



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 28 March 2019 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mrs P Plant (Vice-Chairman), Mr J Brown, Mrs N Graves, Mr F Hobbs, Mr S Lloyd-Williams, Mr K Martin and Mr P Wilding

Members not present: Mrs P Hardwick and Mr S Morley

In attendance by invitation: Mr J Jones (Ernst & Young LLP) and Mr K Suter (Ernst & Young LLP)

Officers present all items: Mrs H Belenger (Divisional Manager for Financial Services) and Mr S James (Principal Auditor)

233 **Chairman's Announcements**

The Chairman welcomed everyone to the meeting.

Apologies had been received from Mrs Hardwick and Mr Morley.

The Chairman read out emails received from Mrs Hardwick and Mr Morley, apologising for not being able to attend their last meeting of the Committee before the District Council elections, expressing thanks to the officers and Chairman, as well as wishing the Committee all the best for the future.

234 **Approval of Minutes**

That the minutes of the meeting held on 10 January 2019 were agreed and signed as a correct record subject to the deletion of 'is also shown' at the end of the fourth paragraph of Minute 227 and the replacement of 'authorities' with 'authority's' on line seven of Minute 228.

235 **Urgent items**

There were no urgent items.

236 **Declarations of Interest**

There were no declarations of interests.

237 **Public Question Time**

There were no public questions.

238 **Certification of Claims and Returns Annual Report 2017-18**

The Committee considered the report attached to the agenda.

Mr Jones of Ernst & Young LLP presented the report. He drew attention to the housing benefits certification claim, completed at the end of December 2018. The Council paid housing benefit to claimants and claimed back a subsidy from the Government. Due to known issues from the previous year, the number of cases sampled was increased from 20 to 40 and four errors were found. If the errors found exceed the Department for Work and Pensions threshold, the Council's subsidy was reduced. The errors found were between £6,000-£7,000 above the threshold.

The Committee made the following comments and received answers to questions as follows:

- Key financial checks of Housing benefits were carried out for this complex area of work annually by Internal Audit. The Revenues and Benefits service also had checking processes in place and because the issues were picked up in the previous subsidy claim, the Service had worked hard over the past year to develop processes to carry out checks on the issues identified, which would be noticed in future annual results. Members received confirmation that the Council had sufficient staff resources to make sure these checks were carried out properly. Although there was still some work to do officers had made good progress to reduce the level of error in future.
- Ernst & Young LLP had again recommended refresher training for officers.
- The Service had recently undertaken a post project evaluation on lessons learned and the staffing set up, following the review of the service to see how to improve the situation. A risk based system had been looked at to improve the checking process by reviewing more complex claims in greater detail. Extra resources were in place to claim back any overpayments. Investment was already in place and direction of travel to resolve the issue was heading the right way.
- With regard to the miscalculation of overpayments this was due to a historical issue concerning the interpretation of the IT system concerning the calculation of data input, which as soon as the error was realised processes were amended. With regard to complexity, housing benefit was a complex area and with the introduction of Universal Credit, retaining staff was an issue and training new staff was a long process.

Whilst acknowledging that the impact of failing the threshold can be severe, members congratulated the officers on how well they had addressed the issue and the steps they had taken. They acknowledged the staffing problems that occurred during the Revenues and Benefits service review.

Mr Jones added that the extent of the fee was identified from the number of errors found and that the recommendation required that the Council undertakes spot checks on higher value overpayments.

RESOLVED

That the Certification of Claims and Returns Annual Report 2018-19 be noted.

239 **Audit Planning Report Year Ended 31 March 2019 - EY**

The Committee considered this report attached to the agenda.

Mr Suter of Ernst & Young LLP presented the report. He drew the members' attention to Section 2: Audit Risks and Section 3: Value for Money Risks including details of additional areas of focus compared to previous years.

Clarification was given that on page 29 the figure of '£7,689k' should read £7.689m'. Mr Suter agreed to a request from the Committee to format the figures in £m not £k so they were easier to read and advised that a final check for typographical errors would be carried out.

Mr Suter responded to members' questions. A question concerning materiality, based on 2% of the prior year's gross expenditure on the provision of services and whether or not gross expenditure was the correct figure to use, as it included pass through funding. The calculation included the expenditure for the net cost of services, expenditure in terms of the financing interest payments, and parish precepts were included where relevant. He undertook to check the position and let members know outside the meeting if part funding of business rates was generally excluded. He confirmed that if any issues were found steps were taken to identify the route cause to see if it was an error or deliberate manipulation of the accounting and appropriate action was taken as required.

The Committee noted the report.

240 **2018-19 Accounting Policies**

The Committee considered the report circulated with the agenda.

Mr Catlow introduced the report. He advised that no changes to the accounting policies were required, save for new accounting standards IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers in the 2018-19 Code set out in appendix A. He explained that the biggest impact had been dealt with that concerned the Council's pooled fund and the movements in fair value. However, following lobbying to the Government a five year time limited statutory override was in place the majority of the significant impacts had been addressed but there would be some re-classifications in this year's accounts

Officers answered members' questions and comments as follows:

- *Paragraph 4.8:* Amend 'principals' to read 'principles'.
- *Requirements of IFRS15:* a member drew attention to the importance of commercial income, especially from car parking charges and planning fees, to enable the Council to continue to provide services.

- *IFRS9 – types of financial assets measured?:* The types of within amortised cost related to a loan or a simple term deposit arrangement where the end return was known at the start. Fair value through profit and loss related to investments that could change over time where the return was not known.
- *Queried low level high volume transactional income and expenditure recognition:* The principal means of control, outside of system controls, was the Council's high level budget monitoring. If revenue received at the end of the financial year was significantly below that expected the discrepancy would be investigated.
- *Disclosure note examples?:* These could cover anything in the accounts and could concern fixed assets, debtors and creditors, provisions, use and lists of reserves, staff benefits, pension provision, financial instruments, guarantees and contractual commitments.

Mr Wilding thanked Mr Catlow for a well written report.

RESOLVED

That the Council's accounting policies to be applied to prepare the Council's 2018-19 financial statements be approved.

241 Carry Forward Requests

The Committee considered the report attached to the agenda.

Mr Cooper presented the report, advising that the three carry forward requests had been scrutinised and supported by the Chief Executive and the Director of Corporate Services.

Mrs Belenger responded to members' questions:

- *Vision for the District – funding to support Visions across the city and rural towns:* With regard to this carry forward request, the timing of the projects and working with other external partners may have caused some delay. The budget owner had advised that the £45,000 underspend related to projects currently in progress that would be completed during the next financial year. Mr Hobbs, the Council's representative on Visit Chichester Ltd, advised that although there was a sense of urgency about bringing the projects together funds would not be spent for the sake of spending money.
- *Legal and Democratic Services locum costs:* The carry over request was a temporary arrangement for the next financial year only to enable the budget manager time to still provide a relevant service to the Council with the use of temporary staff and be able to address the issues in the long term.

RECOMMENDATION TO CABINET

That the requests for budgets to be carried forward to 2019-20 totalling £75,000 be approved.

242 Audit Report, Position Statements, Progress Report, Audit Plan 2019/2020

The Committee considered the report, circulated with the agenda.

Mr James introduced the audit reports for the Museum and TIC, and General Data Protection Regulations, and the positions statements for the Revenues and Benefits Overpayments, and Housing Benefits Key Financial Systems Audit, Audit Progress and the Audit Plan 2019/2020. Ms Thorndyke who was in attendance to answer questions relating to the Museum and TIC Audit.

The Committee made the following comments and received answers to questions as follows:

Museum and TIC Audit Report:

- *Will an audit be carried out for the Museum as a whole?:* Members were advised income reconciliations and incomes streams had been looked at before as a separate piece of work. This audit dealt with areas not previously been looked at by any other audit. Ms Thorndyke added that the audit had been welcomed as officers were keen to improve processes and would implement all of the recommendations.

Revenues and Benefits Overpayments:

- *What was the impact on the Council accounts?:* Overpayment repayments were logged against the individual debtor's record to show when a payment had been received. The Accountancy Team looked at the overall housing benefit overpayment taking into account the age of the debt and would then assess the need for a bad debt provision. Recuperated money was not paid back to the Department of Work and Pensions due to the error being adjusted in the Council's subsidy claim. Time barred overpayments would be written off for which members received an annual summary of these write offs. Bad debt provision for these overpayments was currently between 70%-90% due to the age of debt, an increased due to the level of housing benefit overpayments. At the end of the financial year this figure would be looked at to see if the Council's debt provision was sufficient, taking into account the progress the Debt Recovery Team had made regarding the outstanding debts and whether they could be economically recovered. Occasionally some people over pay on their repayment arrangements with the Council when recovering housing benefit overpayments, although this was not many, or for large amounts, but the Debt Recovery Team will try to contact the people to stop the payment arrangement.
- *Details of the Age Debtor Profile were requested:* The age of debts was declared in the Council's annual accounts and officers undertook to provide details once the accounts for 2018-2019 had been finalised.
- *Are creditors advised they have made housing benefit overpayments to the Council?:* The Council send out notifications once full payment was made. However, some people did not receive their notification as they had moved property and had to be traced. Some had set up standing orders which did not automatically stop once full payment had been made to the Council. Changes to the benefits process allowed the sharing of claimant's personal data, via organisations such as HMRC, leaving less reliance on the claimant having to notify the Council of changes in their personal circumstances.

