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

Members Present: Mrs P Tull (Chairman), Mr G Barrett, Mrs N Graves, Mr F Hobbs and Mr S Morley

Members not present: Mr G Hicks, Mr T Dempster and Mrs P Hardwick

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

Officers present: Mrs H Belenger (Accountancy Services Manager), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr D Cooper (Group Accountant), Mrs K Dower (Principal Planning Officer (Infrastructure Planning)), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Mrs V McKay (Valuation and Estates Manager) and Mrs T Murphy (Parking Services Manager)

115 **Chairman's Announcements**

Apologies had been received from Mrs Hardwick and Mr Hicks.

116 **Approval of Minutes**

RESOLVED

That the minutes of the meeting held on 26 January 2017 be agreed as a correct record.

117 **Urgent items**

There were no urgent items for consideration at this meeting.

118 **Declarations of Interest**

No interests were declared at this meeting.

119 **Public Question Time**

No public questions had been received.

120 **Audit Plan 2016-17 - Ernst & Young LLP**

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

Mr M Young, Audit Manager for Chichester, Ernst & Young LLP presented the report. He gave apologies for Mr King who had had a clash of committee meetings.

The committee made the following comments or received answers to their questions as follows:

- No additional fees were anticipated however it was difficult to predict if any additional work may be required at this stage.
- With the current political situation could you see additional audit requirements becoming necessary as a result of Brexit? The most significant issue to affect external audit fees would be the retendering of the audit to be undertaken by the PSAA, who would appoint the council's auditor in future, which may give rise to a change in fee. Until further regulation comes in, the outcomes from Brexit were unknown.

RESOLVED

That the 2016-17 Audit Plan be noted.

121 **Accounting Policies**

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

Mr Catlow introduced the report, stating that there was an opportunity, before the accounts were prepared, to consider the accounting policies which drive the presentation of those accounts. There were a few changes in the Local Authorities Code of Accounting Practice as a result of the "Telling the Story" review and recognition from the Chartered Institute of Public Finance and Accountancy (CIPFA) that local authority accounts were not easily readable and a number of other changes detailed in the report. He added the Leaders portfolio to the list of the reporting costs of service provision for 2016-17.

Mr Catlow asked the Committee to consider if the Expenditure and Funding Analysis (EFA) should be positioned in the accounts at Note 5, immediately after the Council's accounting policies, critical judgements and descriptions

. This allowed 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 had been prepared.

Mr Hobbs asked whether Mr Catlow was happy that the council had the granularity of the data right to allow extrapolation of different segments of the data for the purposes of comparison and whether extra work was now required now to allow the council to achieve that granularity. Mr Catlow replied that it would be possible to answer a question on how much a service cost and how it compared to others. The council had considered that it wanted to be able to review costs, taking into account

service restructuring, shared services, etc. The coding had not actually changed the underlying data in the financial ledger. Mrs Belenger added that the finance system allowed us to cut our data up to 99 ways with different reporting structures. We have a portfolio structure, a service structure and we also have the Service Reporting Code of Practice (SeRCOP). It takes a bit of time to reorganise data into different extrapolations but we are able to do so with the finance systems.

RESOLVED

- 1) That the Council's existing accounting policies be approved as an appropriate basis to prepare the 2016-17 financial statements.
- 2) That 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) be noted.
- 3) That the revised presentation of the Council's expenditure of its services within the CIES be noted.
- 4) That the proposed placement of the new EFA note gave sufficient prominence to this new information within the Council's statement of accounts.
- 5) That the Leader's portfolio be added to the list of the reporting costs of service provision for 2016-17.

122 Budget Carry Forward Requests 2017

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

Mr Cooper presented the report, advising that the requests for carry forward had been scrutinised and supported by the Chief Executive and the Head of Finance and Governance.

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

- £50,000 had been approved for Chichester Contract Services and £18,000 spent to date however only £31,000 was being carried forward. This was due to rounding.
- The Manhood Peninsular Project Officer post had been extended by 6 months to 30 September 2017 however the parishes had been asked to commit to extend the post to the end of the year. Mrs Purnell, Cabinet Member for Housing and Environment Services, responded that although parishes had funded this there was still a shortfall. There was no further allocation from the council for this post at this stage. Mrs Belenger advised that it was up to Heads of Service, working with members, to consider what was required and to consider any additional funding in their approved budgets to allow that post to run on.

RECOMMENDED TO CABINET

That the requests for budgets to be carried forward to 2017-18 totalling £120,800 be approved.

123 **Strategic, Operational and Programme Board Risk Registers Update**

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

Mrs Belenger introduced the report, advising that the Strategic Risk Group (SRG) had considered the council's strategic risk register and the high scoring programme board and organisational risks and the internal controls in place at its meeting on 15 March 2017. The SRG had suggested a number of changes and these were reflected in the appendices to the report. She reminded members that Appendix 1b was confidential and that any discussion should be taken in Part 2.

Mr Hobbs complimented Mrs Belenger on this comprehensive method of setting out the council's risks.

The committee made the following comments or asked questions which were answered as follows:

- CRR128 Non-compliance of the Payment Card Industry Data Security Standard (PCI DSS) – Do these regulations change regularly and are we out of kilter with similar organisations who are continually trying to keep up? Mrs Belenger responded that the council was not alone. Our new card payment supplier had indicated they would assist us to achieve compliance. We have until 2019 due to the link to the General Data Protection Regulations to achieve compliance which gives us a couple of years to get our internal practices in order.
- CRR145 Data Protection Act Breach Loss of Data – Mr Barrett wondered whether this should be a confidential item as there was the risk of losing personal data. Mrs Belenger advised that there had been occasions when the public sector and other organisations had lost data, however the likelihood was low as controls had been put in place. PSN compliance was the key control in achieving secure lines and systems between local government and government agencies. A potential breakdown of controls could cause a breach and that would result in fines. Confidential hard copy information was kept in tied bags and shredded on site. Mrs Belenger undertook to check whether this was a confidential risk.

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.
- 2) That the current high scoring programme board and organisational risks, and the associated mitigation actions in place, be noted.

124 **Internal Audit Reports, Audit Plan & Progress Report**

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

Mr James introduced the report giving a brief overview of the recommendations from the two audit reports and the review of Car Parks G4S Income audit recommendations. Mrs Dower, Mrs McKay and Mrs Murphy attended to answer members' questions.

Community Infrastructure Levy Audit Report

- Do we have problems with developers not paying CIL contributions? Mrs Dower advised that several developers had not paid by the due date but that CIL regulations gave us powerful and effective means to recover the fees. She had held a forum for developers in the district so that they were aware of their commitment.
- Are gypsy and traveller sites subject to CIL? Mrs Dower advised that boats and caravans and non-permanent buildings were not subject to CIL, however if the site required a utility block then that was considered chargeable.

Estate Rent Arrears:

- Mr Barrett was concerned at the age of some debts given that there is a general legal rule that the council had a six year time limit to recover old debts. Mrs McKay advised that the audit had drawn out some issues. New procedures were being circulated that would address these issues. Mrs Belenger was working on a new Write-Off policy linked to the Council's Corporate Debt Recovery Policy.. Mrs Belenger advised that the Constitution allowed Mr Ward, as Head of Finance & Governance Services, to write off debts and the policy needed to set out officers' responsibilities. The Corporate Debt Policy would be refreshed at the same time.
- Mr Hobbs wondered what checks had been carried out to ensure that the amount of staff time taken to recover the debts was proportional. Mrs McKay added that some debts were historically for small sums and incremental steps were required so that as the debts get larger there are checks and balances to make sure the debts are managed and the process is proportional. Car Parks had their own regulations and recovery procedures for debt.

Car Parks G4S Audit – review of recommendations:

A report to the committee in November had highlighted the recommendations and this review six months' on was to check progress. Five recommendations had been completed and one was still ongoing. The internal audit team would revisit these areas to ensure progress was being maintained.

- Mr Hobbs asked for information on the difference between on and off street Penalty Charge Notice payments and how they were differentiated in the accounting system. Mrs Murphy advised that in 2010 the council was given powers by WSCC, via Sussex Police, to take on on-street enforcement. The new civil enforcement officers now cover both the on street enforcement and off street enforcement in the council's 29 car parks. Each penalty charge notice (PCN) had its own code and that tied to an amount payable in the accounts. There was an arrangement with WSCC that income generated for on-street enforcement was passed back to WSCC and off-street enforcement was retained by the council. There was a complicated formula to calculate this and ensure proportionality in the accounts.

- Do we deduct something for our costs of administration? Mrs Murphy advised that there was a joint enforcement account with WSCC and the contract required us to maintain clear accounts with them. A proportion of the costs went back to WSCC dependent upon the split. The volume of PCNs was roughly 55 to 60% on-street and the remaining off-street. It was essential to maintain and enable free flow of traffic by patrolling on streets, particularly around schools, and patrols were intelligence led where there was a need for those resources to be allocated.
- Are there any incentives for the patrolled officers to work in certain areas? Mrs Murphy advised that there was no incentive to work in particular areas. All civil enforcement staff were employed directly by the council and were not outsourced. The council was not allowed to set targets for PCNs. However routes were monitored and if there were no particular issues then we would reassess the patrol in that area. Feedback is received from the public on particular hot spots so rotas were allocated appropriately.
- Are the civil enforcement officers covered by the cost of tickets? Mrs Murphy advised that the income generated did cover the enforcement staff costs, but the council also needed to cover the costs of back office admin staff who administered appeals and season tickets, machine operation and also to cover the maintenance of the 29 car parks.
- Mrs Murphy offered members the opportunity to spend time out on patrol with a civil enforcement officer.
- Mr Morley suggested that there was a disincentive to CEOs issuing car parking tickets if the linage and signage was not clear and he encouraged district councillors to hold the county councillors to account to rectify this as there were financial implications. Mrs Murphy advised that staff regularly met with WSCC to discuss such issues but could also undertake minor road marking jobs.
- Mrs Graves wished to know the length of stay allowed in the square in Petworth. Mrs Murphy advised that it was her understanding that there was a limited bay area with a no return within one hour. The CEO would apply an observation to that vehicle and if that vehicle was still in the bay beyond the hour they would issue a PCN.

Mr James then introduced the Annual Audit Plan for 2017-18. He advised that as a result of the shared services project with Arun and Horsham not being progressed, there was a requirement to find savings within internal audit and Appendix 5 therefore showed a reduced number of hours. He envisaged that a large proportion of work would be around the key financial controls which support the Council's financial accounts in areas identified by the external auditors. Audits would still be carried out where services areas were considered high risk, or hadn't been carried out before.

RESOLVED

- 1) That the audit reports for Community Infrastructure Levy and Estate Rent Arrears be noted.
- 2) That progress against the 2016-17 Audit Plan be noted.
- 3) That the 2017-18 Audit Plan be noted.

125 **2017-18 Corporate Governance & Audit Committee Work Programme**

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

The following issues were added to the work programme for 2017-18:

- Refresh of the Corporate Debt Policy and the new Write-Off Policy to 30 June 2017
- Strategic Risks Update to 29 March 2018

Mrs Belenger advised that from 2018 there would be a requirement to approve the audited accounts by July 2018. This year the team was having a dry run to finalise the accounts by 31 May which would be for real in 2018.

The committee currently meets five times per year. Discussions had been held with the Chairman to propose reducing this to four times a year from 2017-18 to meet the requirements in the corporate governance statement as follows:

End July – to review the audited accounts

October – to consider the Financial Strategy

December/January – to consider the Treasury Management Strategy and the Budget

March – to consider the Strategic Risk Register

RESOLVED

- 1) That the committee's 2017-18 work programme be approved.

The meeting ended at 10.50 am

CHAIRMAN

Date: