



## Communities Directorate

26 May 2016

**Joint Governance Committee  
6.30pm on Tuesday 7 June 2016  
Queen Elizabeth II Room, Shoreham Centre,  
Shoreham-by-Sea**

**Adur District Council:** Councillors George Barton (Chairman), Jim Funnell, Carol Albury, Ken Bishop, Kevin Boram, Paul Graysmark, Emily Hilditch and Barry Mear

**Worthing Borough Council:** Councillors Elizabeth Sparkes (Chairman), Paul Yallop, Paul Baker, Joan Bradley, Alex Harman, Lionel Harman, Steve Wills and Mark Withers

### Agenda

#### Part A

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No.**

**1. Declarations of Interest**

-

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

**2. Minutes**

-

To approve the minutes of the Joint Governance Committee meeting held on 22 March 2016, copies of which have been previously circulated.

<b>3.</b>	<b>Public Question Time</b>	-
	To receive any questions from members of the public.	
	<i>(Note: Public Question Time will operate for a maximum of 30 minutes.)</i>	
<b>4.</b>	<b>Items Raised Under Urgency Provisions</b>	-
	To consider any items the Chairman of the meeting considers to be urgent.	
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To consider a report by the Chief Financial Officer, copy attached as item 11.

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To consider a report by the Solicitor to the Councils, copy attached as item 12.

**Part B - Not for Publication – Exempt Information Reports**

None.

**Recording of this meeting**

The Council will be voice recording the meeting, including public question time. The recording will be available on the Council's website as soon as practicable after the meeting. The Council will not record any discussions in Part B of the agenda where the press and public have been excluded.

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The agenda and reports are available on the Councils website, please visit [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk)



# Adur District Council

Year ending 31 March 2016

**Audit Plan**

May 2016

Ernst & Young LLP



Building a better  
working world

Joint Governance Committee  
Worthing Town Hall,  
Chapel Road  
Worthing,  
West Sussex,  
BN11 1HA

May 2016

Ref: ADC/KH/Audit Plan

Email: Khandy@ukey.com

Dear Committee Members

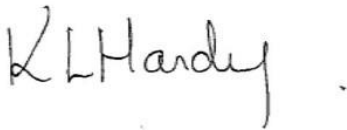
## Audit Plan

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 Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 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 7 June and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Kate Handy  
*Executive Director*  
*For and behalf of Ernst & Young LLP*

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

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

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

This Audit 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 Adur District Council give a true and fair view of the financial position as at 31 March 2016 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 your Whole of Government Accounts return; and

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

We will provide an update to the Joint Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.



## **Our process and strategy**

### **Financial statement audit**

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on internal controls.

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. We have liaised with internal audit and considered their work, where we considered it appropriate to do so in aiding our understanding of your control environment.

### **Arrangements for securing economy, efficiency and effectiveness**

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We carry out the procedures in line with the guidance included in the National Audit Office's 2015 Code of Audit Practice.

We expect to be able to adopt an integrated audit approach, so our work in the financial statement audit feeds into our conclusion of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 3 of this Audit Plan.

## 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.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ reviewing accounting estimates for evidence of management bias, and</li> <li>▶ evaluating the business rationale for significant unusual transactions.</li> </ul>

### 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. Economy, efficiency and effectiveness

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 2015-16 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. To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements. However, these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-Criteria	Proper Arrangements
<b>Informed decision making</b>	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
<b>Sustainable resource deployment</b>	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
<b>Working with partners and other third parties</b>	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

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 which 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 identify, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Our initial planning and discussions with officers has not identified any significant risks which we view as relevant to our value for money conclusion at this stage.

**We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to our assessment and any additional local risk-based work we may need to undertake as a result. This will include updating our understanding of the Council's financial planning arrangements.**

## 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:

#### i. Financial statement audit

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

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.

#### ii. 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

#### 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:

- ▶ Accounts Receivable;
- ▶ Accounts Payable;
- ▶ Cash & Bank;
- ▶ Housing Rents; and
- ▶ Non-Domestic Rates.

To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of Internal Audit to test controls in its annual programme of work.

We have also identified the following key processes that we will test substantively post year-end:

- ▶ Council Tax;
- ▶ Housing Benefit;
- ▶ Payroll; and
- ▶ Property, Plant and Equipment.

## **Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, including payroll and 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 Joint Governance Committee through our usual processes.

## **Internal audit**

We will review internal audit plans and the results of their work. We reflect the findings from these reports, together with reports from any other work completed in the year where issues are raised that could have an impact on the year-end financial statements.

In implementing our controls strategy, we intend to place reliance on the work of internal audit as much as possible, while complying with the requirements of auditing standards. The intended pieces of internal audits work identified as directly relevant to our audit include their review of and controls testing on the Accounts Payable and Accounts Receivable systems.

## **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. We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
IAS 19 Pensions	EY pensions specialists Hymans Robertson - Actuary
Property, Plant and Equipment valuations	Wilks, Head and Eve – RICS Registered Valuers

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 and the Remuneration Report;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and

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 £1.08 million based on 2 per cent of gross expenditure. We will communicate uncorrected audit misstatements greater than £54 thousand 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 Adur District Council is £48,122.

### 4.6 Your audit team

The engagement team is led by Kate Handy, who has significant experience of the Council. Kate is supported by Tom Wilkins, who is responsible for the day-to-day direction of audit work and Zeeshan Mahmood who 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 Audit Committee's cycle in 2015-16. 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 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	Joint Governance Committee Timetable	Deliverables
High level planning	January	March 2016	
Risk assessment and setting of scopes and testing routine processes and controls	March / April	June 2016	Audit Plan
Year-end audit and completion of audit	August / September	September 2016	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance via the Audit Results Report.</li> <li>▶ Audit report (including our opinion on the financial statements and an overall value for money conclusion).</li> <li>▶ Audit completion certificate</li> <li>▶ Reporting to the NAO on the Whole of Government Accounts return.</li> </ul>
Conclusion of reporting	September	September 2016	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"> <li>▶ 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;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ 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</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

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 and 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 the PSAA Terms of Appointment.

At the time of writing, there are no planned non-audit fees.

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.

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 Kate Handy, 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 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £
Opinion Audit and VFM Conclusion	48,122	48,122	67,735*
<b>Total Audit Fee – Code work</b>	<b>48,122</b>	<b>48,122</b>	<b>67,735</b>
Certification of Claims and Returns	27,019	27,019	16,307
<b>Total</b>	<b>75,141</b>	<b>75,141</b>	<b>84,042</b>

*All fees exclude VAT.*

*\*£64,162 includes a scale fee variation of £3,573.*

As the financial statements for of Adur and Worthing Joint Committee are no longer audited, we will need to complete additional testing to obtain assurance over those Joint Committee balances consolidated into Worthing Borough Council's financial statements. This represents a change in scope to our audit and is likely to incur a small additional fee.

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;
- ▶ 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.

## Appendix B UK required communications with those charged with governance

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

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

Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>

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# Worthing Borough Council

Year ending 31 March 2016

**Audit Plan**

May 2016

Ernst & Young LLP



Joint Governance Committee  
Worthing Town Hall,  
Chapel Road  
Worthing,  
West Sussex,  
BN11 1HA

May 2016

Ref: WBC/KH/Audit Plan

Email: Khandy@ukey.com

Dear Committee Members

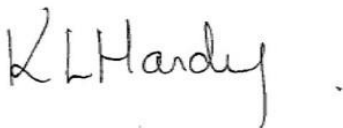
## Audit Plan

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 Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 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 7 June and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Kate Handy  
*Executive Director*  
*For and behalf of Ernst & Young LLP*



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

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

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

This Audit 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 Worthing Borough Council give a true and fair view of the financial position as at 31 March 2016 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 your Whole of Government Accounts return; and

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

We will provide an update to the Joint Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

## **Our process and strategy**

### **Financial statement audit**

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on internal controls.

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. We have liaised with internal audit and considered their work, where we considered it appropriate to do so in aiding our understanding of your control environment.

### **Arrangements for securing economy, efficiency and effectiveness**

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We carry out the procedures in line with the guidance included in the National Audit Office's 2015 Code of Audit Practice.

We expect to be able to adopt an integrated audit approach, so our work in the financial statement audit feeds into our conclusion of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 3 of this Audit Plan.

## 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.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ reviewing accounting estimates for evidence of management bias, and</li> <li>▶ evaluating the business rationale for significant unusual transactions.</li> </ul>

### 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. Economy, efficiency and effectiveness

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. For 2015-16 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. To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements. However, these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-Criteria	Proper Arrangements
<b>Informed decision making</b>	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
<b>Sustainable resource deployment</b>	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
<b>Working with partners and other third parties</b>	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

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 which 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 identify, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Our initial planning and discussions with officers has not identified any significant risks which we view as relevant to our value for money conclusion at this stage.

**We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to our assessment and any additional local risk-based work we may need to undertake as a result. This will include updating our understanding of the Council's financial planning arrangements**

## 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:

#### i. Financial statement audit

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

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.

#### ii. 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

#### 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:

- ▶ Accounts Receivable;
- ▶ Accounts Payable;
- ▶ Cash & Bank; and

To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of Internal Audit to test controls in its annual programme of work.

We have also identified the following key processes that we will test substantively post year-end:

- ▶ Council Tax;
- ▶ Non-Domestic Rates
- ▶ Housing Benefit;
- ▶ Payroll; and
- ▶ Property, Plant and Equipment.

#### Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, including payroll and 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 Joint Governance Committee through our usual processes.

### Internal audit

We will review internal audit plans and the results of their work. We reflect the findings from these reports, together with reports from any other work completed in the year where issues are raised that could have an impact on the year-end financial statements.

In implementing our controls strategy, we intend to place reliance on the work of internal audit as much as possible, while complying with the requirements of auditing standards. The intended pieces of internal audits work identified as directly relevant to our audit include their review of and controls testing on the Accounts Payable and Accounts Receivable systems.

### 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. We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
IAS 19 Pensions	EY pensions specialists Hymans Robertson - Actuary
Property, Plant and Equipment valuations	Wilks, Head and Eve – RICS Registered Valuers

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 and the Remuneration Report;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and

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 £1.45 million based on 2 per cent of gross expenditure. We will communicate uncorrected audit misstatements greater than £72 thousand 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 Worthing Borough Council is £47,157.

## **4.6 Your audit team**

The engagement team is led by Kate Handy, who has significant experience of the Council. Kate is supported by Tom Wilkins, who is responsible for the day-to-day direction of audit work and Zeeshan Mahmood who 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 Audit Committee's cycle in 2015-16. 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 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.

<b>Audit phase</b>	<b>Timetable</b>	<b>Joint Governance Committee Timetable</b>	<b>Deliverables</b>
High level planning	January	March 2016	
Risk assessment and setting of scopes and testing routine processes and controls	March / April	June 2016	Audit Plan
Year-end audit and completion of audit	August / September	September 2016	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance via the Audit Results Report.</li> <li>▶ Audit report (including our opinion on the financial statements and an overall value for money conclusion).</li> <li>▶ Audit completion certificate</li> <li>▶ Reporting to the NAO on the Whole of Government Accounts return.</li> </ul>
Conclusion of reporting	September	September 2016	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"> <li>▶ 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;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ 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</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

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 and 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 the PSAA Terms of Appointment.

At the time of writing, there are no planned non-audit fees.

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.

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 Kate Handy, 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 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £
Opinion Audit and VFM Conclusion	47,157	47,157	68,462*
<b>Total Audit Fee – Code work</b>	<b>47,157</b>	<b>47,157</b>	<b>68,462</b>
Certification of Claims and Returns	8,184	8,184	8,954
<b>Total</b>	<b>55,341</b>	<b>55,341</b>	<b>77,416</b>

*All fees exclude VAT.*

*\*£68,462 includes a scale fee variation of £5,586.*

As the financial statements for of Adur and Worthing Joint Committee are no longer audited, we will need to complete additional testing to obtain assurance over those Joint Committee balances consolidated into Worthing Borough Council's financial statements. This represents a change in scope to our audit and is likely to incur a small additional fee.

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;
- ▶ 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.

## Appendix B UK required communications with those charged with governance

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

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

Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>

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[ey.com](http://ey.com)



Alex Bailey  
Chief Executive  
Adur District Council  
Worthing Town Hall  
Chapel Road  
Worthing  
BN11 1HA

20 April 2016

Ref: ADC/16-17/Fee Letter

Direct line: 023 8038 2043

Email: KHandy@uk.ey.com

Dear Alex

## Annual Audit 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Adur District Council.

### Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- audit of the financial statements;
- value for money conclusion; and
- whole of Government accounts.

For Adur District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- officers meeting the agreed timetable of deliverables;
- 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;
- there is an effective control environment; and

- prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work at each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with a complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	48,122	48,122	67,737
Certification of housing benefit subsidy claim	12,230	27,019	16,307
<b>Total</b>	<b>60,352</b>	<b>75,141</b>	<b>84,044</b>

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

### Billing

The indicative audit fee will be billed in 4 quarterly instalments of £15,088.

### Audit plan

We expect to issue our audit plan in May 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to

make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Financial Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Joint Governance Committee.

**Audit team**

The key members of the audit team for the 2016/17 financial year are:

Kate Handy  
**Executive Director**

[KHandy@uk.ey.com](mailto:KHandy@uk.ey.com)

Tel: 07867 152471

---

Tom Wilkins  
**Assistant Manager**

[TWilkins@uk.ey.com](mailto:TWilkins@uk.ey.com)

Tel: 07867 152503

---

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours sincerely



Kate Handy  
Executive Director  
For and on behalf of Ernst & Young LLP

cc. Sarah Gobey, Chief Financial Officer  
Councillor Hotton, Chair of the Joint Governance Committee



Alex Bailey  
Chief Executive  
Worthing Borough Council  
Worthing Town Hall  
Chapel Road  
Worthing  
BN11 1HA

20 April 2016

Ref: WBC/16-17/Fee Letter

Direct line: 023 8038 2043

Email: KHandy@uk.ey.com

Dear Alex

## Annual Audit 2016/17

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### Indicative audit fee

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- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- officers meeting the agreed timetable of deliverables;
- we can rely on the work of internal audit as planned;
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The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	47,157	47,157	68,462
Certification of housing benefit subsidy claim	6,716	8,184	8,956
<b>Total</b>	<b>53,873</b>	<b>55,341</b>	<b>77,418</b>

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

### Billing

The indicative audit fee will be billed in 4 quarterly instalments of £13,468.25.

### Audit plan

We expect to issue our plan in May 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any

significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Financial Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Joint Governance Committee.

**Audit team**

The key members of the audit team for the 2016/17 financial year are:

Kate Handy  
**Executive Director**

[KHandy@uk.ey.com](mailto:KHandy@uk.ey.com)

Tel: 07867 152471

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Tom Wilkins  
**Assistant Manager**


[TWilkins@uk.ey.com](mailto:TWilkins@uk.ey.com)

Tel: 07867 152503

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We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours sincerely



Kate Handy  
Executive Director  
For and on behalf of Ernst & Young LLP

cc. Sarah Gobey, Chief Financial Officer  
Councillor Sparkes, Chair of the Joint Governance Committee





**AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE**  
**REPORT BY SARAH GOBEY, CHIEF FINANCIAL OFFICER**

**1.0 SUMMARY**

- 1.1 Our external auditors, Ernst and Young, have asked that the Committee considers a letter about how the Joint Governance Committee gains assurance from management regarding the financial governance arrangements of the Councils. The Chairmen of the Committee have received two letters, one for Adur District Council, and one the Worthing Borough Council. These are attached as Appendix 1.
- 1.2 To assist the Committee in its deliberation of the letter, attached at Appendix 2 is information pertinent to each of the questions raised. This can form the basis of a formal response.

**2.0 BACKGROUND**

- 2.1 The audit of the Council's financial statements is guided by International Standards of Auditing (ISAs). In order to comply with a number of these ISA's, each year the Chairmen of the Joint Governance Committee are written to by the Council's external auditor. The purpose of this letter is to obtain an understanding on how those charged with governance (the Joint Governance Committee) exercise oversight of management's processes in relation to fraud, laws and regulations and going concern.
- 2.2 It is proposed that the Committee discusses its proposed response to the letter Members should be aware that the Committee is also asked to comment on whether the Councils are a 'going concern'. This is addressed separately below.

**3.0 GOING CONCERN**

- 3.1 In accounting, "going concern" refers to an organisations' ability to continue functioning as a business entity. For the Councils, it is the responsibility of the Joint Governance Committee to assess whether the going concern assumption is appropriate when preparing the financial statements. The Councils are required to disclose in the notes to the Financial Statements whether there are any factors that may put the organisations' status as a going concern in doubt.

### **3.0 GOING CONCERN**

3.2 In forming the opinion on whether the Councils and the Joint Committee are 'going concerns' it is important to note the following:

- the budgets reported to Councils and the Joint Strategic Committee were balanced in 2015/16 and 2016/17.
- The budget monitoring and outturn reports show that the Councils continue to spend within the overall budget set
- Both Councils have a reasonable level of reserves.

Consequently, the Committee should have no concerns about whether the Councils and the Joint Committee are going concerns.

### **4.0 LEGAL IMPLICATIONS**

4.1 This report concerns the audit of the Statements of Accounts which will be prepared in accordance with statutory instrument number 2015/234, the Accounts and Audit (England) Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, based on International Financial Reporting Standards (IFRS).

### **5.0 FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising from this report.

### **6.0 RECOMMENDATIONS**

6.1 **The Joint Governance Committee is asked to consider and agree the response to the audit letter**

#### **Local Government Act 1972**

#### **Background Papers:**

Reports to the Joint Strategic Committee

#### **Contact Officer:**

Sarah Gobey – Chief Financial Officer

Direct Dialling No: (01903) 221221

Email: [sarah.gobey@adur-worthing.gov.uk](mailto:sarah.gobey@adur-worthing.gov.uk)

## **SCHEDULE OF OTHER MATTERS**

### **1.0 COUNCIL PRIORITY**

1.1 Matter considered and no issues identified

### **2.0 SPECIFIC ACTION PLANS**

2.1 Matter considered and no issues identified

### **3.0 SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### **4.0 EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### **5.0 COMMUNITY SAFETY ISSUES (SECTION 17)**

5.1 Matter considered and no issues identified

### **6.0 HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### **7.0 REPUTATION**

7.1 Matter considered and no issues identified

### **8.0 CONSULTATIONS**

8.1 Matter considered and no issues identified

### **9.0 RISK ASSESSMENT**

9.1 Matter considered and no issues identified

### **10.0 HEALTH and SAFETY ISSUES**

10.1 Matter considered and no issues identified

### **11.0 PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### **12.0 PARTNERSHIP WORKING**

12.1 Matter considered and no issues identified



Councillor Hotton  
Worthing Town Hall,  
Chapel Road,  
Worthing,  
West Sussex,  
BN11 1HA

## APPENDIX 1

20 April 2016

Direct line: +44 (0) 23 8038 2043

Email: KHandy@uk.ey.com

Dear Rod,

### **Understanding how the Joint Governance Committee gains assurance from management of Adur District Council.**

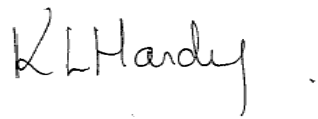
Auditing standards require us to formally update our understanding of your management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

1. How does the Joint Governance Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:
  - ▶ undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
  - ▶ identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
  - ▶ communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's codes of conduct);
  - ▶ encouraging employees to report their concerns about fraud; and
  - ▶ communicating to you the processes for identifying and responding to fraud or error?
2. How does the Joint Governance Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
3. Is the Joint Governance Committee aware of any:
  - ▶ breaches of, or deficiencies in, internal control; and
  - ▶ actual, suspected or alleged frauds during 2015/16?
4. Is the Joint Governance Committee aware any organisational or management pressure to meet financial or operating targets?
5. How does the Joint Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2015/16?
6. Is the Joint Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements?

7. How does the Joint Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please would you provide a response by email or letter in your capacity as Chair of the Joint Governance Committee.

Yours sincerely

A handwritten signature in black ink that reads "K L Handy". The signature is written in a cursive, slightly slanted style.

Kate Handy  
Ernst & Young LLP  
United Kingdom

Councillor Sparkes  
Worthing Town Hall,  
Chapel Road,  
Worthing,  
West Sussex,  
BN11 1HA

**APPENDIX 1**  
**20 April 2016**

Direct line: +44 (0) 23 8038 2043

Email: KHandy@uk.ey.com

Dear Elizabeth,

**Understanding how the Joint Governance Committee gains assurance from management of Worthing Borough Council.**

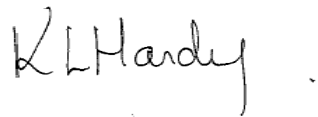
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3. Is the Joint Governance Committee aware of any:
  - ▶ breaches of, or deficiencies in, internal control; and
  - ▶ actual, suspected or alleged frauds during 2015/16?
4. Is the Joint Governance Committee aware any organisational or management pressure to meet financial or operating targets?
5. How does the Joint Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2015/16?

6. Is the Joint Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements?
7. How does the Joint Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please would you provide a response by email or letter in your capacity as Chair of the Joint Governance Committee.

Yours sincerely

A handwritten signature in black ink that reads "K L Handy". The signature is written in a cursive style with a period at the end.

Kate Handy  
Ernst & Young LLP  
United Kingdom



QUESTION	PROPOSED RESPONSE
<p><b>1. How does the Joint Governance &amp; Audit Committee, as ‘those charged with governance’ exercise oversight of management's processes in relation to:</b></p> <ul style="list-style-type: none"> <li>• undertaking an assessment of the risk that the financial statements might be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?</li>   <li>• identifying and responding to risks of fraud, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist?;</li>   <li>• communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Authority's code of conduct); and</li> </ul>	<p>The Joint Governance Committee have received regular reports from the Head of Internal Audit in relation to the operation of the control environment which is used to inform the Committee's view of management processes.</p> <p>Management has assessed that the risk of material fraud affecting the financial statements is very low. There is a robust system of internal control operating as reported by the Head of Internal Audit to the council and no evidence of material fraud.</p> <p>The Joint Governance Committee has oversight of this. It receives regular reports from the Head of Internal Audit including:</p> <ul style="list-style-type: none"> <li>• The Internal Audit Plan is presented to the Committee to consider and approve. This takes into account the risks associated with individual services and processes, and the frequency with which services are subjected to audit.</li> <li>• Internal audit provide the committee with regular reports on the audits undertaken together with details of any limited assurance audits;</li> <li>• The Head of Internal audit produces an annual report for the Committee.</li> </ul> <p>In addition, the Committee approves the Council's Annual Governance Statement ensuring that assurances from many sources across the Councils are provided which underpin the draft (AGS) for the Leader and the Chief Executive to review and sign.</p> <p>The Joint Governance Committee has oversight of this. The Councils have a code of conduct which is approved by the Committee. The Committee is also aware that Democratic Services keeps a register of Officer and Member interests.</p>

QUESTION	PROPOSED RESPONSE
<p>1. <b>How does the Joint Governance &amp; Audit Committee, as ‘those charged with governance’ exercise oversight of management's processes in relation to:</b> (continued)</p> <ul style="list-style-type: none"> <li>• encouraging employees to report their concerns about fraud;</li>   <li>• communicating to you the processes for identifying and responding to fraud or error?</li> </ul>	<p>The Committee is aware that the Council has a well-publicised whistle blowing policy for staff to use. The Council also has several other policies and procedures in place which the Committee has oversight of including:</p> <ul style="list-style-type: none"> <li>• Code of conduct for members</li> <li>• Council Policies (e.g. counter Fraud &amp; Corruption).</li> <li>• Financial and Contract Standing Orders</li> <li>• Staff &amp; Member declarations of interest.</li> <li>• Programme of audits by Internal Audit.</li> <li>• Work by External Audit.</li> </ul> <p>The Joint Governance Committee has oversight of this and receives regular reports from internal audit.</p>
<p>2. <b>How does the Joint Governance Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control</b></p>	<p>The Joint Governance Committee has oversight of this and monitors this through the reports provided by internal audit.</p> <p>The committee receives details of any limited and nil assurance audit reports and any special audit reviews commissioned.</p>
<p>3. <b>Is the Joint Governance and Audit Committee aware of any:</b></p> <ul style="list-style-type: none"> <li>• breaches of or deficiencies in internal control during 2015/16?</li>   <li>• actual, suspected or alleged frauds during 2015/16?</li> </ul>	<p>We are not aware of any breaches of internal control other than those brought to our attention through the work of internal audit.</p> <p>We are not aware of any actual, suspected or alleged frauds other than those brought to our attention through the work of internal audit.</p>

QUESTION	PROPOSED RESPONSE
<p>4. <b>Is there is any organisational or management pressure to meet financial or operating targets?</b></p>	<p>Officers are asked to monitor budgets and report to members over or under spends in a transparent manner, they will be questioned on any over or under performance against budget.</p> <p>However, there is no undue organisational or management pressure to meet financial or operating targets. There are no staff incentives for meeting financial or operating targets.</p>
<p>5. <b>How does the Joint Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance in 2015/16?</b></p>	<ul style="list-style-type: none"> <li>▪ The Councils Legal Service Team lead by the Monitoring Office has a general advisory role to all Council Services as supplemented by specialist legal advice when necessary;</li> <li>▪ All reports must be reviewed by the legal officers and include a legal implications paragraph before any decision is made;</li> <li>▪ A legal officer is present at all meetings of the Council to ensure that Council operates within the law;</li> <li>▪ Legal issues are considered as part of audit work;</li> <li>▪ Committee approves constitution, delegations, financial regulations and contract standing orders which provide guidance on procedural matters to ensure Council operates within the law.</li> <li>▪ Training is arranged by the legal team on new legislation and matters of particular significance.</li> </ul> <p>The Committee is not aware of any instances of non-compliance other than those brought to our attention through the work of internal audit or by the monitoring officer.</p>
<p>6. <b>Is the Joint Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements?</b></p>	<p>There are no potential litigation claims affecting either Council at this time.</p>

QUESTION	PROPOSED RESPONSE
<p>7. How does the Joint Governance Committee satisfy itself that it is appropriate to adopt the 'going concern' basis in preparing the financial statements</p>	<p>The Committee considers the overall financial information available to it. These include:</p> <ul style="list-style-type: none"> <li>• The annual revenue budget;</li> <li>• The Councils track record in spending within the budgets set;</li> <li>• The Councils' levels of reserves.</li> </ul> <p>The Committee has carried out this assessment and we are of the opinion that the Councils' and the Joint Committee have the ability to continue as a going concern.</p>

## Internal Audit Progress Report

### Report of the Acting Head of Internal Audit

#### 1.0 Summary

- 1.1 This report notes the performance of the Internal Audit Section up to the 30<sup>th</sup> April 2016.
- 1.2 This report provides a summary of the key issues raised in final audit reports issued since our last report to this Committee and provides the current status on the follow-up on the agreed audit recommendations made in final audit reports.
- 1.3 This report provides the Head of Internal Audit's opinion reports on the system of internal control at Adur District Council and Worthing Borough Council during 2015/16 and provides a detailed summary of the audit work completed against the 2015/16 audit plan and the key issues identified from this work

#### 2.0 Background

- 2.1 Each quarter a report is produced for this Committee which details the Internal Audit Section's performance against the current Annual Internal Audit Plan and summarises the results of audit work carried out.

##### Internal Audit Performance - 2015/16

- 2.2 The 2015/16 Annual Internal Audit Plan agreed by the Joint Governance Committee on 24 March 2015 contained 770 days and 64 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.3 Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements.

The current plan is summarised as:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	11	135.75	21.03%
Quarter 2 (July – September)	9	152.25	23.59%
Quarter 3 (October – December)	7	134.75	20.88%
Quarter 4 (January – March)	18	222.75	34.51%
	<b>45</b>	<b>645.5</b>	<b>100</b>

- 2.4 At 30<sup>th</sup> April, 562.95 days (87.2%) of the planned days had been delivered against the revised plan of 645.5 days. The days still to be completed relate to audits still to be conducted, currently in progress or under review.  
Internal Audit Performance - 2016/17
- 2.5 The 2016/17 Annual Internal Audit Plan presented to the Joint Governance Committee on 22 March 2016 contained 514 days and 38 items of audit work to be undertaken by the Internal Audit Service during the year.
- 2.6 Since approval, the audit plan has been revised to accommodate requests to move audits to different parts of the year and to take account of changes in requirements. The current plan is summarised as:

Period	No of audits planned	No of days planned	% of days planned
Quarter 1 (April – June)	6	80.75	15.7%
Quarter 2 (July – September)	11	132.75	25.8%
Quarter 3 (October – December)	11	169.75	33.1%
Quarter 4 (January – March)	11	130.75	25.4%
	<b>39</b>	<b>514</b>	<b>100</b>

- 2.7 Work has only recently started on this plan and we will report detailed information on progress in our next report to this Committee.
- 2.8 Recommendations made in audit reports are categorised according to their level of priority as follows:

<b>Priority 1</b>	Major issues for the attention of senior management.
<b>Priority 2</b>	Other recommendations for local management action.
<b>Priority 3</b>	Minor matters.

#### Final Audit Reports

- 2.9 Internal Audit's assurance opinions accord with an assessment of the controls in place and the level of compliance with these controls. During the course of an audit, a large number of controls will be examined for adequacy and compliance. The assurance level given is the best indicator of the system's control adequacy. The assurance levels and their associated explanations are:-

<b>Full Assurance</b>	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No Assurance</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

2.10 The report attached as **Appendix 1** provides a summary of key issues raised in all final reports issued since our last report to this Committee, including those with a Limited Assurance opinion. Since the previous Committee, seven reports have been finalised; of these six were Satisfactory assurance and one was Limited assurance. No P1 recommendations were raised within these reports.

Follow up of Audit Recommendations

2.11 In accordance with the Council's Follow-Up Protocol, Internal Audit has continued following-up the status of implementation of recommendations contained in final audit reports.

2.12 Follow-up audits are undertaken to ensure that all recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Follow-up Protocol requires implementation of 80% of all priority 2 and 3 recommendations and 100% of priority 1 recommendations. The performance in relation to these targets as at 30 April is shown in the tables below.

2.13 We continue to report to DMTs on the implementation of audit recommendations and are receiving more prompt responses to our requests for updates.

2.14 The Audit App has been delivered to us by the Digital Team and we are currently populating it with outstanding recommendations with a view to going live on the system from the 1<sup>st</sup> June. This new system should transform the way in which recommendations are monitored and followed up in the future.

**Analysis of status of recommendations 2013/14**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
<b>P1</b>	16	12	75%	1	6.3%	3	18.7%	0	0%	25%	0	16
<b>P2</b>	111	73	65.8%	24	21.6%	14	12.6%	0	0%	34.2%	0	111
<b>P3</b>	23	17	73.9%	5	21.7%	1	4.4%	0	0%	26.1%	0	23
<b>Other</b>	6	6	100%	0	0%	0	0%	0	0%	0%	0	6
<b>Total</b>	<b>156</b>	<b>108</b>	<b>69.2%</b>	<b>30</b>	<b>19.2%</b>	<b>18</b>	<b>11.5%</b>	<b>0</b>	<b>0%</b>	<b>30.8%</b>	<b>0</b>	<b>156</b>

**Analysis of status of recommendations 2014/15**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
<b>P1</b>	37	21	56.8%	1	2.7%	6	16.2%	9	24.3%	43.2%	0	37
<b>P2</b>	123	74	60.2%	14	11.4%	29	23.6%	6	4.8%	39.8%	7	130
<b>P3</b>	30	18	60%	3	10%	7	23.3%	2	6.7%	40%	1	31
<b>Other</b>	1	1	100%	0	0%	0	0%	0	0%	0%	6	7
<b>Total</b>	<b>191</b>	<b>144</b>	<b>59.7%</b>	<b>18</b>	<b>9.4%</b>	<b>42</b>	<b>22%</b>	<b>17</b>	<b>8.9%</b>	<b>40.3%</b>	<b>21</b>	<b>205</b>

**Analysis of status of recommendations 2015/16**

	Total Due	Imp	%	Carried Over (Not Impl'd)	%	FU & Overdue	%	FU & No Response	%	Total % NOT Impl'd	FU Not Due	Total
<b>P1</b>	10	9	90%	0	0%	0	0%	1	10%	10%	21	31
<b>P2</b>	17	8	47.1%	0	0%	0	0%	9	52.9%	52.9%	36	53
<b>P3</b>	3	1	33.3%	0	0%	0	0%	2	66.7%	66.7%	7	10
<b>Other</b>	0	0	0%	0	0%	0	0%	0	0%	0%	0	0
<b>Total</b>	<b>30</b>	<b>18</b>	<b>60%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>12</b>	<b>40%</b>	<b>40%</b>	<b>64</b>	<b>94</b>

2.15 Attached as **Appendices 2, 3 & 4** are tables which summarise the current follow-up status of recommendations made in final audit reports from audits contained in the 2013/14, 2014/15 and 2015/16 Audit Plans. The shaded boxes indicate where changes have occurred since our last report. As reported in our last progress report to this Committee, we continue to monitor the recommendations outstanding 2012/13 audit reports for which the percentage of outstanding recommendations is 6%.

Head of Internal Audit's Opinion – 2015/16

2.16 Each year a Head of Internal Audit (HoIA) Report is generated to meet the Head of Internal Audit's annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The HIA Report is an opinion statement provided for the use of the Council in support of its Annual Governance Statement.

2.17 Attached as **Appendices 5 and 6** are the Head of Internal Audit's Annual Reports for Adur District Council and Worthing Borough Council for the year 2015/16.

2.18 Attached as **Appendix 7** is the detailed summary of the 2015/16 audits summarised in the HoIA reports.

### **3.0 Proposals**

3.1 That the Committee note the performance of the Internal Audit Section.

3.2 That the Committee note the summary of the key issues raised in final audit reports issued and the current status on the follow-up on Internal Audit recommendations.

3.3 That the Committee note the Head of Audit's opinion on the system of internal control at both Adur District Council and Worthing Borough Council during 2015/16 and the updated summary of the 2015/16 audits

### **4.0 Legal**

4.1 There are no legal matters arising as a result of this report.

### **5.0 Financial Implications**

5.1 There are no financial implications arising from this report.



## **6.0 Recommendations**

- 6.1 That the Committee note the performance of the Internal Audit Section.
- 6.2 That the Committee note the summary of the key issues raised in final audit reports issued since our last report to this Committee and the current status on the follow-up on Internal Audit recommendations.
- 6.3 That the Committee note the Head of Audit's opinion on the system of internal control at both Adur District Council and Worthing Borough Council during 2015/16 and the updated summary of the 2015/16 audits.

### **Local Government Act 1972**

**Background Papers:** None

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## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 The report does not seek to meet any particular Council priorities.

### **2.0 Specific Action Plans**

2.1 (A) Matter considered and no issues identified.  
(B) Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety Issues (SECTION 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Reputation**

7.1 Matter considered and no issues identified.

### **8.0 Consultations**

8.1 (A) Matter considered and no issues identified.  
8.2 (B) Matter considered and no issues identified.

### **9.0 Risk Assessment**

9.1 Matter considered and no issues identified.

### **10.0 Health & Safety Issues**

10.1 Matter considered and no issues identified.

### **11.0 Procurement Strategy**

11.1 Matter considered and no issues identified.

### **12.0 Partnership Working**

12.1 Matter considered and no issues identified.

## Key issues from finalised audits

## Appendix 1

<b>Audit Title</b>	<b>Risk Level</b>	<b>Assurance Level &amp; Number of Issues</b>	<b>Summary of key issues raised</b>
Delivery of Corporate Priorities & Surf's Up Agenda	H	<b>Satisfactory</b> (One Priority 2 and Two Priority Three recommendations)	No Priority 1 issues were raised.
Risk Management	H	<b>Satisfactory</b> (Two Priority 2 and One Priority Three recommendations)	No Priority 1 issues were raised.
Communications	M	<b>Limited</b> (Eight Priority 2 recommendations)	No Priority 1 issues were raised but there were issues in relation to the need to update the Communications Toolkit, the development of procedures, guidelines and performance standards
Community Infrastructure Levy	M	<b>Satisfactory</b> (Three Priority 2 recommendations)	No Priority 1 issues were raised.
Debtors	H	<b>Satisfactory</b> (Three Priority 2 recommendations)	No Priority 1 issues were raised.
Payroll	H	<b>Satisfactory</b> (Three Priority 2 and One Priority Three recommendations)	No Priority 1 issues were raised.
Treasury Management	H	<b>Satisfactory</b> (Two Priority 2 recommendations)	No Priority 1 issues were raised.



Audit	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into next audit	% of recs carried over	Number of recs outstanding	% of recs outstanding	Comments
<b>Director of Digital &amp; Resources</b>										
<b>Finance</b>										
Annual Governance Statement (control issues)	N/A	N/A	N/A							N/A
General Ledger	May-14	Satisfactory	7	5	71%	2	29%			Recs were followed up as part of 14/15 audit - 2 were reiterated in 14/15 report
Cashiering	Jun-14	Satisfactory	4	3	75%	1	25%			Self assessment received 7/11/14 - remaining recs were as part of 14/15 annual audit - one complete & one reiterated in 14/15 report
Creditors	May-14	Satisfactory	2	2	100%					Recommendations followed up as part of 14/15 annual audit.
Debtors	May-14	Satisfactory	3	2	67%	1	33%			Recommendation relates to review of procedures
Capital Expenditure & Fixed Assets	Dec-14	Satisfactory	7			7	100%			Recommendations were followed up a part of annual audit. All were reiterated in 14/15 report
Treasury Management	Jun-14	Satisfactory	2	2	100%					COMPLETE
Staff expenses (inc car mileage)	May-14	Satisfactory	2	2	100%					COMPLETED before FU due
Probity - Staff discounts & Concessions	Mar-14	N/A	5	5	100%					COMPLETE
Probity - Underbankings	N/A	N/A	N/A							N/A
Probity audit - Stores	Oct-12	N/A	1	1	100%					COMPLETE - Manager requested to note bolt stock in next year end stock report
<b>Legal Services</b>										
Corporate Governance	Mar-14	Limited	10	5	50%	5	50%			
DBS checks & requirements	Oct-13	Satisfactory	3	1	33%			2	67%	Rec 1 still partly outstanding - Note HR are chasing leisure re outstanding issue from rec 3.
Legal Services	Dec-13	Limited	7	7	100%					COMPLETE
<b>Business &amp; Technical Services</b>										
Building Maintenance	May-15	Limited	7	2	29%	2	29%	3	43%	Update provided by Head of Bus Serv & Tech Services 23 May. 3 recs still in progress
<b>Digital &amp; Design</b>										
Risk Management	Jul-14	Satisfactory	9	2	22%	7	78%			
<b>Director of Economy</b>										
<b>Growth</b>										
Bailiffs	Nov-14	Limited	3	3	100%					COMPLETE
<b>Director of Communities</b>										
<b>Housing</b>										
Housing Rents	May-14	Satisfactory	2	1	50%	1	50%			

Property Buy Back	Mar-14	Satisfactory	1	1	100%					Updated provided on 5 Oct confirms this scheme is no longer going to take place therefore O/S rec no longer applicable.	
<b>Wellbeing</b>											
Local Strategic Partnership	Apr-15	Satisfactory	4	3	75%			1	25%	One partly completed is outstanding (re AWBP TOR) update provided in May 16 confirmed this is in progress but as review of AWBP will be completed during 2016 this will not be complete until end of the year	
Safer Communities Partnership	Jun-14	Satisfactory	3	3	100%					COMPLETE	
Community Wellbeing	Mar-14	Limited	3	3	100%					COMPLETE	
Anti Social Behaviour Management	Jun-14	Satisfactory	4	4	100%					COMPLETE	
<b>Environment</b>											
Foreshore Service	Apr-14	Satisfactory	6	5	83%	1	17%			Over 80% complete so no further FU required. O/s rec was partly implemented.	
Cemeteries & Churchyards	May-14	Satisfactory	1	1	100%					COMPLETE	
Grounds Maintenance	May-14	Limited	5	3	60%			2	40%	2 recs outstanding 3.1 - GM Strategy & 3.2 - working procedures (WIP) update provided confirmed both are still in progress - procedures now due for completion by Dec 16	P1 rec re GM Strategy will be completed as part of Parks & Open Spaces Strategy - revised completion date Sept 16
Parks Income Management	Oct-13	Satisfactory	5	5	100%					COMPLETE	
Probity - Crematorium Ashes Procedure	Apr-14	Satisfactory	6	6	100%					COMPLETE	
<b>Director of Customer Services</b>											
<b>Revenues &amp; Benefits</b>											
Benefits	Jun-14	Satisfactory	3	2	67%	1	33%			Rec relates to DR plans	
Revenues (Council Tax & NDR)	May-14	Satisfactory	3	2	67%	1	33%			O/s rec relates to updating procedures	
WBC - Business Improvement District	Dec-13	Satisfactory	2	2	100%					COMPLETE	
CenSus NDR	Jun-14	Satisfactory	9	8	89%	1	11%			89% complete - no further FU required	
<b>Waste &amp; Cleansing</b>											
AWCS - Vehicle Maintenance	May-14	Satisfactory	2	2	100%					COMPLETE	
<b>Building Control &amp; Land Charges</b>											
Local Land Charges	Apr-14	Satisfactory	1	1	100%					COMPLETE	
<b>Computer Audits</b>											
Joint website - content & workflow	Nov-13	Satisfactory	2	2	100%					Part of OS rec cannot be implemented due to functionality of T4 system - no further FU req'd.	

Network (LAN & WAN)	Apr-15	Limited	10	4	40%			6	60%	Update rec'd 2/3 confirmed no further progress on implementation of outstanding recommendations. Request for update sent 23 May	P1 recs relate to IOS version & security patch management (not due for implementation until Sept 15) and change & configuration/release management controls (due May 15 & partly
Data Centre	Nov-13	Satisfactory	4	4	100%					COMPLETE	
House on the Hill	Mar-14	Satisfactory	8	4	50%			4	50%	Update provided on 12/11/15 - work in progress on o/s recs - Update requested 23 May	
			156	108	69%	30	19%	18	12%		





Audit	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into	% of recs carried over	Number of recs outstandi	% of recs outstanding	Comments	Comments re Outstanding Priority 1 recs
Organisational Development											
Change Management											
<b>Director of Digital &amp; Resources</b>											
<b>Finance</b>											
Annual Governance Statements	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No Follow up required	
Budgetary Control	Dec-14	Satisfactory	1	1	100%					COMPLETE	
General Ledger	Mar-15	Satisfactory	3			3	100%			All recommendations made in 2014/15 have been reiterated in 15/16 audit so none had been implemented	
Cashiering	May-15	Satisfactory	4	3	75%	1	25%			15/16 audit has confirmed 3 recommendations from 2014/15 audit have been completed - one (re procedures) is being reiterated in 15/16 report.	
Creditors	Apr-15	Satisfactory	2	1	50%	1	50%			15/16 audit confirmed P1 recommendation has been completed - one (re duplicate payment reports) is being reiterated in 15/16 report.	
Debtors	Feb-15	Satisfactory	2	2	100%					COMPLETE	
Insurance	Oct-14	Satisfactory	2	2	100%					COMPLETE	
Payroll	Sep-15	Satisfactory	5	2	40%	3	60%			15/16 audit has confirmed 2 recommendations from 2014/15 audit have been completed - 3 are being reiterated in 15/16 report.	
Treasury Management	May-15	Satisfactory	2	2	100%					COMPLETE	
Petty Cash	Jan-15	Satisfactory	2	1	50%			1	50%	<b>Response to self assessment confirmed 1 rec still outstanding - update provided in Oct confirmed rec re procedures will not be complete until Mar 16. Request for update sent 23 May</b>	
Staff Loans	Jan-15	Satisfactory	3	3	100%					COMPLETE	
Probity audits - inventories	Aug-15	N/A	6					6	100%	<b>Issues to be addressed by Chief Financial Officer during next review of Financial Regulation requirements.</b>	
Probity - cash floats	Oct-14	N/A	1	1	100%					COMPLETE	
Business Rates - Forecasting & Income Projection	Feb-15	Satisfactory	1	1	100%					COMPLETE	
Pension Scheme- local administration	Oct-14	Full	0							No Follow up required	
<b>Legal Services</b>											
Corporate Governance	May-15	Satisfactory	6	6	100%					COMPLETE	
<b>Business &amp; Technical Services</b>											
Desktop Printing & Reprographics											

Facilities Management & Security	May-15	Satisfactory	15	4	27%			11	73%	Self Assessment to be re-issued to Facilities Officer on 9/3, no response. Update provided by Head of Bus & Tech on 23 May. Further FU required	
Health & Safety	Sep-15	Limited	7	5	71%			2	29%	Update received from Corp H & S Officer confirmed 2 still outstanding. Update requested 23 May	
Pool Car Pilot	May-15	Satisfactory	5	5	100%					COMPLETE	
Term Maintenance Contract Management - Keith	Mar-16	Limited	8					8	100%	FOLLOW UP DUE JUNE 16	
Construction Contract - MTC Adaptations											
Land Drainage	Jul-15	Satisfactory	5					5	100%	Request for update sent to auditee on 23 May	
Shoreham Centre	Mar-16	Satisfactory	1					1	100%	Met with Head of Bus & Technical Services - 4 recs being addressed for new contract so no further FU required.	
<b>Digital &amp; Design</b>											
Risk Management	Jun-15	Satisfactory	14	5	36%	9	64%			Meeting held on 21/1 with CPO - remaining recs were in progress and further FU would be performed as part of 15/16 audit	
<b>People</b>											
Agency Staff Arrangements	Dec-14	Satisfactory	4	1	25%			3	75%	Update confirmed P1 rec as complete. Request for further update sent 23 May re o/s recs.	
Sickness Recording & Monitoring											
<b>Director of Economy</b>											
<b>Place &amp; Investment</b>											
External Funding	Apr-15	Limited	9					9	100%	Update provide on 23 May confirmed that all recs are being worked on and revised deadlines have been set. Further follow up required	The P1 recs relate to the process for bid approval and monitoring this to ensure the appropriate approvals are obtained and reminding officers and monitoring that all funding bids are processed through the corporate process. Implementation dates set now staff in place to action
<b>Growth</b>											
Capital Expenditure & Fixed Assets	N/A	N/A								14/15 audit was not finalised - 15/16 audit focussed on Fixed Assets only as this is the area where all recommendations have been made in recent audits	
<b>Director of Communities</b>											
<b>Housing</b>											
Housing Rents	May-15	Satisfactory	3	3	100%					COMPLETE	

Housing Maintenance	Oct-14	Satisfactory	3	3	100%					COMPLETE	
Void Management	Apr-15	Limited	9	9	100%					COMPLETE - Self Assessment response received which indicates all recommendations have been implemented.	
Housing - Homelessness, Advice & Allocations	Jan-15	Limited	29	22	76%			7	24%	Update provided on 20 May confirmed 22 completed, 5 due to be completed by early June and 2 partly actioned and due for completion at end of Sept 16	The outstanding P1 rec was due to be actioned on 24 May.
<b>Wellbeing</b>											
Hackney Carriage & Private Hire	Jul-15	Satisfactory	4	3	75%			1	25%	Request for update re o/s rec (Handbooks) sent 23/5	
Third Party Commissioning	Nov-15	Satisfactory	1	1	100%					COMPLETE - Commissioning Strategy from 2014 being included within new Procurement Strategy	
<b>Environment</b>											
Beach Huts	May-15	Limited	11	11	100%					COMPLETE	
<b>Director of Customer Services</b>											
<b>Revenues &amp; Benefits</b>											
WBC Benefits	Apr-15	Satisfactory	1	1	100%					COMPLETE	
WBC Revenues (Council Tax & NDR)	May-15	Satisfactory	5	4	80%			1	20%	Update confirmed 1 rec still in progress	
CenSus - Benefits	Nov-15	Satisfactory	4	3	75%	1	25%			Updated provided by Benefits Manager confirmed 2 recs completed. 15/16 audit confirmed 2 further recs actioned but the P1 rec re WO authorisation was re-raised in 15/16 report	
<b>Customer Contact &amp; Engagement</b>											
Complaints	Dec-14	Limited	7	6	86%			1	14%	Update re outstanding rec provided on 24/5 - will be addressed by June 16	
Register of Electors	Jul-15	Satisfactory								No follow up required	
Car Parks	Oct-14	Satisfactory	1	1	100%					COMPLETE - the service has accepted that the 2 P1 recommendations re reconciliations could not be implemented as processes did not allow. The entire process for collecting car park income has therefore been revised instead.	
MSCP Plate Recognition Barrier System - Procurement	Nov-15	Satisfactory	2					2	100%	Self Assessment issued 29/2 - no response. Request for update sent 24/5	
<b>Computer Audits</b>											

Disaster Recovery	Jul-15	Limited	3					3	100%	Recommendations not due to be implemented until end Dec 15 - Update was provided by Head of CenSuS ICT at JGC 24/11/15 to confirm work in progress. Further report due to JGC in 6 months. Request for update sent 2/3 & 24/5	
HMS Application	Sep-15	Satisfactory	3	1	33%			2	67%	<b>Self Assessment issued 29/2 for 2 outstanding recs. Update requested 24/5</b>	
Data Protection & Information Governance	Mar-15	Limited	9	1	11%			8	89%	<b>Request for update sent 24/5</b>	The P1 rec was due to be implemented Dec 15 but delayed to March 2016
Service Desk (ITIL)	Sep-15	Limited	2					2	100%	<b>FU self assessment schedule issued 6 Jan - reminder for update sent 24/5</b>	
			<b>205</b>	<b>114</b>	<b>56%</b>	<b>18</b>	<b>9%</b>	<b>73</b>	<b>36%</b>		

Follow Up of Recommendations 2015/16 Audit Plan

	Final Report Date	Assurance level	Total No of Recs	Number of agreed recs completed	% of recs completed	Recs carried over into next audit	% of recs carried over	Number of recs outstanding	Percentage of recs outstanding	Key auditees	Self Ass Issued	Comments	Comments re Outstanding Priority 1 recs
<b>Chief Executive</b>													
<b>Corporate</b>													
Delivery of Corporate Priorities & Surf's Up Agenda	May-16	Satisfactory	3					3	100%	M Lowe		FOLLOW UP DUE SEPT 16	
Annual Governance Statements	N/A	N/A										N/A	
Corporate Governance													
Risk Management	May-16	Satisfactory	3					3	100%	M Lowe		FOLLOW UP DUE SEPT 16	
Project Management													
New Ways of Working implementation													
Use of Consultants													
<b>Communications</b>													
Communications	Mar-16	Limited	8					8	100%	N Hopkins		FOLLOW UP DUE JUNE 16	
<b>Director for Economy</b>													
<b>Culture</b>													
Venues													
<b>Place &amp; Investment</b>													
<b>Growth</b>													
Fixed Assets													
Planning Services	Sep-15	Satisfactory	2	2	100%						29-Feb	COMPLETE	
Local Development Framework													
Community Infrastructure Levy	May-16	Satisfactory	3	1	33%			2	67%	I Moody		FOLLOW UP DUE SEP 16	
<b>Director for Communities</b>													
<b>Housing</b>													
Housing Rents													
Adur Building Services DSO	Mar-16	Limited	15	13	87%			2	13%	P Cooper		Update provided confirmed 2 outstanding but in progress	
<b>Wellbeing</b>													
Public Health													
Empty Property Management													
<b>Environment</b>													
Dog Control													
<b>Director for Customer Services</b>													
<b>Revenues &amp; Benefits</b>													
WBC Benefits													
WBC Revenues (Council Tax & NDR)	Mar-16	Satisfactory	4	1	25%			3	75%	C McNeal		FOLLOW UP DUE JULY 16	
CenSus - Council Tax													
<b>Waste &amp; Cleansing</b>													
AWCS	Oct-15	Satisfactory	1					1	100%	T Patching	29-Feb	Request for update sent 24 May	
Fixed Penalty Notices													
<b>Customer Contact &amp; Engagement</b>													
Customer Services													
Electoral Services													
On Street Parking enforcement													
<b>Building Control &amp; Land Charges</b>													
Building Control	Nov-15	Satisfactory	5	1	20%			4	80%	G Goacher	29-Feb	Request for update sent 24 May	
<b>Director of Digital &amp; Resources</b>													
<b>Finance</b>													
General Ledger													
Cashiering													
Creditors													
Debtors	Apr-16	Satisfactory	2					2	100%	L Haynes		FOLLOW UP DUE AUG 16	
Payroll	Apr-16	Satisfactory	4					4	100%	G Townsend		FOLLOW UP DUE AUG 16	
Corporate Fraud Management													
Treasury Management	May-16	Satisfactory	2					2	100%	P Coppleman		FOLLOW UP DUE SEP 16	
Probity - Essential Users													
<b>Legal</b>													
Freedom of Information	Nov-15	Limited	6					6	100%	S Sale		Request for update sent 24/5	

<b>Design &amp; Digital</b>												
Performance Management Delivery of Digital Strategy	Oct-15	Satisfactory	5					5	100%	M Lowe	29-Feb	Request for update sent 24 May
<b>Business &amp; Technical Services</b>												
Decent Homes - report from 14/15 fact funding	Mar-16	Nil	28					28				Recommendations being used as checklist for new contract being let from
<b>Computer Audits</b>												
IT Resilience												
Public Services Network Cloud Computing Google Mail post implementation review	Sep-15	Satisfactory	3					3	100%	J Ross	29-Feb	Request for update sent 24 May
			<b>94</b>	<b>18</b>	<b>19%</b>	<b>0</b>	<b>0%</b>	<b>76</b>	<b>81%</b>			



## Adur District Council

# Internal Audit Annual Report 2015/16

May 2016

This report has been prepared on the basis of the limitations set out on page 12.

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## Introduction

### Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Adur District Council (the Council) during the 2015/16 financial year, the service for which is provided by Mazars Public Sector Internal Audit Limited<sup>1</sup>.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011). The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
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- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

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- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Adur District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Adur District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

## Overview of Work Done

The Audit Plan for 2015/16 included a total of 59 internal audit projects when it was approved by the Joint Governance Committee in March 2015. We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Authority, help ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some internal audit projects have been added to or deleted from the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed. Consequently, the final number of projects in 2015/16 is 43 compared to 51 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2015/16.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work.

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- **Overall summary** of work performed by Internal Audit including an analysis of report gradings; and
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## Overall Summary

As illustrated in the tables below, we have noted improvement in Adur District Council's control environment during the audit year. During the 2015/16 year, some 25 (78.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 31 (67.4%) in the prior year. No 'Full assurance' opinion was issued in 2015/16 compared to one in 2014/15.

We have issued one 'Nil assurance' opinion in 2015/16, compared to none in 2014/15. We issued 6 reports (18.8%) with 'limited assurance' opinions compared with 14 (30.4%) in the previous year.

Assurance Gradings	Number of Projects									
	2015/16		2014/15		2013/14		2012/13		2011/12	
Full	0	0%	1	2.2%	0	0%	2	5.3%	1	3.1%
Satisfactory	25	78.1%	31*	67.4%	29	76.3%	29	76.3%	23	71.9%
Limited	6	18.8%	14*	30.4%	9	23.7%	7	18.4%	8	25%
Nil	1	3.1%	0	0%	0	0%	0	0%	0	0%
<b>Sub-Total</b>	<b>32</b>		<b>46</b>		<b>38</b>		<b>38</b>		<b>32</b>	
No Opinion Audits	3		5*		3		4		8	
<b>Total Audits Delivered</b>	<b>35</b>		<b>51</b>		<b>41</b>		<b>42</b>		<b>40</b>	
Audits still in progress / Deferred	8									
<b>Total</b>	<b>43</b>		<b>51</b>		<b>41</b>		<b>42</b>		<b>40</b>	

\* Revised from 2014/15 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2014/15 report was produced.

A summary of key findings for all 2015/16 Internal Audit projects rated as nil/limited is included at Appendix 1.

## Opinion 2015/16

From the Internal Audit work undertaken in compliance with the PSIAS in 2015/16, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at Adur District Council for the year ended 31 March 2016 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



## Key Themes Identified

As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen an improvement in the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

### Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in the preparing the Annual Governance Statement (AGS) for 2015/16.

As in 2014/15, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's Annual Audit Letter 2014/15, in which Ernst & Young state that following their consideration of the completeness of disclosures on the Council's AGS they had "No issues to report". and
- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

## Risk Management

Based on an internal audit of the Council's risk management framework, we have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

- Assurance provided by the external auditors in their annual audit letter 2014/15, in which Ernst & Young issued an unqualified conclusion of respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and
- Our audit of the Council's risk management arrangements that provided an overall Satisfactory assurance rating.

## Information Technology Governance

In our opinion the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This opinion is based on our ongoing programme of computer audits which did not identify any material weaknesses with information technology governance during 2015/16 or from those 2014/15 audits completed since our 2014/15 report was produced.

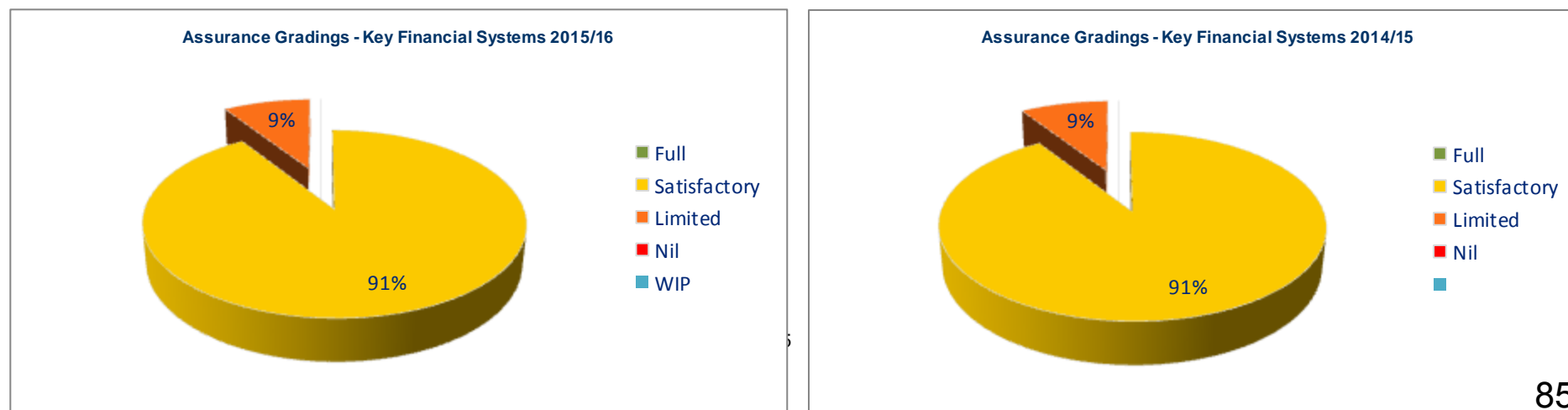
We do, however, note the continued lack of an IT Disaster Recovery Plan which was raised in our Annual Internal Audit Report 2012/13 and since. However, we acknowledge that work is being undertaken to address this.

## Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems to provide the Council with assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment.

The external auditors, Ernst & Young, consider that Internal Audit is a key part in the Council's internal control environment that they review during their assessment process to help them assess the level of risk of material errors occurring in the financial statements and inform the level of testing that they are required to complete in support of their audit opinion. They consider the results of our testing of financial systems and, where it is appropriate to do so, undertake procedures to allow them to place reliance upon that testing. This assists the Council to limit external audit fees spent on reviewing the Council's activities.

The table below summarises the assurance gradings from our audits in this key area:



Overall we have seen a continued performance in the control environment around key financial systems. The number of limited assurance opinions remained at 1 and the number of satisfactory assurance opinions was 10.

As Adur is part of the CenSus Revenues and Benefits service with Horsham and Mid Sussex district councils, agreement was made in 2010/11 that each of the councils' Internal Audit sections would complete one of the three revenues and benefits audits each year thus avoiding duplication of audit work. Our audit on CenSus Council Tax resulted in a satisfactory assurance grading. A copy of the final report in respect of CenSus Benefits has been provided to us from Crawley Borough Council's Internal Auditors acting on behalf of Mid Sussex District Council and this was given an assurance equivalent to our satisfactory assurance. We are yet to receive the report on CenSus NDR from Horsham District Council but are aware that it was awarded a grading equivalent to our satisfactory rating.

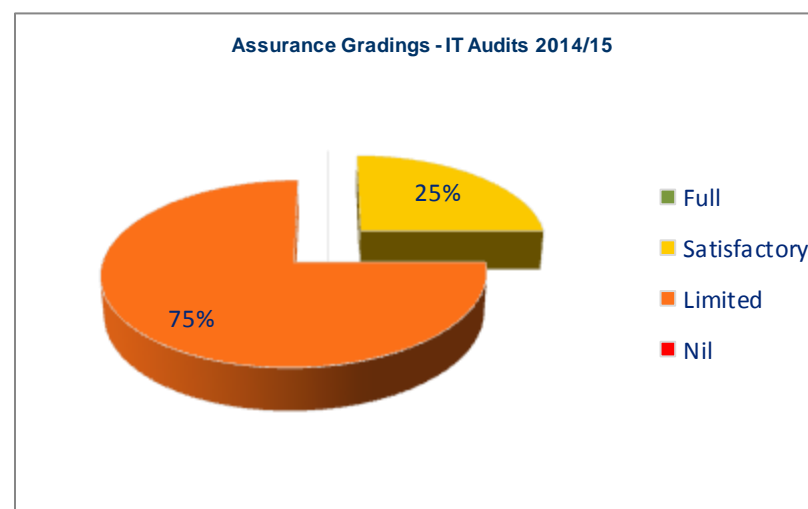
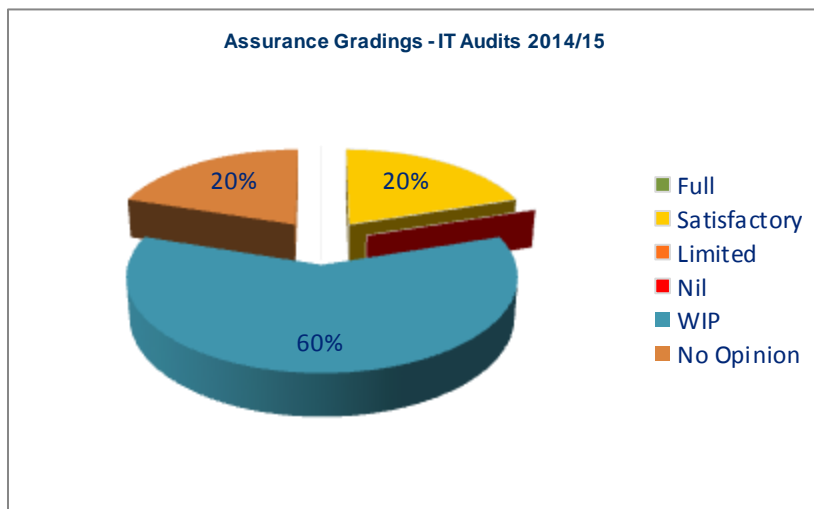
The limited assurance rating in relation to the Fixed Assets audit noted a number of recommendations in relation to the Council's management of fixed assets which have been raised in this and previous audits and have yet to be implemented.

Other key themes arising from our audit work on the key financial systems relate to non-compliance with routine hygiene controls such as maintenance of up to date procedure notes, approval for write-off of irrecoverable debts and the timely completion of reconciliations.

We have also noted the external auditor's Annual Audit Letter 2014/15, in which Ernst & Young state "We did not identify any significant deficiencies in the design or operation of internal control that might result in a material misstatement in the Council's financial statements".

### Levels of Assurance – IT Audits

Each year Internal Audit also carries out audits of specific IT systems, the tables below summarise the audit gradings in respect of IT audits:-



The results of our computer audit programme of work during 2015/6 show that 20% (1 out of 5) has achieved an assurance level of Satisfactory. However, there are 3 computer audits still to complete and the gradings from these will be taken into account in the Head of Internal Audit Opinion for 2016/17 The performance of 2014/15 was 75% Limited (3 out of 4).

## Key Themes

Overall we have identified the following key themes arising from our work this year:

- The continued lack of IT Disaster Recovery Plans, although we acknowledge these are being worked on; and
- Further procurement and contract issues, including non-compliance with Council Contract Standing Orders, contract management and information retention.

## Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	87.2%
Percentage of draft audit reports/work items complete	43	35*

\*\* The 8 audits not completed are all currently in progress or under review and will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2016/17.

## Appendix 1 - Audit Projects with Limited or Nil Assurance 2015/16

Project	Grading	Summary of Key Findings
Decent Homes Kitchens & Bathrooms Measured Term Contract	Nil	<p>Priority 1 recommendations were made in relation to:</p> <ul style="list-style-type: none"> <li>• The lack of management stability on the client side of the project.</li> <li>• Selecting an appropriate procurement route commensurate with contract value.</li> <li>• Producing formal tender opening registers and retaining them on file.</li> <li>• Recording submitted tender prices.</li> <li>• Having the requisite number of people present at tender opening in accordance with Contract Standing Orders (CSOs).</li> <li>• Scoring, recording and retaining tender evaluations.</li> <li>• Clarifying rejection criteria in CSOs.</li> <li>• Ensuring approval to proceed to 'award of contract' is in accordance with CSOs.</li> <li>• Considering the form of contract to be used as part of the delivery/procurement strategy at the time of procurement.</li> <li>• Completing contracts correctly and checking prior to entering into them, particularly where the tendered prices/rates are subject to fluctuations.</li> <li>• Pricing service delivery performance prior to tender submissions through published KPIs at invitation to tender stage.</li> <li>• Holding regular and timely contract monitoring meetings.</li> <li>• Maintaining, for large and/or complex projects, an up to date risk and issues register as part of the monthly KPI monitoring report.</li> <li>• Recording, approving and instructing contract variations.</li> <li>• Producing and certifying valuations or checking contractors' applications for payment.</li> <li>• Producing and certifying interim/final payment certificates.</li> <li>• Not processing contractors' invoices for payment where they do not match the corresponding Payment Certificate and Valuation Summary &amp; Application for Payments.</li> <li>• Reporting anticipated programme and cost effects in a regular and timely manner.</li> <li>• Rectification of defects.</li> <li>• Retention of documents on file.</li> </ul>



Project	Grading	Summary of Key Findings
Adur Building Services DSO (including maintenance of corporate buildings)	Limited	<p>Priority 1 recommendations were made in relation to:-</p> <ul style="list-style-type: none"> <li>• The lack of Service Level Agreement (SLA) between the DSO and Housing for the service being provide.</li> <li>• Standardising procedures.</li> <li>• Updating the Schedule of Rates (SOR) each year in line with contract expectations.</li> <li>• The lack of a monitoring process to ensure that all work requests are received, actioned and invoiced.</li> <li>• Allocating works to operatives in a timely manner in order to ensure their completion in line with their priority ratings.</li> <li>• Introducing a process for post incepting a sample of works to ensure quality is being delivered.</li> <li>• Regularly reviewing the Outstanding Orders Reports and actioning queries immediately.</li> <li>• Ensuring works are completed in order to meet the target date assigned and that adequate records are maintained to support completion of works.</li> </ul>
Communications	Limited	The key issues raised related to the need to update the Communications Toolkit, the development of procedures, guidelines and performance standards.
Freedom of Information	Limited	<p>One Priority 1 recommendation was made in relation to staff not completing the Councils' mandatory FOI training.</p> <p>Other findings related to updating the Information Security Policy Suite, procedures for maintaining the Publication Scheme, logging of FOI requests, retention of supporting information assignment if SIOs, responding to requests by deadlines and logging appeals.</p>
Use of Consultants (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> <li>• Setting minimum requirements for a business case when the employment of a Consultant is being considered including who should approve such cases;</li> <li>• Maintaining evidence to support quotations received from Consultants;</li> <li>• Compliance with Officer Employment Procedure Rules;</li> <li>• Signing of Contracts; and</li> <li>• Monitoring of spend on Consultants.</li> </ul>

Project	Grading	Summary of Key Findings
		Other findings related to the need for a Code of Practice for the engagement of Consultants, business case approval, updating Contract Standing Orders and ensuring engagement of the Procurement Team.
Electoral Services (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> <li>• Performing Right to Work in the UK checks on elections staff</li> <li>• Producing a Policy to govern Council staff working in elections within normal working hours</li> <li>• Ensuring staff have the required breaks during election duties</li> <li>• Maintaining records and supporting evidence for payments made from the “clerical” fund</li> </ul> <p>Other findings related to the production of procedure notes, completion of the on-line training, arranging contingent staff, obtaining documented manager permission for Council staff performing election duties during work hours, maintenance of attendance records for all election duties, prior agreement of overtime, correct calculation of the RO fee, retention of documentation to support payment calculations, updating of the equipment itinerary.</p>
Fixed Assets (Draft)	Limited	<p>Priority 1 recommendations have been made in relation to:</p> <ul style="list-style-type: none"> <li>• The continued lack of an Asset Management Plan;</li> <li>• Performing stock condition surveys on all Council buildings</li> </ul> <p>Other findings related to the accuracy of the Fixed Assets Register, reconciliation of the FAR with the general ledger, establishing a rolling programme of valuations and developing a depreciation policy.</p>

## Appendix 2 - Key to Assurance Levels

### Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
<b>Full</b>	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
<b>Satisfactory</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>Nil</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**May 2016**

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

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# Worthing Borough Council

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May 2016

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We are pleased to report that we have not issued any 'Nil assurance' opinions in 2015/16. We issued 6 (20%) reports with 'limited assurance' opinions compared with 14 (31.8%) in the previous year.

Assurance Gradings	Number of Projects									
	2015/16		2014/15		2013/14		2012/13		2011/12	
Full	0	%	1	2.3%	0	0%	1	2.5%	2	5.7%
Satisfactory	24	80%	29*	65.9%	28	71.8%	27	67.5%	24	68.6%
Limited	6	20%	14*	31.8%	11	28.2%	11	27.5%	9	25.7%
Nil	0	0%	0	0%	0	0%	1	2.5%	0	0%
<b>Sub-Total</b>	<b>30</b>		<b>44</b>		<b>39</b>		<b>40</b>		<b>35</b>	
No Opinion Audits	3		4		5		4		7	
<b>Total Audits Delivered</b>	<b>33</b>		<b>48</b>		<b>44</b>		<b>43</b>		<b>42</b>	
Audits still in progress / Deferred	8									
<b>Total</b>	<b>41</b>		<b>48</b>		<b>44</b>		<b>43</b>		<b>42</b>	

\* Revised from 2014/15 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2014/15 report was produced

A summary of key findings for all 2015/16 Internal Audit projects rated as nil/limited is included at Appendix 1.

## Opinion 2015/16

From the Internal Audit work undertaken in compliance with the PSIAS in 2015/16, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at Worthing Borough Council for the year ended 31 March 2016 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



## Key Themes Identified

As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen an improvement in the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

### Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in preparing the Annual Governance Statement (AGS) for 2015/16.

As in 2014/15, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's Annual Audit Letter 2014/15, in which Ernst & Young state that following their consideration of the completeness of disclosures on the Council's AGS they had "No issues to report", and
- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

### Risk Management

We have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

- Assurance provided by the external auditors in their annual audit letter 2014/15, in which Ernst & Young issued an unqualified conclusion of respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and
- Our audit of the Council's risk management arrangements that provided an overall Satisfactory assurance rating.

### Information Technology Governance

In our opinion the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This opinion is based on our ongoing programme of computer audits which did not identify any material weaknesses with information technology governance during 2015/16 or from those 2014/15 audits completed since our 2014/15 report was produced.

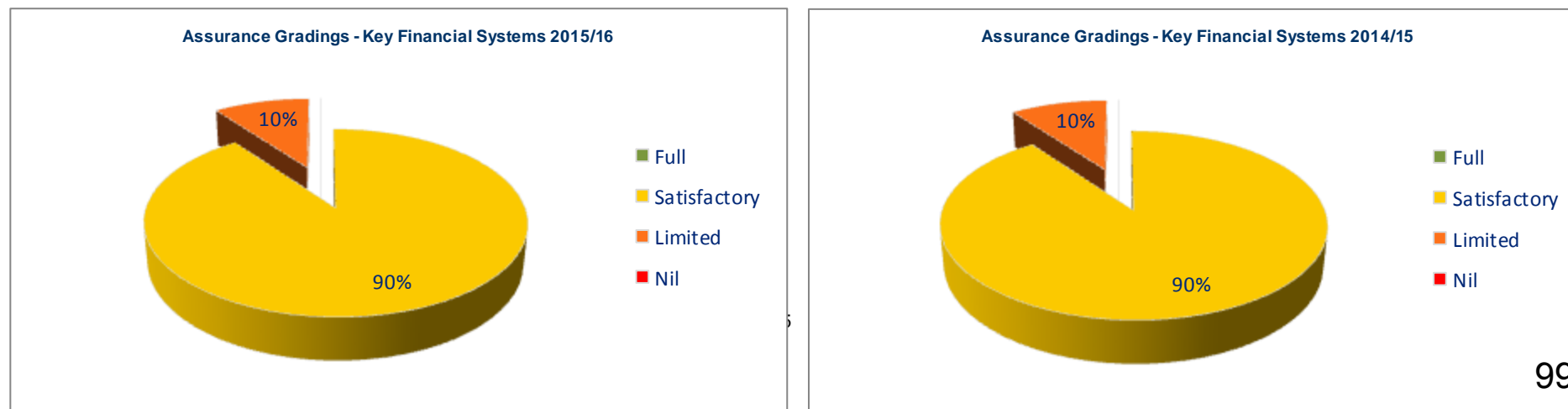
We do, however, note the continued lack of an IT Disaster Recovery Plan which was raised in our Annual Internal Audit Report 2012/13 and since. However, we acknowledge that work is being undertaken to address this.

### Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems to provide the Council with assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment.

The external auditors, Ernst & Young, consider that Internal Audit is a key part in the Council's internal control environment that they review during their assessment process to help them assess the level of risk of material errors occurring in the financial statements and inform the level of testing that they are required to complete in support of their audit opinion. They consider the results of our testing of financial systems and, where it is appropriate to do so, undertake procedures to allow them to place reliance upon that testing. This assists the Council to limit external audit fees spent on reviewing the Council's activities.

The table below summarises the assurance gradings from our audits in this key area:



The control environment around key financial systems has remained the same as 2014/15, with one limited assurance opinion issued.

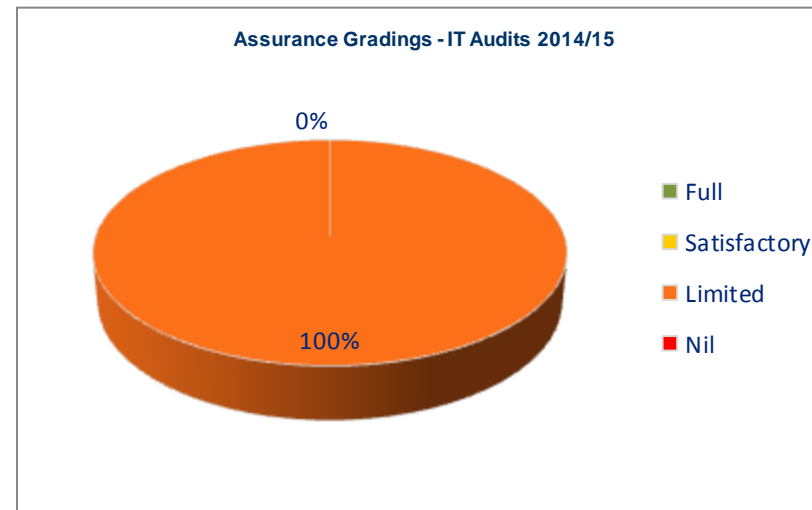
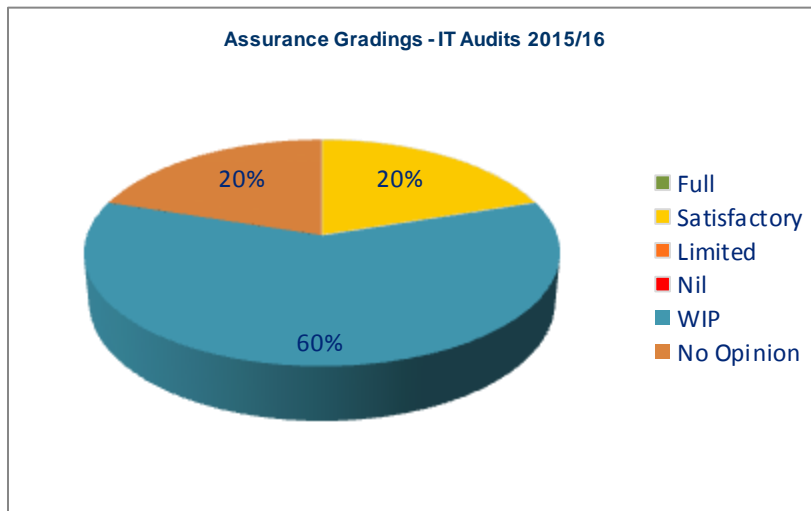
The limited assurance rating in relation to the Fixed Assets audit noted a number of recommendations in relation to the Council's management of fixed assets which have been raised in this and previous audits and have yet to be implemented.

Other key themes arising from our audit work on the key financial systems relate to non-compliance with routine hygiene controls such as maintenance of up to date procedure notes, approval for write-off of irrecoverable debts and the timely completion of reconciliations.

We have also noted the external auditor's Annual Audit Letter 2014/15, in which Ernst & Young state "We did not identify any significant deficiencies in the design or operation of internal control that might result in a material misstatement in the Council's financial statements".

**Levels of Assurance – IT Audits**

Each year Internal Audit also carries out audits of specific IT systems, the tables below summarise the audit gradings in respect of IT audits:-



The results of our computer audit programme of work during 2015/6 show that 20% (1 out of 5) has achieved an assurance level of Satisfactory. However, there are 3 computer audits still to complete and the gradings from these will be taken into account in the Head of Internal Audit Opinion for 2016/17. The performance of 2014/15 was 100% Limited (3 out of 3).

## Key Themes

Overall we have identified the following key themes arising from our work this year:

- The continued lack of IT Disaster Recovery Plans, although we acknowledge these are being worked on; and
- Further procurement and contract issues, including non-compliance with Council Contract Standing Orders, contract management and information retention.

## Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	87.2%
Percentage of draft audit reports issued	41	33**

\*\* The 8 audits not completed are all currently in progress or under review and will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2016/17.

## Appendix 1 - Audit Projects with Limited and Nil Assurance 2015/16

Project	Grading	Summary of Key Findings
Adur Building Services DSO (including maintenance of corporate buildings)	Limited	<p>Priority 1 recommendations were made in relation to:-</p> <ul style="list-style-type: none"> <li>• The lack of Service Level Agreement (SLA) between the DSO and Housing for the service being provide.</li> <li>• Standardising procedures.</li> <li>• Updating the Schedule of Rates (SOR) each year in line with contract expectations.</li> <li>• The lack of a monitoring process to ensure that all work requests are received, actioned and invoiced.</li> <li>• Allocating works to operatives in a timely manner in order to ensure their completion in line with their priority ratings.</li> <li>• Introducing a process for post incepting a sample of works to ensure quality is being delivered.</li> <li>• Regularly reviewing the Outstanding Orders Reports and actioning queries immediately.</li> <li>• Ensuring works are completed in order to meet the target date assigned and that adequate records are maintained to support completion of works.</li> </ul>
Communications	Limited	The key issues raised related to the need to update the Communications Toolkit, the development of procedures, guidelines and performance standards.
Freedom of Information	Limited	<p>One Priority 1 recommendation was made in relation to staff not completing the Councils' mandatory FOI training.</p> <p>Other findings related to updating the Information Security Policy Suite, procedures for maintaining the Publication Scheme, logging of FOI requests, retention of supporting information assignment if SIOs, responding to requests by deadlines and logging appeals.</p>
Use of Consultants (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> <li>• Setting minimum requirements for a business case when the employment of a Consultant is being considered including who should approve such cases;</li> <li>• Maintaining evidence to support quotations received from Consultants;</li> </ul>

Project	Grading	Summary of Key Findings
		<ul style="list-style-type: none"> <li>• Compliance with Officer Employment Procedure Rules;</li> <li>• Signing of Contracts; and</li> <li>• Monitoring of spend on Consultants.</li> </ul> <p>Other findings related to the need for a Code of Practice for the engagement of Consultants, business case approval, updating Contract Standing Orders and ensuring engagement of the Procurement Team.</p>
Electoral Services (Draft)	Limited	<p>Priority 1 recommendations were made in respect of:-</p> <ul style="list-style-type: none"> <li>• Performing Right to Work in the UK checks on elections staff</li> <li>• Producing a Policy to govern Council staff working in elections within normal working hours</li> <li>• Ensuring staff have the required breaks during election duties</li> <li>• Maintaining records and supporting evidence for payments made from the “clerical” fund</li> </ul> <p>Other findings related to the production of procedure notes, completion of the on-line training, arranging contingent staff, obtaining documented manager permission for Council staff performing election duties during work hours, maintenance of attendance records for all election duties, prior agreement of overtime, correct calculation of the RO fee, retention of documentation to support payment calculations, updating of the equipment itinerary.</p>
Fixed Assets (Draft)	Limited	<p>Priority 1 recommendations have been made in relation to:</p> <ul style="list-style-type: none"> <li>• The continued lack of an Asset Management Plan;</li> <li>• Performing stock condition surveys on all Council buildings</li> </ul> <p>Other findings related to the accuracy of the Fixed Assets Register, reconciliation of the FAR with the general ledger, establishing a rolling programme of valuations and developing a depreciation policy.</p>

## Appendix 2 - Key to Assurance Levels

### Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
<b>Full</b>	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
<b>Satisfactory</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>Nil</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.



## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**May 2016**

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Quarter	Audit Title	Risk Level	Authority to which audit relates			Work Complete	Draft Issued	Final Issued	Assurance level	Assurance at previous audit
			Joint	ADC only	WBC only					
1	ADC - Annual Governance Statement	H		*		Y	N/A	N/A	N/A	N/A
1	WBC - Annual Governance Statement	H			*	Y	N/A	N/A	N/A	N/A
1	Probity - Essential Users	L	*			Y	Y			
1	Fixed Penalty Notices	L	*			Y	Y			
1	New Ways of Working Implementation	H	*			Y	Y			
1	Dog Control	L	*			Y	Y			
1	AWCS	M	*			Y	Y	Y	Satisfactory	Satisfactory
1	Venues		*			Y	Y			
1	Financial Management system - input on controls for replacement system	H	*			WIP	N/A	N/A	N/A	N/A
1	Building Control	L	*			Y	Y	Y	Satisfactory	No previous comparable audit
2	Performance Management	M	*			Y	Y	Y	Satisfactory	
2	Public Services Network	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
2	Adur Building Services DSO	H	*			Y	Y	Y	Limited	No previous comparable audit
2	Planning Services	M	*			Y	Y	Y	Satisfactory	Satisfactory
2	Use of Consultants	H	*			Y	Y			
2	On Street Parking Enforcement	L	*			Y	Y			
2	Communications	M	*			Y	Y	Y		
2	Electoral Services	M	*			Y	Y			
2	Freedom of Information	H	*			Y	Y	Y	Limited	Limited
2	Decent Homes (report 14-15 from fact finding)	H		*		Y	Y	Y	No	
3	Corporate Governance	H	*			Y	Y			
3	Housing Rents	H		*		Y	Y			
3	WBC Benefits	H			*	Y	Y			
3	WBC Revenues (Council Tax & NDR)	H			*	Y	Y			
3	CenSus - Council Tax	H		*		Y	Y	Y	Satisfactory	Satisfactory
3	General Ledger	H	*			Y	Y			
3	Creditors	H	*			Y	Y			
3	Debtors	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Cashiering	H	*			Y	Y			
4	Payroll	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Fixed Assets	M	*			Y	Y			
4	Treasury Management	M	*			Y	Y	Y	Satisfactory	Satisfactory
4	Cloud Computing	H	*			WIP				
4	Risk Management	H	*			Y	Y	Y	Satisfactory	Satisfactory
4	Project Management	H	*			Y	UR			
4	Delivery of Corporate Priorities	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
4	Public Health	M	*			Y	UR			
4	Local Development Framework	M	*			Y	UR			
4	Community Infrastructure Levy	H	*			Y	Y	Y	Satisfactory	No previous comparable audit
4	Empty Property Management	L	*			Y	Y			
4	Corporate Fraud Management	H	*			P				
4	Customer Services	M	*			P				
4	Delivery of Digital Strategy	H	*		*	P				
4	IT Resilience	H	*			P				
4	Google Mail Post Implementation	H	*			P				

**KEY**  
P In Planning stage  
WIP Work In Progress  
UR Under review





**Adur District Council - Decent Homes (Kitchens & Bathrooms) Measured Term Contract**

**Report by the Head of Business & Technical Services**

**1.0 Summary**

- 1.1 This report has been prepared in response to the request made at the meeting held 22nd March 2016, minute no JGC/15-16/047 - Internal Audit Progress Report.
- 1.2 In July 2015, an Internal Audit report was completed on the procedures and controls in place in relation to the Adur Homes Decent Homes - Kitchen and Bathrooms contract that was awarded in 2013 by Adur Homes Surveyors and has since expired. A nil assurance opinion was given by the Auditors in their final report published January 2016.
- 1.3 This report gives some of the background to the Kitchens and Bathrooms contract and the steps that are now being taken to implement the recommendations from the Internal Audit and make improvements for the new contract due to start 1st June 2016.

**2.0 Background**

- 2.1 The Kitchens and Bathrooms contract is part of Adur Homes strategic objective to upgrade its housing stock to meet the Decent Homes standard by upgrading kitchens and bathrooms in tenanted homes in accordance with an agreed programme/budget.
- 2.2 This contract was awarded to P H Becks Ltd and since its commencement in September 2013 the total spend has been around £4.5 million funded from the Adur Homes Capital Programme. The contract expired in the Autumn of 2015.
- 2.3 The contract was previously managed by Adur Homes and day to day responsibility fell mainly to two members of the Building Surveying team and managed by the

Senior Building Surveyor . These two Officers departed the employment of the Council in early 2015.

- 2.4 In early 2015, the Adur Homes Building Surveyors were transferred to the Digital & Resources Directorate to form one single team of Building Surveyors who can carry out corporate projects as well as those relating to Adur Homes. This team is now managed by the Head of Business & Technical Services.

### **3.0 Actions arising from Audit recommendations**

- 3.1 The Internal Audit for the Kitchens and Bathrooms contract gave 20 Priority 1 recommendations . With the change of management and staff involved, the expiry of the contract, these recommendations have been accepted and have been used as a checklist of improvements that must be put in place for any new contract.
- 3.2 The Head of Business & Technical Services has been working with the Head of Adur Homes on the future requirements for Decent Homes (kitchens and bathrooms) for the next 12/24 months in accordance with Adur Homes Capital Programme.
- 3.3 A new contract is planned to commence on 1st June 2016. Tenders have been received from 5 contractors. A decision has been made to use the London Housing Consortia Procurement Framework where 5 tenders have been received and are currently being evaluated by technical and procurement staff. External advice has also been received on the contract documentation to ensure that all the issues identified in the Internal Audit have been addressed.
- 3.4 Meetings with our Internal Auditors (Mazars) have been held to discuss the detailed findings. Attached to this report is a summary of the Priority 1 recommendations from the Audit report and the actions that have been and are being implemented for the new contract. Please see appendix 1.

### **4.0 Recommendation**

- 4.1 The Joint Governance Committee is asked to note the contents of the report and the actions taken to address the recommendations from the Internal Audit report.

#### **Local Government Act 1972**

**Background Papers:** Joint Governance Committee 22nd March 2016.

#### **Contact Officer:**

Steve Spinner

Head of Digital & Resources, Digital & Resources

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## Appendix 1 - Key issues from Decent Homes (Kitchen & Bathrooms Measured Term Contract) final audits

Audit Title	Summary of key issues raised in final audit	Summary of Actions put in place May 2016 by Head of Business & Technical Services
<p>Decent Homes – Kitchens &amp; Bathrooms Measured Term Contract (2015/16)</p>	<p>The Priority 1 recommendations relate to:</p> <ul style="list-style-type: none"> <li>• The lack of management stability on the client side of the project.</li> <li>• Selecting an appropriate procurement route commensurate with contract value.</li> <li>• Producing formal tender opening registers and retaining them on file.</li> <li>• Recording submitted tender prices.</li> <li>• Having the requisite number of people present at tender opening in accordance with Contract Standing Orders (CSOs).</li> <li>• Scoring, recording and retaining tender evaluations.</li> <li>• Clarifying rejection criteria in CSOs.</li> <li>• Ensuring approval to proceed to 'award of contract' is in accordance with CSOs.</li> <li>• Considering the form of contract to be used as part of the delivery/procurement strategy at the time of procurement.</li> </ul>	<ul style="list-style-type: none"> <li>• There has been a change of staff and those involved in the letting of this contract are no longer in post.</li> <li>• Discussions held with Internal Audit and responsible officers and agreed procurement approach using London Housing Consortia Procurement Framework.</li> <li>• The new tenders will be received via the Councils secure e-tendering portal and these will be opened electronically by the Procurement team.</li> <li>• Tender prices are recorded on the e-tendering portal.</li> <li>• The e-tendering portal is an improved method of receiving and opening tenders that is secure and in accordance with the Councils Contract Standing Orders.</li> <li>• The tender evaluations will be recorded and retained electronically. All evaluations will be retained by the Procurement Team.</li> <li>• Tenders will only be rejected if they do not comply with the Councils requirements. Reasons for rejection will be recorded and confirmed to the tenderer.</li> <li>• The award of the new contract will be a key decision and a decision to award agreed by the Director for Digital &amp; Resources.</li> <li>• Advice has been obtained from an external Quantity Surveying Consultancy on the form of</li> </ul>

	<ul style="list-style-type: none"> <li>● Completing contracts correctly and checking prior to entering into them, particularly where the tendered prices/rates are subject to fluctuations.</li> <li>● Pricing service delivery performance prior to tender submissions through published KPIs at invitation to tender stage.</li> <li>● Holding regular and timely contract monitoring meetings.</li> <li>● Maintaining, for large and/or complex projects, an up to date risk and issues register as part of the monthly KPI monitoring report.</li> <li>● Recording, approving and instructing contract variations.</li> <li>● Producing and certifying valuations or checking contractors' applications for payment.</li> <li>● Producing and certifying interim/final payment certificates.</li> <li>● Not processing contractors' invoices for payment where they do not match the corresponding Payment Certificate and Valuation Summary &amp; Application for Payments.</li> <li>● Reporting anticipated programme and cost effects in a regular and timely manner.</li> <li>● Rectification of defects.</li> <li>● Retention of documents on file.</li> </ul>	<p>contract to be used and the contract documentation.</p> <ul style="list-style-type: none"> <li>● The new contract will be checked over by Building Surveyors, procurement and legal staff independently prior to entering into the new contract.</li> <li>● KPI's have been included in the new tender documentation and a more robust approach to contract management will be introduced with the new contract.</li> <li>● The newly appointed Senior Surveyor will ensure regular contract monitoring reviews are held and recorded .</li> <li>● As above</li> <li>● As above</li> <li>● Detailed records of all installations will be maintained by the Surveying team and payments certified in accordance with the contract conditions.</li> <li>● As above.</li> <li>● As above</li> <li>● Regular reports will be made to the Adur Homes Management Board on progress with the agreed programme of works and budget.</li> <li>● Defects will be recorded and dealt with swiftly in accordance with the new contract conditions</li> <li>● All documents will be stored on a newly created electronic file.</li> </ul>
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## THE ANNUAL GOVERNANCE STATEMENTS 2015/16 – REVIEW AND APPROVAL

### REPORT BY SARAH GOBEY, CHIEF FINANCIAL OFFICER

#### 1.0 SUMMARY

1.1 To review and agree the Annual Governance Statements for 2015/16.

#### 2.0 BACKGROUND

2.1 Corporate governance is everyone's business and can be defined as:

*“How local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” - CIPFA/SOLACE*

2.2 In late 2007 CIPFA/SOLACE published a framework and guidance on delivering good governance in local government. It is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan.

2.3 The following are the six core principles in relation to local government as set out in the framework:

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability

## **2.0 BACKGROUND**

- 2.4 The 2007 framework is more comprehensive than the previous ones and requires the production of a Code of Corporate Governance. This was agreed by the former Constitution and Audit Committee in Adur and the former Governance and Audit Committee in Worthing and approved by both Councils in July 2008. In addition to having a code of corporate governance; the Accounts and Audit Regulations requires every local authority to produce an Annual Governance Statement.
- 2.5 The Annual Governance Statement is a comment on the totality of good corporate governance, and it is a statutory requirement for this statement to be published annually. The Accounts and Audit Regulations required the publication of the Annual Governance Statement, following consideration of the Statement of Internal Control. The Council's Head of Internal Audit (from Mazars) will provide a written annual report to those charged with governance timed to support the annual governance statement. The Annual Governance Statement must be approved before the Statement of Accounts is approved.
- 2.6 The Code of Practice on Local Authority Accounting suggests that it is best practice to have the Annual Governance Statement published with Statement of Accounts.