- *Write-off Policy:* The Policy set out the reasons why a debt can be written off including where it would no longer be economic to collect the debt. It was likely that this financial year will result in a large amount being written off following a review of the debts by the Specialist Overpayments Officer working in the Debt Recovery team and their assessment of the likelihood of recovering the debt. This year progress had been of concern on debt recovery following the staffing resources issues arising from the Revenue and Benefits service review. The Audit Team had issued the position statement as it recognised that the Revenues and Benefits Section was struggling to clear the overpayments, which resulted in the appointment of a Specialist Overpayments Officer post for one year. A full debt recovery audit would be undertaken during the next financial year and the results brought before the Committee.
- *How claimant's had received overpayments?:* Mrs Belenger undertook to find out.

On behalf of the Committee, Mr Hobbs thanked Mr James and his Team for all their work in carrying out this important function. He said that members could give the impression that they were digging away as officers were not doing their job, but it was their job to test. He said that members considered that everything was going well and although there were small things that could be improved it was members' duty to ask questions.

RESOLVED

That the Audit reports, the Position Statements, Progress Report and the 2019/2020 Draft Audit Plan be noted.

243 Strategic Risk Management Update

The Committee considered the report attached to the agenda.

Mrs Belenger introduced the report, advising that the Strategic Risk Group had considered the Council's strategic risk register. She drew attention to the heat map at paragraph 5.3 and the key changes to the risk register. During this quarter one new risk had been identified in respect of the risk on the high street as a result of changing shopping habits and the economy. Details of which were tabled at the meeting following the risk being assessed by the risk owner and would be added to the heat map. With regard to the Programme Board risks the Infrastructure Programme Board was now largely covered by other groups e.g. DPIP and Chichester Growth Board. There were no high scoring risks for the remaining two Programme Boards.

The Committee made the following comments and received answers to questions as follows:

- *Members' requested the report should be printed in colour:* This was an oversight and should have been printed in colour.
- *CRR165 Brexit - Has the possibility of Article 50 been taken into account and who will pay the Council's costs to mitigate this risk?:* The mitigation costs were

not known as they were hidden in officer time ensuring there were measures in place. In case of a no Brexit deal, all services have made an assessment of the potential impact; including finance where officers had taken steps to ensure that any funds domiciled in other EU countries could be transferred to a United Kingdom based money market. All council services were tasked to identify how they would be impacted and to consider if there were any costs implications to mitigate any impact. Confirmation was given that the costs incurred so far were likely to be small. Some funding has been made available to the Council due to Brexit, this was £35,000 over a two year period. A further assessment was being undertaken by the Government to see if further funding was required by all local authorities.

- *CRR09 Business Continuity - When will the off-site replication of the Council's IT systems be in place, as it would be a vast mitigation for this risk?:* Following approval of the funding for this project it was expected that it would be in place within the next twelve months.
- *CRR170 Changing use of the High Street in City and Rural Towns – Was this risk score high enough as concern was raised at the number of empty shops observed in the Chichester City centre and deterioration of the environment, such as the pavements:* This new emerging risk had gone through the review regime and the risk score given of 6 was considered an appropriate score but would be reviewed again by the Strategic Leadership Team at the next quarter. The effect to the Council had also been assessed as part of the risk.
- *CRR147 Southern Gateway – Local Enterprise Partnership funding latest position?:* The Council was waiting for confirmation that it could have the flexibility arrangements. A decision was required by tomorrow's deadline, otherwise the funding would be lost.
- *CRR149 Impact of Universal Credit (UC) on working claimants across the District – Queried 'Some people may expect delays':* Officers were aware there may be some delays and that some groups of claimants were especially affected.
- *CRR148 Local Plan – Concern was raised that the Local Plan would be at risk if residents did not understand the consequences of it not being found sound.* Planning Policy was very aware of the risks involved should the Local Plan not be found sound in terms of not meeting its housing targets and the impact on infrastructure.

RESOLVED

- 1) that the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks be noted; and
- 2) that the current high scoring programme board and organisational risks, and the mitigation actions in place be noted.

244 Exclusion of the Press and Public

RESOLVED

That the public and press be excluded from the meeting for the following items on the grounds that it is likely there would be a disclosure to the public of 'exempt information' of the description specified in Paragraph 3 (information relating to the

financial or business affairs of any particular person (including the authority holding that information)) and Paragraph 5 (Information in respect of which a claim or legal professional privilege could be maintained in legal proceedings) and of Part I of schedule 12A to the Local Government Act 1972 and because, in all the circumstances of the case, the public interest in maintaining the exemption of the amount outweighs the public interest in disclosing the information.

245 Report on Potential Liabilities of the Council

The Committee considered the report attached to the agenda presented by Miss Golding.

RESOLVED

That the report be noted.

246 Strategic Risk Management Statement

The Committee discussed risk CRR152 relating to the recycling support payment income.

247 Late items

There were no late items.

The meeting ended at 11.30 am

CHAIRMAN

Date: