Date	31-Dec-2016	 Likelihood Impact	Date Reviewed	08-Feb-2017	 Likelihood Impact	Target Date	31-Mar-2018
	Previous Quarterly Score	6		Current Score	6		Target Score	3
Internal Controls								Current Status
Robust BC Plans	<ol style="list-style-type: none"> 1. Refresh Business Impact Assessment (B.I.A). 2. Critical services to prepare plans. 3. Test Plans. 4. Retrain where necessary, embed BC into culture of the council. 5. Identify system to store BC plans. 6. Non critical services to make appropriate arrangements. 7. Audit of Plans in high risk service areas. 8. Effective backup of data. 							Good
BC Management Strategy	<ol style="list-style-type: none"> 1. Annual BCM corporate meetings held. 2. Bi-annual CMT review meetings held. 3. Key managers identified for BC plans. 4. Articles for team briefs or management forum to embed BC planning into organisation. 							Good
Disaster Recovery Team	<ol style="list-style-type: none"> 1. Training and repeated messaging to embed BC cultural into organisation. 2. Annual appraisals targets for HoS and relevant staff. 							Good
Latest Position Statement								
The risk score remain the same as HoS are currently in the process of reviewing their BC plans following a refresh of the Business Impact Assessments (BIA). They have been given until the end of March to complete the review and after that date the Corp. H&S team will be critically reviewing the plans to make sure they are robust and are capable/achievable within the timescales in the BIA's.								

CRR 145 Data Protection Act Breach - Loss of Data				Management	Controlled			
				Corporate links	Corporate Plan Priority - Use Resources Effectively and Efficiently.			
Risk Description: Failures to keep all personal data secure leading to a breach of the Data Protection Act, resulting in fines and reputational risk.								
SLT Risk Owner: Paul Over.								
Responsible Officer: Jane Dodsworth								
Risk Assessment								
New Risk	Assessment Date	15-Mar-2017		Date Reviewed	16-Mar-2017		Target Date	31-Mar-2018
	Previous Quarterly Score	-	Likelihood Impact	Current Score	4	Likelihood Impact	Target Score	4
Internal Controls								Current Status
Page 41 Data protection Officer	Head of Business Improvement Services is designated Data Protection Officer providing advice to officers, advising on safe sharing of data between agencies, overseeing data subject access requests and liaison with Information Commissioners Office in the event of customer complaint or security breach.							Good
Protocols and Policy in place	Data Protection Policy is in place to provide advice and guidance for staff and customers. Internal protocols and processes are in place to manage/limit risk of data loss.							Good
Staff Training	Data Protection training is provided to all new staff and Members. Staff online training is available to allow staff to refresh their knowledge.							Improving
Data backed up	All electronic data is backed up daily and securely stored off-site.							Good
Secure devices	All staff laptops are encrypted to secure data. All mobile phones are provided with secure application to protect data. Dual authentication in place for remote access to data.							Good
PSN Compliance	The authority is certified in accordance with the requirements of the Public Services Network requirements for provision of a secure network.							Good
Safe transfer of personal data	Personal and sensitive data shared with other government agencies is transferred via GCSX secure email accounts.							Good
Safe destruction of confidential documents	All hard copies of confidential papers are shredded prior to disposal.							Good

Latest Position Statement

Targeted training for key officers whose role requires them to process personal or sensitive data is to be provided by an external provider in 2017-18 to refresh individuals' knowledge and increase awareness.

In the future the Council needs to consider the significant new burdens from the General Data Protection Regulations (GDPR) need to be achieved by 2019. Non-compliance could result in fines of £500k to 20 million Euros. Fines can be imposed on the organisation AND its officers.

An officer recently attended a briefing to aid local authorities a detailed timeline, setting out the steps required over the next two years to ensure compliance of the burdens placed by the General Data Protection Regulation (GDPR).

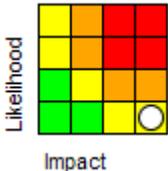
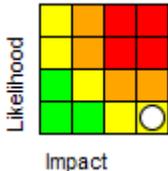
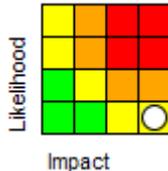
- From 25 May 2018 Payment Card Industry (PCI) compliance will be contained in the GDPR (General Data Protection Regulation)
- GDPR replacing 1998 Data Protection Act
- From May 2018 non PCI compliance will mean total non GDPR compliance
- Current non PCI compliance fines are regulated by payment acquirers (start at £9 p.m. with some incremental increases over period of time)
- Future non PCI compliance fines will be applied by ICO (suggested could exceed £100'sk)

Data breach fines will be applied under a 2 tier system (GDPR)

- £2m or 4% of annual turnover for non reported data breaches
- £10m or 2% of annual turnover providing reported within 72 hours

All staff and members need to ensure that they follow advice and guidance regarding data security. Due to their roles, members are potentially regarded as the main source of risk for inadvertent breaches in data protection.

Page 42

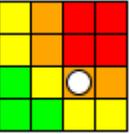
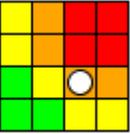
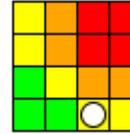
CRR 68 Health and Safety		Management	Controlled					
		Corporate links	Corporate Plan Priority - Use Resources Effectively and Efficiently.					
Risk Description: Failure to adhere to H&S policies and procedures leading to death or injury of an employee or third party resulting in prosecution under H&S legislation, adverse publicity, fines and possible prison sentences. Such failures may also lead to civil claims for compensation								
SLT Risk Owner: Diane Shepherd.								
Responsible Officer: John Ward.								
Risk Assessment								
	Assessment Date	31-Dec-2016		Date Reviewed	08-Feb-2017		Target Date	31-Mar-2018
	Previous Quarterly Score	4		Current Score	4		Target Score	4
Internal Controls								Current Status
<p>Page 43</p> <p>H&S policies & procedures</p>	<p>Clear policy, procedures and guidance statements on H&S available to all staff and members via intranet and in hard copy format at some sites including:</p> <ol style="list-style-type: none"> 1. Statement of intent. 2. Hierarchy for communication/organisation. 3. Roles and responsibilities. 4. H&S arrangements. 5. Policies, procedures and guidance for specific H&S issues eg. control of contractors, COSHH assessments forms etc.. 6. Evidence compliance forms. 7. Specific risk assessments for site visits undertaken for staff and member visits. 8. Regular updates to Cabinet member for Business Improvement Services by H&S Manager. 							Good
	<p>Training Programme & Competencies</p> <ol style="list-style-type: none"> 1. Specific training programmes for all aspects of H&S skills and competencies required with the Council's business. 2. Staff names with relevant competencies available on staff intranet. 3. Training records maintained to evidence training provided. 4. Training for all new members as part of the Members' Induction Programme. 							Good
	<p>Legionella Testing</p> <ol style="list-style-type: none"> 1. Written policy available. 2. Regular testing and monitoring to demonstrate compliance. 							Good
	<p>Quarterly service meetings for high risk service areas</p> <ol style="list-style-type: none"> 1. CCS - Quarterly insurance & H&S meetings with Director & Head of Contract Services with insurance, H&S Corporate & CCS H&S. To assess accident trends and claims and agree any actions required to staff duties, 							Good

APPENDIX 1 (a)

	<p>policies and procedures.</p> <p>2. Leisure & Wellbeing - Quarterly insurance & H&S meetings with Head of Commercial Services and service managers for the museum, Westgate Leisure and car park service, to discuss claims & accidents to identify any necessary changes to procedures/policies etc.</p> <p>3. All accidents, near misses and reports of ill health are investigated by the Corporate H&S team. Interventions made with the service where appropriate to improve systems of work to prevent reoccurrence.</p>	
PAT testing	1. Annual testing of all electrical equipment carried out by qualified contractor.	Good
Safety Committee	1. A group of managers and employees meet 3 times a year to discuss health and safety issues and matters of interest. Westgate and Westhampnett also have local 'Safety Forums', meeting bi-monthly, that feed into this committee. The Safety Committee reports any issues of significance to the JECP.	Good
Caution Alert Register (CAR)	<p>1. Specific procedures and decision tree guidance in place for staff and members to follow on staff intranet.</p> <p>2. Nominated person CR Keeper who maintains register and advises staff.</p> <p>3. Procedures in place for appropriate staff and members to access CAR.</p> <p>4. Compliance with data protection legislation included in policies and procedures.</p> <p>5. Violence & aggression response team available to support staff and members at EPH if an incident occurs.</p> <p>6. Two levels of Violence & Aggression (V&A) resolution training provided to relevant staff.</p>	Good
Emergency arrangements for Council premises	<p>1. Evacuation procedures in place for EPH on staff intranet.</p> <p>2. Known competent staff with allocated roles & responsibilities for evacuation procedures.</p> <p>3. Regular testing of evacuation procedures carried out.</p> <p>4. Policy advising the arrangements in place for safe evacuation of council owned buildings.</p>	Good
Corporate H&S Audits & Action Plans for Service H&S Improvement	1. Programme of H&S audits of service areas, improvements and observations which are fed back to Service H&S and management with any necessary improvement action plans. These are reviewed again after an agreed period.	Good
Contract Management	<p>1. Every major contract should have an identified contract manager who is responsible for ensuring the delivery of the contract in accordance with specification.</p> <p>2. The contractor manager must ensure that their contractor adheres to H&S legislation in carrying out the specification and has a monitoring system in place which is also including performance reporting to the council's contract manager.</p> <p>3. The H&S manager will attend regular quarterly/annual meetings for the council's specific high risk activity contracts along with the contract manager, to liaise with the contractors regarding any H&S concerns.</p> <p>4. Members are involved in major decisions on procurement matters.</p>	Good

Latest Position Statement

This is under continual review and improvement. The H&S Manager has not changed the risk score; however due to staffing issues in the H&S and Insurance team there has been a more reactive service operating for the latter part of 2016. Those issues are now resolved and the proactive work is now back in progress.

CRR 88 Non Achievement of Recycling Target of 50% by 2020					Management	Control Pending			
					Corporate links				
The current recycling target set for 2020 is 50%. The failure to achieve this target could mean the Council may incur significant fines, taxes or extra landfill taxes or reputational damage.									
SLT Risk Owner: Steve Carvell Responsible Officer: Rod Darton									
Risk Assessment									
 Likelihood Impact	Assessment Date	31-Dec-2016	 Likelihood Impact	Date Reviewed	06-Mar-2017	 Likelihood Impact	Target Date	01-Jan-2020	
	Previous Quarterly Score	6		Current Score	6		Target Score	3	
Internal Controls								Current Status	
Initiatives to increase amount of recycling		1. New initiatives to increase recycling rates are being implemented and further work to improve the quality of the waste for recycling collected are under consideration. 2. A Waste & Recycling Panel has been established to drive forward initiatives and improvements.						Improving	
Latest Position Statement									
No change to current risk score.									

CRR 98 Devolution of Public Services		Management	Control Pending						
		Corporate links							
<ul style="list-style-type: none"> . Failure to engage in the process could potentially lead to CDC being isolated and therefore unable to influence and shape the process . Lack of Member buy-in to the process could stop the bid progressing . Transfer of extra responsibilities without matching fiscal powers . Heads of Terms and Governance proposal not acceptable . Continuation of duplication and disjointed service delivery . Failure to influence others' infrastructure programmes 									
<p>SLT Risk Owner: Diane Shepherd Responsible Officer: Diane Shepherd</p>									
Risk Assessment									
Page 46 Likelihood		Assessment Date	31-Dec-2016		Date Reviewed	08-Feb-2017		Target Date	31-Mar-2018
	Impact	Previous Quarterly Score	9	Impact	Current Score	3	Impact	Target Score	3
	Internal Controls								Current Status
	Officer Engagement in the 3SC Devolution Deal		CEO involved with WSCC, ESCC and Surrey CEOs to develop the bid; Districts and Boroughs are leading on the Housing work stream; Other District and Borough officers are working with County officers on other work streams;						Improving
Member Engagement/Agreement to the 3SC Devolution Deal		1. Members' workshop to be held once further details are available; Leader to work with other WS Leaders to ensure best outcome for the area.						Improving	
Latest Position Statement									
Government policy is unclear in this area. Work on 3SC bid has been deferred at least until May by which time government policy may become clearer. No further work is currently being undertaken by CDC at this point in time. The situation of this risk will be reviewed again after a high level meeting due to take place in May.									

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

High Scoring Programme Board Risks - Mitigation Actions

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	PBR 08	Business Improvement PB - Failure to have sufficient resources to deliver projects	Jane Dodsworth	6	-	6	4	31-Mar-2018	Improving

Internal Controls:

Key officers' awareness - BIPB membership made up of key officers with significant corporate overview/input to corporate projects.

Project control - BIPB review progress and issues at quarterly meetings. Significant projects requiring PID scrutinised to ensure timetables allows sufficient lead in time for suppliers, sufficient capacity in support services work plans and capacity of internal skills. ICT review currently in progress which will ensure the necessary resources and skills to provide sufficient project support.

BIPB agreed 2017-18 work plan at its meeting on 14 February. Resources to be built into 2017-18 work plans of relevant service areas.

High Scoring Organisational Risks - Mitigation Actions

Commercial Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 58	Car Parking Service - Reduced Income - Deviation from budget	Jane Hotchkiss	12	2	6	4	31-Mar-2018	Improving

Expected shortfall to the approved 2016-17 budget has been significant at £368k, so 2017-18 budget was adjusted to take account of this trend with a lower income target set.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 107	Commercial - Negative publicity due to change in service delivery options for the Novium	Jane Hotchkiss	6	6	6	4	31-Mar-2018	Improving

Further work being conducted so risk remains the same.

Community Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 72	Careline - Potential for corporate contracts to be lost to commercial competition	Steve Hansford	9	6	6	6	31-Mar-2018	Improving

No change. Current market conditions continue to be highly competitive but ongoing management of client relationships and monitoring of contract expiry dates for renewal and new tender opportunities seek to mitigate risk. A re-tender was won in Nov however another contract will go to tender in March.

APPENDIX 3

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 110	Community - Changes to partner organisations impacting on delivering corporate objectives	Steve Hansford	8	6	6	4	31-Mar-2018	Improving

Changes in key personnel, organisational priorities and funding policies can all disrupt delivery of key projects needing partnership support. Partnership and project initiation advice includes requirement to consider alternative funding and exit strategy to mitigate loss of support. Key projects should now have contingencies built in reducing impact severity and likelihood of unexpected impact.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 112	Community - Increased risk of community tensions due to the wider events in the UK & abroad	Steve Hansford	8	6	6	6	31-Mar-2018	Improving

Risk of community tensions due to events in the UK & abroad and the effects on the local community including hate crime, hate graffiti, the introduction of refugee families into the local community, gypsy and travellers and rough sleepers in the district.

There has been no significant rise in hate crime incidents since Brexit concerns, and there has been a smooth introduction of a refugee family into the district. There has been some graffiti in Chichester recently and this situation is being monitored with the appropriate partners.

Matters arising from any community tension are monitored by the CSP Joint Action Group monthly with Police and WSCC, confident any change will be detected and appropriate response implemented.

Contract Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 142	CCS – Increased costs and environmental impact due to increasing number of fly tips reported and collected	Bob Riley	8	-	6	4	31-Mar-2018	Improving

Mitigation actions included - Resources deployed to cope with growth experienced to date. Environmental Health/Corporate Fraud Officer are collecting evidence and progressing prosecutions. PR campaign to raise awareness.

The Council is currently in discussions with West Sussex County Council about the impact following the introduction of the new charges for using waste and recycling stations.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
Page 53 	CRR 143	CCS – Failure to achieve cleaning standard required for the A27 with increased costs due to the need to adhere to higher H&S requirements	Bob Riley	6	-	6	4	30-Sep-2017	Improving

Mitigation actions - Options for collaborative work being explored with Highways England and County Highways. Review of practices to produce new schedules and methodologies to take account of the required new safe method of working in order to determine the service standard required and the frequency of cleaning needed.

Finance & Governance Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 101	H&S - Failure to deliver services following incident leading to a breach of the council's statutory duties under the Civil Contingencies Act	John Ward	6	6	6	3	31-Mar-2018	Improving

The current situation with Business Continuity (BC) remains good in that each service has their BC plans on the Resilience Direct (RD) website and there is a system in place for ongoing review and updating of those plans. Designated staff have received training on the use of RD. The critical staff list is also available on RD.

HoS are currently in the process of reviewing their BC plans following a refresh of the Business Impact Assessments (BIA). They have been given until the end of March to complete the review and after that date the Corp. H&S team will be critically reviewing the plans to make sure they are robust and are capable/achievable within the timescales in the BIA's.

There have been no decisions around DR for IT – I raised this again in my recent H&S report to CMT. Following that report Jane Dodsworth emailed me to confirm that they will pick this up as part of the ICT review they are about to start. The shared service arrangements for IT were holding up progress on this.

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 135	Accountancy Services - Lack of staff resources to meet demand for ad hoc/project work	John Ward	6	-	6	4	31-Mar-2018	Improving

- Agree priorities with senior managers
- Budget and final accounts priorities agreed and supported by senior managers
- Buy in temporary staff resources

Housing & Environment Services

Status	Risk No.	Risks Area	HoS Lead	Original Score	Previous Review Score	Current Score	Target Score	Target Date	Internal Controls
	CRR 125	Housing - Welfare reform impacting on Council's ability to house people from a particular needs category	Louise Rudziak	4	6	6	4	31-Mar-2018	Improving

There has been a review of the housing strategy.

The Council has various types of mitigation in place for the impact of welfare reforms including using our Strategic Housing Market Assessment to inform housing types and sizes through the planning process, we have mitigation plans in place for people affected by the new benefits cap (targeted publicity, events and support), we use Discretionary Housing Payments to top-up housing benefit for those in need and we engage with Registered Providers through our Housing Partnership regarding particular types of accommodation needed.

Reviewed - no change.

Chichester District Council

CORPORATE GOVERNANCE & AUDIT COMMITTEE

30 March 2017

Audit Report, Audit Plan & Progress Report – Audit Plan

1. Contacts

Report Author:

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: sjames@chichester.gov.uk

2. Recommendation

The committee is requested to consider the Audit Reports & Audit Plan for 2017/2018 and note progress against the Plan.

3. Main Report

3.1. Community Infrastructure Levy Audit Report

Internal Audit completed an operational risk assessment on the area under review and met with the Principal Planning Officer and the Planning Officer (CIL & Infrastructure). It was decided to test the controls in place and to undertake the following for the audit:

- To establish that the adoption of the CIL framework has been done in accordance with the relevant legislation.
- To establish that the processes for the collection of monies relating to CIL are robust and meet the key CIL legislative requirements.
- To documents the process for the monitoring and reporting spend against CIL monies to ensure that funds are being used to achieve the Local Plan and Key Priorities. A future audit will test this process.

Overall the controls appear to be working satisfactorily in relation to the collection of monies. It is suggested that procedures are written to document the CDC specific processes that are being adopted in relation to the collection of CIL monies and also in relation to the monitoring of future spend against CIL income.

Two recommendations have been made both of which have important issues. Both recommendations have been agreed by management.

3.2. Estate Rent Arrears

Internal Audit looked at the Estates Service debt management report for May and June 2016. The audit review was carried out to identify procedures and test controls to ensure that:

- All rent arrears are identified.
- Arrears are monitored and appropriate action take to reduce the debt.
- There is a procedure in place for writing off aged debts.
- Income reconciliations are completed and up to date.

Whilst the service is in regular contact with their tenants, a written position of each debtor to provide a clear audit trail and ensure that the debt is continuously monitored and pursued. Internal Audit have highlighted a high level of 'aged debts' outstanding which should have been written off. However, the Estates Service had not received any advice/instruction to ensure this was done.

Since the Audit was completed services including Estates, Exchequer, Legal Finance and Recovery have been in consultation to improve the process across the council.

Three recommendations have been made, two of which have significant issues and one which has an important issue. All recommendations have been agreed by management.

3.3. Review of Recommendations for Car Parks – G4S Income Audit

An audit report for Car Parks - G4S Income came to the committee in November 2016. As there were a number of recommendations made members asked for an update to be brought back to this committee on the progress that has been made with the implementation of the recommendations.

In total eight recommendations had been made however, at the time of completing the audit two recommendations had been implemented and were not reviewed again as part of this review. I am pleased to report that of the six remaining recommendations five recommendations have been completed and one recommendation is on-going. A copy of this review of recommendations is attached at Appendix 4.

Internal Audit is planning to revisit these areas in next year's audit plan to establish that the progress has been maintained.

3.4. Audit Plan 2017/2018

The audit plan for 2017/2018 has been reduced. This has been brought about following the shared service review. Although that concluded with Cabinet resolving not to share Internal Audit resources with Arun and Horsham District Councils, the review identified that we can reduce the overall size of the annual audit plan.

The draft plan has been prepared on the basis of 420 chargeable audit days, which is slightly higher than would have been delivered had a shared service proceeded (400 chargeable days). This can be accommodated by the current audit team which is carrying one vacant post. A review of the team resources is currently under way.

As in previous years the audits will consider Risk, Value and Complexity and will also review the arrangements for securing value for money, also the identification of potential efficiency gains. It is envisaged that a large proportion of audit work will be to undertake the Key Financial Systems work which allows the External Auditors (Ernst & Young) to place reliance on Internal Audits work, rather than to re-test these areas themselves. The remaining time will be taken up with annual activity and audits that are of high risk, or have not been audited before.

Details of the 2017/2018 plan can be found in Appendix 5.

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. Other Implications

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

12. Appendices

- Appendix 1 – 2016-17 Audit Plan Progress Report
- Appendix 2 - Community Infrastructure Levy Audit Report
- Appendix 3 - Estates Rent Arrears Audit Report
- Appendix 4 – Car Parks Audit – review of recommendations
- Appendix 5 – 2017-18 Audit Plan

13. Background Papers

None

Progress Report – Audit Plan



As at 28 February 2017

Appendix 1

Audits Brought Forward from 2015-16	Auditor	No of Days	Days Remaining	Position with Audit
Business Continuity	Ann Kirk	10	9	Deferred until Qtr 4
Fixed Asset Register (transfer to Civica)	Stephen James	5	3	Deferred until Qtr 4
Emergency Planning	Sue Shipway	15	10	Producing a position Statement
2016/2017 - Audit Plan				
Elections	Sue Shipway	15	10	Producing a position Statement
Contract Management	Ann Kirk	15	7	Ongoing
CCS - Income (Trade & Green Waste)	Sue Shipway	15	11	Ongoing
Budget Monitoring - Deficit Reduction (Procurement review target on goods and services)	Philippa Watts/Julie Ball	20	12	Includes Facilities Management/Caretaking/Building Services
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	12	Ongoing
Audit Reviews	Stephen James / Sue Shipway	15	0	Ongoing
Corporate Fraud Officer	Stephen James / Sue Shipway	20	18	Monitoring Role and progress report
Meetings / Discussions with EY	Stephen James / Sue Shipway	2	0	Ongoing
Shared Service Project Plan	Stephen James / Sue Shipway	15	0	Ongoing
Committee Reports & Representation	Stephen James	15	0	Ongoing
Corporate Advice	Stephen James / Sue Shipway/ Julie Ball / Ann Kirk	10	6	Ongoing
Contingency	Stephen James/Sue Shipway/ Philippa Watts/Julie Ball/Ann Kirk	65	8	Analysed separately

Page 59

PSIAS	Stephen James/Sue Shipway	20	19.75	Deferred, further information required
Follow Ups -	Sue Shipway / Ann Kirk / Julie Ball	14	4	Ongoing
Completed Audits				
Fraud Review	Sue Shipway	0	0	Report Completed
Personnel & Recruitment	Sue Shipway	0	0	Report Completed
Industrial Estates/Investment Properties	Philippa Watts	0	0	Report Completed
Data Security PSN	Julie Ball	0	0	Report Completed
Treasury Management	Philippa Watts	0	0	Report Completed
Rent Deposit Scheme Review	Ann Kirk	0	0	Report Completed
Community Careline	Julie Ball/Ann Kirk	0	0	Report Completed
Key Financial Systems 2015/2016	Sue Shipway	0	0	YE report only
AGS & Supporting Evidence	Stephen James	0	0	Report Completed
Estates Rent Arrears	Julie Ball	0	0	Report Completed
S106/CIL	Philippa Watts	0	0	Report Completed
Deferred Audits to 2017-18				
Museum/TIC	Ann Kirk	20	18	Currently under review - defer until 2017-18
Information Technology (New IT Manager)	To be determined	15	15	Deferred due the Shared Service project
Grants & Contributions (Received)	Stephen James	15	15	Deferred until April / May
Westgate/Southbourne/Midhurst Leisure Centres	Sue Shipway	15	15	Contract commenced 1 May2016
Pest Control	Philippa Watts	15	14	Now outsourced-cover under future contract audits
Inclusion in Key Financial Systems				
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	Reported at Year End

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			



Internal Audit Report

Community Infrastructure Levy Audit

**Philippa Watts
Auditor
January 2017**

Contents

If viewing on-screen, please click on the links below or use the scrolling arrows

1	Introduction.....	3
2	Scope	3
3	Testing & Findings.....	3
4	Conclusion.....	4
5	Action Plan – Appendix 1	6

1 Introduction

This audit of the Community Infrastructure Levy has been undertaken in accordance with the 3 year audit plan. The audit plan is approved by the Corporate Governance and Audit Committee at Chichester District Council (CDC). The Community Infrastructure Levy is a new planning charge, introduced by the Government through the Planning Act 2008 to contribute to the cost of infrastructure in the area in which development occurs.

2 Scope

Internal Audit completed an Operational Risk Assessment on the area under review and met with the Principal Planning Officer and the Planning Officer (CIL & Infrastructure), Planning Policy, following which it was decided to test the controls in place and to undertake the following for the audit:

- To establish that the adoption of the CIL framework has been done in accordance with the relevant legislation,
- To establish that the processes for the collection of monies relating to the CIL are robust and meet the key CIL legislative requirements,
- To document the processes for monitoring and reporting spend against CIL monies to ensure that funds are being used to achieve the Local Plan and Key Priorities. A future audit will test this process.

3 Testing and Findings

3.1 The documentation and process for the adoption of the CIL framework at CDC was examined. CDC has published the process that was undertaken for the CIL to be adopted on the CDC website. This includes the timetable that was followed and the consultation that was undertaken. CDC has adopted the following key requirements of the CIL including:

- a) Implemented a CIL Charging Schedule that has been published in accordance with the Community Infrastructure Regulations 2010 (as amended) and Part 11 of the Planning Act 2008. It was approved by Cabinet on 5 January 2016 and took effect from 1 February 2016. The CIL Charging Schedule is to be reviewed at the same time as the review of the

Local Plan to comply with the recommendation of the Independent CIL Examiner (as noted in the Cabinet minutes of 5 January 2016);

- b) Adopted the CIL Regulation 123 list approved by Cabinet on 5 January 2016;
 - c) And adopted the CIL Payment by Instalments Policy, approved by Cabinet on 5 January 2016.
- 3.2 The processes for the collection of monies relating to the CIL were documented following discussions with the Principal Planning Officer and the Planning Officer (CIL & Infrastructure) from Planning Policy and after walking through an example of the process.
- 3.3 Testing was then undertaken of a sample of 11 CIL liable planning applications selected randomly from a report run from Exacom of CIL liable planning applications to check that;
- a) a unique reference number for each CIL liable planning application is generated in Exacom. (Exacom is a web hosted system that is being used to administer CIL and S106 agreements);
 - b) the correct CIL Liability Notice was issued for each planning application in the sample;
 - c) if applicable, following receipt of a valid form 6 'Commencement Notice', a CIL Demand Notice for the correct amount has been issued and;
 - d) the correct CIL forms have been issued and returned to comply with the relevant CIL legislative requirements.
- 3.4 It was found that the relevant documentation had been retained which gave assurance that the above requirements had been met for the entire sample tested.
- 3.5 For two of the CIL liable planning applications sampled, the development had commenced and the correct payment had been received, following issue of the appropriate demand. Receipts were issued on payment of the CIL into the CDC bank account. The receipt of the income collected is automatically recorded in Exacom. The system for accounting for CIL income and the interface between Exacom and Civica are currently being developed. It is suggested that once developed procedures are written to document this process.
- 3.6 The outline processes for monitoring and reporting spend against CIL monies were documented during the audit. It is suggested that procedures are written to document the specific processes and reports being developed for monitoring future spend in Exacom relating to the CIL at CDC. For instance with regard to the processes for monitoring the transfer of monies to the parishes.

4 Conclusion

- 4.1 Overall, the controls appear to be working satisfactorily in relation to the collection of CIL monies. It is suggested that procedures are written to document the CDC specific processes that are being adopted in relation to the collection of CIL monies and also in relation to the monitoring of future spend against CIL income. Therefore 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
3.5	That procedures are written to document the system for accounting for CIL income at CDC.	Karen Dower, Principal Planning Officer	Amber ● Important	Yes	None	31 July 2017
3.6	That procedures are written to document the specific CDC processes and reports being developed for monitoring future spend in relating to the CIL.	Karen Dower, Principal Planning Officer	Amber ● Important	Yes	None	31 July 2017



**Internal Audit Report
2016 - 2017
Estates – Rent Arrears**

**Julie Ball
Auditor**

6th September 2016

Contents

Audit: Estates – Rent Arrears
Auditor: Julie Ball

If viewing on-screen, please click on the links below or use the scrolling arrows

1	Introduction.....	3
2	Scope	3

Chichester District Council
Internal Audit Report

3	Findings.....	4
4	Conclusion.....	5
5	Recommendations.....	6
6	Action Plan – Appendix 1	7

1 Introduction

- 1.1 The Estates department is part of the Support Services & Economy Directorate. They are responsible for the management of the Council's non-operational property portfolio, as well as acquisitions and disposal of property owned or to be acquired by the Council.
- 1.2 The Estates Portfolio generates income for the Council. The revenue for 2015/16 was £2.1 million. Invoices are raised for rents and services due, payable on receipt. Figures fluctuate but at the time of this report the Estates service have 187 outstanding invoices totalling £321,816 and is made up as follows:
- 103 invoices over 40 days old with the value of £199,440
 - 53 invoices over 25 days old with the value of £91,605 and
 - 31 invoices under 21 days old with the value of £30,771.
- 1.3 If an invoice has not been paid after 21 days a first reminder is sent on day 22, a second reminder is then sent 14 days after the 1st reminder, 22 to 35 days old. If payment has not been received a letter before action is sent after 42 days.

2 Scope

- 2.1 This review looked at the Estate Services debt management report for May and June 2016. The audit review was carried out to identify procedures and test controls to ensure that:
- all rent arrears are identified,
 - arrears are monitored and appropriate action taken to reduce the debt.
 - there is a procedure in place for writing off aged debts
 - income reconciliations are completed and up to date

3 Findings

- 3.1 A Debt Management Report is available to all services on the council's finance system, Civica. The report along with procedures was put in place in December 2015. The procedures state that reports must be downloaded monthly on the 1st of each month and to investigate/chase invoices that are between 21-35 days. Services are also required to make notes of conversations or contacts with the debtors, in column 'U' of the report and return it to Exchequer service by the 10th of each month. However, there is no control in place to ensure that this is carried out. Internal Audit was informed by the Exchequer Manager that there was only one service across the council that follows this procedure, by completing and returning the report on a monthly basis. Exchequer and the Recovery Service are currently reviewing the monitoring procedures so that services are aware of their responsibilities and controls are identified to ensure that these are being followed.
- 3.2 At the time of the audit the procedures mentioned in 3.1 were not being followed by the Estates services. Instead, Estates had implemented their own spreadsheet to monitor their debt as they found that the debt management report produced by Civica does not hold and roll forward comments previously made. The Valuation & Estates Manager is knowledgeable on the situation of their current debt, however, testing found there to be little or no written evidence of review or action taken by the service to show the position of each debtor on their monitoring spreadsheet.
- 3.3 At the time of testing 15 out of 15 invoices on the Estates spreadsheet were found not to be up to date with the current position of each debt and actions that had been taken. The column headed 'previous comments' on the spreadsheet contained no date and audit found that all 15 entries tested, comments were either out of date (some more than 6 months) or there were no comments at all. The service needs to ensure that they have a clear written audit trail on the position of each outstanding debt, including the date on which it was reviewed and any actions taken.
- 3.4 The Estates monitoring spreadsheet is saved on the x: drive so that it can be shared with the council's Recovery Team. However, audit testing found that this team was unable to access this section of the x: drive and subsequently the spreadsheet. The Recovery team is in contact with services on a regular basis either verbally or via email, however they need to agree how this is to be formally documented. This will ensure that both parties know what actions have been taken and any contact that has been made between the Council and the debtor.
- 3.5 The Recovery Team review the Estates Service Debt Management Reports bi-monthly and is responsible for administering letters before action for invoices over 42 days old. Actions taken by the Recovery team is noted on the relevant accounts on CIVICA. Any investigation is discussed with the relevant Estates Case Officer, who is advised of the debtor's position and if the debt is

recoverable. At the time of audit the service believed it was their responsibility to take further action for example, refer to the legal department or request for write off. However, a report to cabinet in October 2014 stated that with the exception of car parking fines, all types of debt owed to the council will be managed through the Revenues Recovery Team dedicated to debt collection.

- 3.6 From the Estates Debt Management report the service has £199,440 of debt that ranges from 44 days to 4,426 days old. The service informed internal audit that the reason they do not put forward debts for write off is so that they can pursue the outstanding debt, in the event of a tenant being found at a later date. As there is a 6 year time limit to recover old debts once all avenues have been exhausted the debt should be written off; otherwise the council is overstating an asset on the balance sheet. If new information does lead to further payments being received at a later date, debts previously written-off can be resurrected and credits applied. To ensure that debts are timely written off the council needs to have a Write Off Policy in place with procedures to ensure that all services have an understanding of their responsibilities.
- 3.7 The audit also reviewed the services income reconciliation and found that the quarterly reconciliation from January to April 2016 had been reviewed, dated signed off by the Valuation & Estates Manager. However, this did not include service charge income which is treated differently but will be reviewed under a separate audit review.

4 Conclusion

- 4.1 Whilst the service is in regular contact with their tenants, a written position of each debtor to provide a clear audit trail and ensure that the debt is continuously monitored and pursued.
- 4.2 Internal audit have highlighted a particularly high level of 'aged' debts outstanding which should have been written off. However, Estates have not received any advice/instruction to ensure this was done. Financial Services are currently reviewing their procedures to improve the process and the treatment of invoices over 42 days. Once completed, confirmation and clarification will be rolled out to services with up to date procedures, for all services to follow to ensure that they know what is expected of them.
- 4.3 Since the audit was completed services including Estates, Exchequer, Legal, Finance and Recovery have been in consultation to improve the process across the council. As recommended during the audit they are going through the process of producing a Write Off Policy that will be linked to the council's Corporate Debt Recovery Policy. This should ensure that services understand their responsibilities and aged debts are actioned and at the appropriate time.

5 Recommendations

5.1 An Action Table has been produced, see Appendix. 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
3.1, 3.4 and 3.7	Exchequer /Recovery complete the review and update procedures for the monitoring of debt and write off of bad debt. These should then be rolled out to all services.	Carol Anderson-Towner & Paula Robinson	Red  Significant	Yes	None	31 March 2017
3.2 and 3.3	A written position of each debt is recorded, the review dated and any actions taken are shown, thus providing a clear audit trail.	Vicki McKay	Amber  Important	Yes	None	31 March 2017
3.6	A write off policy and procedures is put in place and made available to all staff.	Helen Belenger	Red  Significant	Yes	None	31 March 2017

Traffic Light Key

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

3.1 Findings and evidence of completed Recommendations

Recommendation 3.4-3.5

Recommendation	Comment made by responsible individual at time of publishing the audit	Update on Recommendation as at 03.03.17
Action needs to be taken immediately by the Contract Manager to ensure that G4S are addressing issues raised and are complying with the terms of the contract	Meeting with G4S 13.10.16 addressed all issues. Deadlines set and agreed for 31.10.16 for priority problems to be sorted. Further meeting booked for 4.11.16 to discuss progress and future contract progression	Completed - Progress has been made and G4S are now working in line with the contract.

The Contract Manager (Revenues and Benefits Service Manager) informed Internal Audit that G4S are undergoing a period of national rationalisation and restructure so currently there is no identifiable Account Manager.

Recommendation 3.8-3.10

Recommendation 3.8-3.10	Comment made by responsible individual at time of publishing the audit	Update on Recommendation as at 02.02.17
Both the Cash Collection Sheets and Audit Check Sheets need to be checked on a timely basis and action taken recorded. Missing collection sheets should be chased up as soon as they are noted as 'missing'	The missing bespoke Cash Collection Sheets (for July and August) have now been received except three. However, the income relating to these can be recreated from source data. In future income is going to be recorded on CDC Income Sheets from the source data (audit tickets, collection receipts and the backup office systems). This will avoid inaccuracy and reliance on G4S providing the cash collection sheets avoided. Additionally the standard G4S MI reports will hopefully assist further. A check between the collection totals and G4S totals will also perform part of the reconciliation process.	Completed - Recommendation has been implemented, the service are using their own Cash Collection Sheet, the CEO's obtain every Monday the audit tickets from the Pay and Display Machines or Back Office software. This has reduced the importance of receiving the cash collection sheets from G4S in the future as stated in the audit report comments made by responsible individual.

Additional Information

G4S make four collections a week and send through to the Service the audit tickets and "receipt" of all cash banked for each machine. The service informed IA that cash hits our bank account within 2 days of collection or at a maximum a week. The service recently bought 19 new pay machines, as a trial, these machines

enable the service to download reports directly using their back office software. From March all machines will be changed to these new ones with this facility which means that there will no longer be a need for the CEO's to reproduce the tickets directly from the machines, and any missing tickets from G4S can be reproduced from the back office.

Recommendation 3.12-3.14

Recommendation	Comment made by responsible individual at time of publishing the audit	Update on Recommendation as at 02.02.17
All P&D income sitting on the generic income code needs to be re-allocated to the individual car park codes as soon as possible and a process put in place to record this separately	The journals from April to September 2016 have now been created and successfully posted. In future the re-coding journals will be populated by the Income Sheets. Procedures notes and Civica codes are currently being updated.	Ongoing – Income in Cost Centre S3455/09D02/00973 is in the process of being journaled to the correct account The new Cash Collection spreadsheets have been adapted with the help of the Lead Cashier to include a journal spreadsheet which will automatically be populated on completion.

Recommendation – 3.15-3.16

Recommendation	Comment made by responsible individual at time of publishing the audit	Update on Recommendation as at 02.02.17
A request that G4S should provide sufficient information to support the total of collections every month, as per the contract and any outstanding queries must be resolved as soon as possible.	Previously the income sheets from G4S were used to establish the number of collections made, but this was onerous. At a meeting on 13.10.16 G4S agreed to provide better management information to support their invoices and to turn around queries within 48 hours.	Completed - G4S now provide weekly Management Information Reports to support collections made.

Additional Information

The service is also working closely with the Lead Cashier to link the cash collection spreadsheet up to the number of collections stated on the invoice.

Recommendation – 3.17

Recommendation	Comment made by responsible individual at time of publishing the audit	Update on Recommendation as at 02.02.17
The relevant part of the G4S invoice (relating to P&D income) should be passed for payment by Parking Services	The invoices currently contain more than just Car Park P & D income collections. However, Civica can facilitate more than one approval and this is being considered.	Completed - The authorisation has now been set up that invoices are split and Car Parks authorise their own payments to ensure that the correct amount is paid against the invoice

Recommendation 3.18

Recommendation	Comment made by responsible individual at time of publishing the audit	Update on Recommendation as at 02.02.17
Income reconciliations are a key control and therefore should be completed, reviewed and signed off on a regular basis	With the current mix of P & D machines it is not possible to complete a monthly reconciliation. However, as with the previous system, this will be completed in a collection basis (4 per week), whereby income is reconciled for each machine and then checked by the Parking Services Manager on a monthly basis	Completed - The Parking Services Manager maintains a spreadsheet of the reconciliations reviewed with any outstanding issues

Individual Audit Plan for 2017-2018					
		Steve James	Sue Shipway	Julie Ball	TOTAL
Audits for 2017-2018 and Other Chargeable Work	572	260	156	156	572
Audits Brought Forward from 2016-17	Audit Days				
Business Continuity	5				5
Westgate/Southbourne/Midhurst Leisure Centres	15				15
Museum/TIC	20				20
Information Technology	15				15
	55	0	0	0	55
New Audits for 2017-2018	Audit Days				
Income Management	15				15
Budgetary Control	15				15
Contracts/Procurement	10				10
Trade Waste	15				15
Cash Management	20				20
Westward House	10				10
Customer Services Centre	15				15
	100	0	0	0	100
Key Financial Systems Audits for 2017-2018	Audit Days				
Asset Management (new FAR)	15				15
Cash and Bank	12				12
Council Tax	10				10
Creditors	12				12
Debtors	12				12
Housing Benefits	12				12
NDR	10				10
Payroll	12				12
Treasury Management	15				15
	110	0	0	0	110
Annual Activity					
Planning and Control (Audit planning and reviews)	15				15
Meetings/discussions with EY	2				2
Committee reports and representation	15				15
Corporate Advice	9				9
Contingency	64				64
AGS + Evidence	20				20
Public Sector Internal Audit Standard (PSIAS)	20				20
Follow Ups	10				10
	155	0	0	0	155
Chargeable Work Total	420				
Non Chargeable Work					
Management	25				25
Administration	20				20
Elections	3				3
Performance and Appraisals	2				2
Training	3				3
General Meetings	3				3
Annual Leave (inc Public Holidays)	93				93
Sickness	3				3
Non Chargeable Work Total	152	0	0	0	152
Total	572				

Chichester District Council

CORPORATE GOVERNANCE AND AUDIT COMMITTEE 30 March 2017

Corporate Governance and Audit Committee Work Programme 2017-18

1. **Contacts**

Tricia Tull - Chairman of the Corporate Governance and Audit Committee
Telephone: 01243 641439
E-mail: ttull@chichester.gov.uk

Bambi Jones – Principal Scrutiny Officer
Telephone: 01243 534685
E-mail: bjones@chichester.gov.uk

2. **Recommendation**

The committee is requested to consider and agree its work programme for 2017-18.

3. **Background**

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

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

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

- 3.3 Following the September 2014 meeting it was agreed that in future high/medium priority internal audit reports would be included with the agenda and that low priority audit reports would be emailed to members for information.

Developing a work programme

- 4.1 The 2017/18 work programme has been developed in consultation with the Council’s external auditor and with internal audit officers and taking into account suggestions for future focus discussed by the committee during the current year.
- 4.2 The Business Routeing Panel will meet on 28 March 2017 to discuss the council’s full 2017-18 work plan and to suggest members’ involvement in issues. An oral report will be provided on any further suggested issues to be included on the work programme for this committee.
- 4.3 Members are requested to consider this work programme and to make comments or suggestions as appropriate.

5. Implications

Are there any implications for the following?

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

6. Appendices

Appendix 1 – Draft Work Programme 2017-18

7. Background Papers

None

Corporate Governance and Audit Committee

Draft 2017/18 work programme

Subject	Route	Lead Officer
30 June 2017		
Audit and certification fees 2016-17		EY
Audit Progress Report		EY
S106 Annual Monitoring report		Lone Le Vay
Annual report on Partnerships		Amy Loaring
Fraud Prevention		Steve James
Report on potential liabilities of outstanding litigation (Part 2)		Nick Bennett
Internal audit - individual reports and audit plan progress 2016-17 and new audit plan 2017-18		Stephen James
Business Continuity – update on progress Health & Safety – moved to June each year as WT reports on previous financial year		Warren Townsend
28 September 2017		
Audit Results Report 2016-17		EY
Statement of Accounts 2016-17		J Ward /H Belenger
Corporate Governance report to Full Council 2016-17 App 1 CGAC report to Full Council; App 2 Annual Governance Statement; App 3 Report on Partnerships; App 4 Effectiveness of Internal Audit section	Council 19 Sep or 21 Nov	Steve James
Formal complaints, FOI requests and Subject Access Requests analysis 2016-17		Jane Dodsworth
Internal audit - individual reports and audit plan progress		Stephen James
23 November 2017		
Annual audit letter ending 31 March 2017		EY
Audit Progress Report		EY
Financial Strategy & Plan	Cabinet 5 Dec	John Ward
Revised Treasury Management Strategy 2018-9	Cabinet 5 Dec	Helen Belenger
Strategic & Operational Risks 2016-17 – report back from SRG 2 Nov 2017	Cabinet 5 Dec	Helen Belenger

Subject	Route	Lead Officer
S106 exceptions report		Lone le Vay
Internal audit - individual reports and audit plan progress		Stephen James
25 January 2018		
Certification of claims and returns annual report 2016-17		EY
Audit Progress Report ??		EY
Budget TFG – report back by members of the group		John Ward/ TFG members
Internal audit - individual reports and audit plan progress		Stephen James
29 March 2018		
CGAC work programme 2018-19		Bambi Jones
Accounting Policies		Helen Belenger
Fraud Prevention		Stephen James
Internal audit - individual reports and audit plan progress		Stephen James
Carry forward requests	Cabinet 10 Apr 2018	David Cooper

Reports emailed to CGAC members for information:

- Audit scopes – emailed out to members
- Audits where recommendations are low risk – medium and high risk audits included on agenda year
- Treasury Management monthly reports – emailed to members
- Property Investment performance monthly reports – emailed to members

Annual reports sent to CGAC members for information:

- Health & Safety annual report – September
- Employment Statistics annual report – November (reported as part of Equalities update)
- Energy use in buildings and vehicles annual report – March