## **3.0 ANNUAL GOVERNANCE STATEMENTS 2015/16**

- 3.1 These are key corporate documents and the most senior member and the most senior officer (Leader and Chief Executive) have joint responsibility as signatories for its accuracy and completeness. The Leader of the each Council and the Chief Executive as signatories of the respective Annual Governance Statements need to ensure that they accurately reflect the governance framework for which they are responsible. The guidance advises that it should be owned by all senior officers and members of the authority and that it is essential that there is buy in at the top level of the organisation.
- 3.2 In order to achieve this they are likely to rely on many sources of assurance, such as:
- ◆ directors and managers;
  - ◆ the responsible financial officer;
  - ◆ the monitoring officer;
  - ◆ members;
  - ◆ the head of internal audit;
  - ◆ performance and risk management;
  - ◆ third parties, e.g. partnerships;
  - ◆ external audit and other review agencies

### **3.0 ANNUAL GOVERNANCE STATEMENTS 2015/16**

- 3.3 The rough guide to preparing the Annual Governance Statement shows “*the need for a review body in the process, such as an audit committee or scrutiny role who should be charged with critically reviewing the AGS and its supporting documentation*”. The constitution indicates that this function should be dealt with by this Committee, and this is seen as the most satisfactory means of meeting the requirements for a critical review of the Annual Governance Statement.
- 3.4 There is no definitive way of producing the Annual Governance Statement. Professional guidance indicates that at the centre of the review process should be a corporate group who will be given ultimate responsibility for drafting the statement, evaluating assurances and the supporting evidence. This group should review whether or not there is consistency with existing policies and the authorities’ governance framework.
- 3.5 An officer working group are responsible for ensuring that the Annual Governance Statements accurately reflect the governance arrangements of the two Councils. The membership of the group comprises of:
- Monitoring Officer
  - Section 151 Officer
  - Head of Organisational Development
  - Head of Wellbeing
  - Democratic Services Manager
  - Head of Business and Technical Services
- 3.6 A reference group of Councillors is used to give feedback on the preparation of the draft statement:
- the Leader of both Councils
  - the Chair of the Joint Overview and Scrutiny Committee
  - the Chair and Members of the Joint Governance Committee
- 3.7 As part of the review process, each of the Councillors referred to in paragraph 3.6 above were written to in May 2015 seeking feedback on issues which may have a bearing on the completion of the review of the Annual Governance Statement. No responses have been received as part of the 2015 review process.
- 3.8 During the year the Officer’s Governance Working Group has reviewed the action plan which was agreed last year and to make recommendations to Officers on issues required to improve or strengthen the Council’s Governance Framework. The outcome of the review is shown in attached Governance Action Plan Progress Report as set out in the attached Appendix B. The traffic light system of reporting has been used to identify progress on dealing with the actions, and identifying any new action to take forward.

### **3.0 ANNUAL GOVERNANCE STATEMENTS 2015/16**

- 3.9 This review by the Officers Group has sought to classify as RED any issues which are deemed to be Significant Issues requiring attention and which need to be declared on the face of the Annual Governance Statement for 2015/16. The following has been classified as red:

**Page 14      G54/13      Contract Management**

- 3.10 The Monitoring Officer has raised a number of concerns regarding the Housing Solutions Service. This has highlighted a number of issues requiring disclosure in the Annual Governance Report.

### **4.0 INTERNAL AUDIT ANNUAL REPORT 2015/16**

- 4.1 Each year the Head of Internal Audit (from Mazars who provide the Councils Internal Audit Service) produces an Internal Audit Annual Report which summarises the work that Internal Audit has undertaken during the previous financial year and the control environment key themes which have been identified across the authority. The purpose of this report is to provide an annual assurance statement on the adequacy and effectiveness of the Authority's systems of governance, risk management and internal control. A report is produced separately for Adur District Council and Worthing Borough Council.

- 4.2 For 2015/16 the Head of Internal Audit's Internal Audit Annual reports state that from the Internal Audit work undertaken in 2015/16, it is the Head of Internal Audit's opinion that they can provide Satisfactory Assurance that the system of internal control in place at both Adur District and Worthing Borough Councils for the year ended 31<sup>st</sup> March 2016 accords with proper practice, except for the control environment issues as documented in Appendix 1 to that report (See separate report on this agenda). The assurance is broken down further between financial and non-financial systems where the Head of Internal Audit has commented as follows: "Our overall opinion is that internal controls within financial and operational systems operating throughout the year are fundamentally sound."

- 4.3 For the 2015/16 Internal Audit Annual Report, the Head of Internal is also required to give an opinion on Information Technology Governance and in his report has stated "In our opinion the information technology governance of the Councils is adequate to support the organisation's strategies and objectives".

- 4.4 The following are extracts from the Head of Internal Audit's (Mazars) Internal Audit Annual Report.

"We have noted improvement in Adur District Council's control environment during the audit year. During the 2015/16 year, some 25 (78.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 31 (67.4%) in the prior year. No 'Full assurance' opinion was issued in 2015/16 compared to one in 2014/15. We have issued one 'Nil assurance' opinion in 2015/16, compared to none in 2014/15. We issued 6 reports (18.8%) with 'limited assurance' opinions compared with 14 (30.4%) in the previous year.

## **4.0 INTERNAL AUDIT ANNUAL REPORT 2015/16**

We have noted improvement in Worthing Borough Council's control environment during the audit year. During the 2015/16 year, some 24 (80%) of internal audit projects were rated 'Satisfactory assurance' compared with 29 (65.9%) in the prior year. No 'Full assurance' opinion was issued in 2015/16 compared to one in 2014/15. We are pleased to report that we have not issued any 'Nil assurance' opinions in 2015/16. We issued 6 (20%) reports with 'limited assurance' opinions compared with 14 (31.8%) in the previous year.

Key themes arising from the internal audit work across the Councils relate to:

- The continued lack of IT Disaster Recovery Plans which was identified in the 2011/12 Annual Audit Report and since, although it is acknowledged that this is being worked on.
- Further procurement and contract issues, including non-compliance with Council Contract Standing Orders.

Your officers suggest that the above items are significant and should be incorporated into the Annual Governance Statements.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 Paragraph 6 of the Accounts and Audit Regulations 2015 sets out the legal requirements for each authority to produce an Annual Governance Statement (AGS). The Annual Governance Statement is a comment on the totality of good corporate governance, and it is a requirement for this statement to be published alongside the statutory annual statement of accounts. The draft Annual Governance Statement for Adur District Council is attached to this report as Appendix C, and for Worthing at Appendix D. There is no longer a requirement to approve a separate AGS for the Joint Committee which no longer has a separate Statement of Accounts.
- 5.2 The Head of Legal Services in her role as the Council's Monitoring Officer has been closely involved in the preparation, review and publication of the Action Plan and the draft Annual Governance Statement.

## **6.0 FINANCIAL IMPLICATIONS**

- 6.1 There are no direct costs or other financial implications involved with the production of these statements.
- 6.2 The Chief Financial Officer in her role as the Council's S.151 Officer has been closely involved in the preparation, review and publication of the Action Plan and the draft Annual Governance Statement.

## **7.0 RECOMMENDATION**

7.1 The Joint Governance Committee is asked to:

- (a) note the evidence of compliance with the Code of Corporate Governance and the Action Plan produced to deal with any issues arising from these requirements as set out in Appendix A.
- (b) approve the Annual Governance Statements for each Council as set out in Appendix B and C to this report.

### **Local Government Act 1972**

**Background Papers:** Delivering Good Governance in Local Government  
Framework & Guidance Notes for English Authorities;  
CIPFA/SOLACE 2007  
Accounts and Audit Regulations 2011  
Accounts and Audit Regulations 2015

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## **SCHEDULE OF OTHER MATTERS**

### **1.0 COUNCIL PRIORITY**

1.1 Matter considered and no issues identified

### **2.0 SPECIFIC ACTION PLANS**

2.1 An Action Plan dealing with issues emanating from the review of the Annual Governance Statement is contained in the report

### **3.0 SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### **4.0 EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### **5.0 COMMUNITY SAFETY ISSUES (SECTION 17)**

5.1 Matter considered and no issues identified

### **6.0 HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### **7.0 REPUTATION**

7.1 Matter considered and no issues identified

### **8.0 CONSULTATIONS**

8.1 Matter considered and no issues identified

### **9.0 RISK ASSESSMENT**

9.1 Specific issues and requirements are detailed in the attached Action Plan

### **10.0 HEALTH & SAFETY ISSUES**

10.1 Matter considered and no issues identified

### **11.0 PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### **12.0 PARTNERSHIP WORKING**

12.1 Specific issues and requirements are detailed in the report and action plan attached.





1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G07/13	Measuring Value for money	Decide how value for money is to be measured and make sure that the authorities have the information needed to review value for money and performance effectively.	Paul Brewer	Ongoing	VFM opinion audit judgement reviewed on an annual basis and opinion is positive.  A number of services are regionally benchmarked and others nationally e.g. Adur Homes, Fraud, Leisure. Cost comparisons with other Councils undertaken.  VFM measured as part of procurement.  The performance dashboard includes information on internal process and financial results measures.	Progressing well(Green)
G08/13	Environmental Impact	Measure the environmental impact of policies, plans and decisions.	Paul Brewer/ Steve Spinner	Ongoing	The Council has committed to Your Energy Sussex which will manage the roll out of energy efficiency measures including solar PV technology and new boilers within Adur Homes improving the environmental impact of our Housing Stock.  The Council is currently undertaking feasibility work on the roll out of further solar panels on corporate buildings. This has been delayed due to the changes to the Feed In Tariffs (energy subsidy) and now requires reappraisal.  A new sustainability officer is currently being recruited to. There has been a fundamental review of the role to broaden the remit of the work being undertaken.	Being closely monitored(Amber)

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G09/13	Roles/responsibilities of Members and senior officers	<p>1) Set out a clear statement of the respective roles and responsibilities of the executive, the executive members individually and the authorities approach towards putting this into practice.</p> <p>2) Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.</p>	Tina Favier / Julia Smith	Ongoing	<p>Executive delegations have been agreed. Constitution sets out the roles of Members. Joint Committee Agreement and Constitution sets out responsibilities of the Councils and their individual and joint committees.</p> <p>Scheme of delegations to officers has been redrafted to clarify executive and non-executive functions and take account of the new officer structure. A record of the amendments is being reviewed by the Joint Governance Committee in June 2016.</p>	Progressing well(Green)
G10/13	Scheme of Delegation	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authorities, taking account of relevant legislation, and ensure that it is monitored and updated when required.	Susan Sale	Ongoing	Scheme of delegations has been revised and a record of the amendments is being reviewed by the Joint Governance Committee in June 2016.	Progressing well(Green)
G16/13	Process for communicating the vision, strategic plans, priorities and targets	Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders. That they are clearly articulated and disseminated.	Neil Hopkins	Ongoing	<p>A vision has been produced and agreed by the Councils called 'Catching the Wave'. A communications workstream for 'Catching the Wave' was set up to increase capacity to effectively communicate the vision effectively externally and internally. The Council receives 6 months reports on progress in implementing the actions arising from these priorities.</p> <p>The communication capacity of the Councils has subsequently been further strengthened through the appointment of a Head of Communications, who is now preparing a new Communications/Engagement strategy for the organisation</p>	Being closely monitored(Amber)

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G17/13	Partnership protocols and governance	1) When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authorities.	Tina Favier	Ongoing	As part of the review of member development and the role of members on Outside Bodies, guidance & support is provided to Members e.g. representation on South Downs Leisure Trust Board; Worthing Homes Board.	Progressing well(Green)
		2) When working in partnership: (a)ensure that there is clarity about the legal status of the partnership; (b) ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	Tina Favier	Ongoing	The terms of reference of the Local Strategic Partnership and the Partnerships that support the LSP have recently been reviewed and updated to ensure consistency and to make connections with other key strategic partnerships e.g. Safer West Sussex; GBEB; West Sx Health & Wellbeing Partnership.	Progressing well(Green)

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G19/13	Standards of conduct and behaviour	Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	Susan Sale	Ongoing	The Councils each have an up to date Code of Conduct for Members and an Officers Code of Conduct.  The Code of Conduct is due to be reviewed in 2016/17.	Progressing well(Green)
G21/13	Shared values	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.	Gill Frost	Ongoing	The Organisational Development Team has been set up. PDR process has been revamped with clear links to the core competencies and behaviours.  A new talent management programme set up 'unboxed' to develop staff. The first 20 staff are took part in the programme in 2015/16 which has been assessed as successful. Round 2 is to be launched later this year.	Progressing well(Green)
G22/13	Systems and processes conform to appropriate ethical standards	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	Susan Sale / Sarah Gobey	Ongoing	Financial Standing Orders were approved in April, 2014. The Constitution has been revised and approved, A review of Contract Standing Orders was undertaken and approved in June 2015.  The Contract Standing Orders are due to be reviewed again at the Joint Governance Committee in September 2016 for any changes resulting from audit recommendations	Progressing well(Green)
G57/13	Information Security	Ensure policies, procedures & training is in place to meet statutory obligations & high standards of practice in information governance and security.	Paul Brewer	Ongoing	A suite of IS Policies, procedures, training & guidance is now in place. A system for monitoring IS breaches has been established..  The policies are due for review in 2016/17.	Progressing well(Green)

#### 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G29/13	Effective Audit Committees	Maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.	Sarah Gobey	Ongoing	Effective audit scrutiny in place. Councillors can attend training. Continuing developing knowledge and skills of the Councillors.  A review of the effectiveness of the Audit Committee is due to be considered by the Joint Governance Committee in September 2016.	Progressing well(Green)
G33/13	Whistle-blowing	Ensure that up-to-date arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.	Susan Sale	Ongoing	Whistleblowing policy has been renewed. Policy to be reviewed annually.	Being closely monitored(Amber)
G52/13	Refresh Standing orders with relation to Contracts	To review and refresh the contract regulations.	Sarah Gobey/ Susan Sale	Ongoing	Refreshed Standing Orders recommended to Council for approval at JGC July 2015.  Training continues to be rolled out to all officers involved in procuring items of £5k or more from September onwards.	Progressing well(Green)
G53/13	Refresh Financial Regulations	To review and refresh the financial regulations.	Sarah Gobey	Ongoing	Revised financial regulations were approved by Joint Governance and Audit Committee in March 2014 and subsequently approved by both Councils in April.  A review is planned for 2016/17 to incorporate any new audit recommendations.	Being closely monitored(Amber)
G54/13	Contract Management	To review and refresh the guidance and training offered to staff with responsibility for significant contracts and ensure all officers with responsibility for significant contract have the knowledge and skills to perform their duty adequately.	Sarah Gobey; Steve Spinner	Ongoing	Following the roll out of the Contract Standing Orders training sessions to all staff involved with delivering contracts, mandatory contract management training is now being delivered to all relevant staff.  Training providers have been contacted to provide a course outline and training programme.  However, a couple of recent internal audit reports indicate that there are still pockets of poor practice.	Needs attention (Red)
G55/13	Project Management	To ensure projects are carried out in a timely manner, within budget and achieve their stated objectives/ outcomes.	Paul Brewer	Ongoing	The Councils Leadership Team is reviewing all key Projects/Risks/Actions on a monthly basis and work is currently underway to make the report to the CLT more of a 'live' document.  A new training framework is being developed by the Head of Digital and Design	Being closely monitored(Amber)

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G56/13	Review procurement guidance	To review and refresh the detailed guidance for procurement.	Sarah Gobey	31-Mar-2014	<p>A Corporate Procurement Working Group is now meeting and this forms part of their action plan. Mandatory standing order training has been completed for all managers responsible for procuring goods and services.</p> <p>A new procurement intranet page is active and contains a matrix to help staff use the correct method of procurement.</p> <p>A procurement portal for letting contracts has been implemented.</p> <p>A procurement strategy is in draft form and will be presented to Joint Strategic Committee for approval by September 2016.</p>	Being closely monitored(Amber)
G58/13	Compliance with priority 1 audit recommendations	Ensure all important audit recommendations are implemented within agreed timescales.	Sarah Gobey	Ongoing	<p>Head of Internal Audit is now reporting to Management Team to raise profile of issues. List of outstanding recommendations is being circulated to Heads of Service for review and action.</p> <p>Heads of Service not responding to audit queries are now being asked to attend JGC.</p> <p>A new audit recommendation tracking system has been developed with assistance from the digital team. This will enable better tracking of audit recommendations in the future.</p>	Progressing well(Green)

5. Developing the capacity and capability of members and officers to be effective

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G38(M)/13	Assess skills required by Members	Assess the skills required by members and make a commitment to develop those skills to enable roles to be carried out effectively.	Tina Favier / Susan Sale	Ongoing	Evaluation of the effectiveness of member training currently being completed for discussion between Head of Wellbeing and Leaders (as portfolio holders for Member Services). A revised training plan is currently being considered.  Member training includes skills in areas of chairmanship, standards. Planning, licensing and finance.	Progressing well(Green)
G38(O)/13	Assess skills required by Officers	Assess the skills required by officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Gill Frost	Ongoing	The PDR process for 2016 has been revised with a pilot being undertaken in Housing. All 2015/16 PDRs will be completed by the end of June 2016. The Organisational Development team has been looking at: - Individual performance management - Managers training package - Learning, development and growth - Leadership capacity - Digital capability programme for all staff - Core customer service training package	Progressing well(Green)
G40/13	Reviewing the performance of the Executive and individual Members	Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.	Tina Favier / Dave Briggs	Ongoing	No progress. Executive is subject to review by JOSC and is subject to challenge by elected Members at Full Council.  There is no formal process for carrying out performance and development reviews for Members.	Being closely monitored(Amber)
G41/13	Engage community to participate in work of the authority	Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	Neil Hopkins/ Tina Favier	31-Mar-2014	Two key themes of the Catching the Wave vision are 'Cultivating Enterprising Communities' and 'Becoming Adaptive Councils' - to actively promote and lead community enterprise and civic social entrepreneurs. The Director for communities leads on this work.  Alongside this, the communication capacity of the Councils, both internally and externally, has been strengthened through the appointment of a Head of Communications, who is preparing a new Communications/Engagement strategy for the organisation. The new Communications team is currently being recruited to, full details can be found in G16/13 above.  The Councils also have a joint Members/Officers/Youth Council Community Engagement Task Group which over sees community engagement work. This has currently been put on hold pending a decision by senior leadership officers and the Leader of the Council.	Being closely monitored(Amber)

5. Developing the capacity and capability of members and officers to be effective

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G42(M)/13	Career structures - Members	Ensure that career structures are in place for members to encourage participation and development.	Tina Favier / Julia smith	31-Mar-2014	Review of Members training is ongoing. Once report prepared, Democratic Services is to share it with Chief Executive and Leaders of ADC & WBC to determine the future direction of Member training and whether or not the Councils should continue with a career pathway for elected Members.	Being closely monitored(Amber)
G42(O)/13	Career structures - Officers	Ensure that career structures are in place for officers to encourage participation and development.	Gill Frost / Becky Cooke	Ongoing	The Organisational Development team has been rolling out: - Individual performance management - A talent management programme - Learning, development and growth - Leadership capacity - Managers training package - Developing core competencies for recruitment and development.	Progressing well(Green)
G50/13	Continue staff engagement and consultation	<p>Renew in light of cultures and behaviours a clear policy on how staff and their representatives are consulted and involved in decision making.</p> <p>Develop and maintain a clear policy on how staff and their representatives will be engaged with in times of change, i.e. changing the way a service is delivered, cuts.</p>	Neil Hopkins / Gill Frost	Ongoing	<p>A vision has been produced and agreed by the Councils called 'Catching the Wave'. This set the Councils priorities for the short to medium term.</p> <p>A series of Staff events have been and are continuing to be held as part of this programme.</p> <p>Additionally, an established programme of meetings with UNISON is in place at least 6 times per annum (JONG). Where necessary business groups of JONG are formed to look at specific issues and to report back to JONG e.g. Terms &amp; Conditions Working Group.</p> <p>The communication capacity of the Councils has also been further strengthened through the appointment of a Head of Communications, who is now preparing a new Communications/Engagement strategy for the organisation, both internally as well as externally.</p>	Progressing well(Green)



## 6. Engaging with local people and other stakeholders to ensure robust public accountability

Action Code	Title	Description	Assigned To	Due Date	Latest Note	Performance Status
G43/13	Stakeholder relationships	<p>1) Make clear to stakeholders, all staff and the community who in the council is accountable to whom and for what.</p> <p>2) Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.</p>	Sarah Gobey / Tina Favier	Ongoing	<p>The Catching the Wave Programme Board includes a 'Partners and Partnerships' workstream to review our partnership and stakeholder relationship working and to seek to align this working with the new vision.</p> <p>Mapping work has been undertaken with over 300 partnerships identified. Work on classifying &amp; better understanding these partnerships is now underway. This will include identification of partnership gaps &amp; opportunities. The mapping work will identify key stakeholders &amp; the relationship they have with the Councils.</p>	Being closely monitored(Amber)
G44/13	Scrutiny annual report	Produce an annual report on the activity of the scrutiny function.	Mark Lowe/ Dave Briggs	Ongoing	Report on 2014/15 JOSC Annual report was prepared for JOSC and presented on 16 <sup>th</sup> July 2015.	Action complete(Green)
G47/13	Performance Monitoring and Reporting	Report quarterly the progress on performance, including risks.	Mark Lowe / Dave Briggs	Ongoing	<p>A new performance dashboard introduced in April 2014 is being reported on a regular basis to Councils Leadership Team. A revised Dashboard is now currently being developed using interactive Performance software providing infographics/Dashboards for rolling out in the summer 2015 and incorporating monthly 'Flash reporting'.</p> <p>A new way of monitoring Risks is being developed using new interactive tools (Trello Boards) and was introduced in summer 2015.</p>	Action progressing well (Green)
G48/13	Open and accessible authority	Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	Paul Brewer / Dave Briggs	Ongoing	The Open Data section has been created on the website. Government have now published a new Code of Practice for Local Authorities on Data Transparency which was implemented with effect from 1 <sup>st</sup> April 2014. This data is being kept up to date.	Being closely monitored(Amber)



## **ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT**

### ***SCOPE OF RESPONSIBILITY***

Adur District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.adur.gov.uk](http://www.adur.gov.uk) or [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk) or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### ***THE PURPOSE OF THE GOVERNANCE FRAMEWORK***

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31<sup>st</sup> March 2016 and up to the date of approval of the statement of accounts.

### ***THE GOVERNANCE FRAMEWORK***

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- reviewing the authority's vision and its implications for the authority's governance arrangements;
- translating the vision into objectives for the authority and its partnerships;

# ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE GOVERNANCE FRAMEWORK***

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money;
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements;
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality;
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective management of change and transformation;
- ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring effective arrangements are in place for the discharge of the monitoring officer function;
- ensuring effective arrangements are in place for the discharge of the head of paid service function;
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*;
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- whistleblowing and for receiving and investigating complaints from the public;
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;

# ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

## **THE GOVERNANCE FRAMEWORK**

- enhancing the accountability for service delivery and effectiveness of other public service providers;
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The operation of this authority's governance framework is described in the section below.

## **THE OPERATION OF THE GOVERNANCE FRAMEWORK**

The governance framework gives Managers/Directors/Members, in a number of ways, the confidence/evidence/ certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

<b>WHAT WE NEED TO DO</b>					
Focusing on the purpose of the Authority; deliver outcomes for the Community and create and implement a vision for the local area.	Working together to achieve a common purpose with clearly defined functions and roles	Promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour	Take informed and transparent decisions which are subject to effective scrutiny and managing risk	Develop the capacity and capability of members and officers to be effective	Engage with local people and other stakeholders to ensure robust public accountability.

<b>HOW WE DO IT</b>					
<ul style="list-style-type: none"> <li>• Organisational goals</li> <li>• Service planning</li> <li>• Performance Management</li> <li>• Strategies</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• The Monitoring Officer</li> <li>• Section 151 Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Codes of conduct</li> <li>• Financial management and MTFP</li> <li>• Bribery Act 2010 policy guidance</li> <li>• Whistleblowing Policy</li> <li>• HR Policies &amp; procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Freedom of information requests</li> <li>• Complaints procedure</li> <li>• Reports considered by legal and finance experts</li> <li>• Equality impact assessments</li> <li>• Corporate risk register</li> </ul>	<ul style="list-style-type: none"> <li>• Robust interview and selection process</li> <li>• Training and development</li> <li>• Workforce planning</li> <li>• Succession planning</li> <li>• Performance development reviews</li> <li>• Talent management</li> </ul>	<ul style="list-style-type: none"> <li>• Community and engagement policy</li> <li>• Consultations</li> <li>• Terms of reference for partnerships</li> </ul>

# ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE**

Joint Governance Committee function and self-assessment;  
Corporate Governance Group; Scrutiny Reviews;  
Review of progress made in addressing issues; Performance monitoring;  
Review of compliance with corporate governance controls;  
Review of accounts; Employee opinion surveys; Internal audits and external audits;  
Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

#### **1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA**

##### ***Joint Corporate Priorities***

The Councils have agreed three priorities which set out its aspirations for the town.

- **Supporting Wealth Generators**
- **Cultivating Enterprising Communities**
- **Becoming an adaptive Council**

Further details of how these priorities will be achieved are included in a programme of work called 'Surf's Up' which can be found on the internet <http://www.adur-worthing.gov.uk/large-files/surfs-up/surfs-up-spreads.pdf>.

##### ***Service planning and performance management***

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Through partnership working and efficiency savings the Council has made significant savings over the past five years and needs to find a further £2.4m by 2020/21 in a climate of reducing funding from Central Government and rising demand for many of the Councils services. This means that it is important that, whilst we focus on achieving the organisational goal and aspirations, we continue to plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

The Heads of Service are responsible for preparing service plans that include detail on: core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the service.

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# **ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT**

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **2. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES.**

#### ***The Constitution***

The constitution sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, this Council continues with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation and with our neighbour Worthing borough Council, members and officers continue to improve their working relations with other organisations, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

#### ***The Monitoring Officer***

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. She is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution.

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# ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **3. PROMOTING THE VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

#### ***Financial management***

The Chief Financial Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. She advises on financial matters to both the Executive and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance team ensure that new policies or service proposals are costed, financially appraised, fully financed and identifies the key assumptions and financial risks that face the council.

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# ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

#### ***Transparency***

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 (FoI) gives anyone the right to ask for any information held by a public authority, which includes this Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

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Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

#### ***Risk management***

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place.

#### ***Effective scrutiny***

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by its own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

#### ***Complaints***

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

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# **ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT**

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE**

#### ***Recruitment and induction***

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

#### ***Training and development***

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

#### ***Performance monitoring***

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

### **6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

#### ***Engagement and communication***

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Adur District Council has developed a Community and Engagement Policy, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

# ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Councils website at [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk). Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, council meetings (open to the public), their local Councillor and through the citizens panel.

#### ***Consultations***

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.

#### ***Partnership working***

In addition to the partnership between Adur and Worthing (<http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/>), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

## ***REVIEW OF EFFECTIVENESS***

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, the Joint Overview and Scrutiny Committee, the Standards Committee.
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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## **ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT**

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### ***SIGNIFICANT GOVERNANCE ISSUES***

There are two significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

i) Procurement and contract management procedures and processes:

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contact procedures and contract management arrangements. Actions are being taken to remedy the situation by way of:

- A programme of training on contract standing orders and contract management;
- A major review of contract management; and
- A corporate review of procurement.

ii) Lack of an ICT Disaster Recovery Plan.

The Council identified this as a key priority following an in-depth review of an IT failure. To address this, the Council has engaged consultants to support the production of a new ICT Disaster Recovery Plan

iii) Housing Solutions procedures and processes;

The Council identified the need to improve its management of the Housing Solutions Service following an in depth review of processes and procedures by the Legal team and Internal Audit. An internal Corporate Governance Team was convened, chaired by the Chief Executive and actions are being taken to improve the service by way of:

- A programme of training on the legislative framework for the Housing Solutions Team;
- A major review of all processes and procedures.
- A review of the staffing and management of the service.

### ***OTHER ISSUES***

The Governance Action Plan has been updated to deal with any issues brought forward from the 2015 review together with any issues which have been identified during the current review.

The governance requirements in the Statement on the Role of the Chief Financial Officer in Public Services are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive and the Corporate Leadership Team where necessary.

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## ADUR DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

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### ***PROPOSED ACTION***

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_

Councillor Neil Parkin  
Leader of the Council  
Adur District Council



Dated:

Signed: \_\_\_\_\_

Alex Bailey  
Chief Executive of  
Adur & Worthing Councils



Dated:



## **WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT**

### ***SCOPE OF RESPONSIBILITY***

Worthing Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.adur.gov.uk](http://www.adur.gov.uk) or [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk) or can be obtained from the Council. This statement explains how Adur District Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### ***THE PURPOSE OF THE GOVERNANCE FRAMEWORK***

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the financial year ended 31<sup>st</sup> March 2016 and up to the date of approval of the statement of accounts.

### ***THE GOVERNANCE FRAMEWORK***

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- reviewing the authority's vision and its implications for the authority's governance arrangements;
- translating the vision into objectives for the authority and its partnerships;

# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE GOVERNANCE FRAMEWORK***

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money;
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements;
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality;
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective management of change and transformation;
- ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring effective arrangements are in place for the discharge of the monitoring officer function;
- ensuring effective arrangements are in place for the discharge of the head of paid service function;
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*;
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- whistleblowing and for receiving and investigating complaints from the public;
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;



# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## **THE GOVERNANCE FRAMEWORK**

- enhancing the accountability for service delivery and effectiveness of other public service providers;
- incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The operation of this authority's governance framework is described in the section below.

## **THE OPERATION OF THE GOVERNANCE FRAMEWORK**

The governance framework gives Managers/Directors/Members, in a number of ways, the confidence/evidence/ certainty that what needs to be done is being done. The chart below provides a high level overview of the Council's key responsibilities, how they are met and the means by which assurance is delivered.

<b>WHAT WE NEED TO DO</b>					
Focusing on the purpose of the Authority; deliver outcomes for the Community and create and implement a vision for the local area.	Working together to achieve a common purpose with clearly defined functions and roles	Promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour	Take informed and transparent decisions which are subject to effective scrutiny and managing risk	Develop the capacity and capability of members and officers to be effective	Engage with local people and other stakeholders to ensure robust public accountability.

<b>HOW WE DO IT</b>					
<ul style="list-style-type: none"> <li>• Organisational goals</li> <li>• Service planning</li> <li>• Performance Management</li> <li>• Strategies</li> </ul>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• The Monitoring Officer</li> <li>• Section 151 Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Codes of conduct</li> <li>• Financial management and MTFP</li> <li>• Bribery Act 2010 policy guidance</li> <li>• Whistleblowing Policy</li> <li>• HR Policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Freedom of information requests</li> <li>• Complaints procedure</li> <li>• Reports considered by legal and finance experts</li> <li>• Equality impact assessments</li> <li>• Corporate risk register</li> </ul>	<ul style="list-style-type: none"> <li>• Robust interview and selection process</li> <li>• Training and development</li> <li>• Workforce planning</li> <li>• Succession planning</li> <li>• Performance development reviews</li> <li>• Talent management</li> </ul>	<ul style="list-style-type: none"> <li>• Community and engagement policy</li> <li>• Consultations</li> <li>• Terms of reference for partnerships</li> </ul>

# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **HOW WE KNOW WHAT NEEDS TO BE DONE IS BEING DONE**

Joint Governance Committee function and self-assessment;  
Corporate Governance Group; Scrutiny Reviews;  
Review of progress made in addressing issues; Performance monitoring;  
Review of compliance with corporate governance controls;  
Review of accounts; Employee opinion surveys; Internal audits and external audits;  
Inspections and recommendations made by external agencies.

The following sections look at how the Council delivers governance principles in more detail:

#### **1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA**

##### ***Joint Corporate Priorities***

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## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

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All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant Committee or group. This Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making.

#### ***Risk management***

All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place.

# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

#### ***Effective scrutiny***

The Council operates Joint Overview and Scrutiny Committee (JOSC) governed by its own terms of reference. It is important that JOSC acts effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Executive or the Joint Strategic Committee. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The JOSC's findings are reported to the Joint Strategic Committee or Executive and may result in changes to the way in which services are delivered.

#### ***Complaints***

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

### **5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE**

#### ***Recruitment and induction***

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers receive induction which provides information about how the organisation works, policies and health and safety. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

#### ***Training and development***

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE**

#### ***Performance monitoring***

All Officers receive regular one to ones with their Manager in order to monitor workload and performance and Managers are required to carry out a performance development review on an annual basis, which seeks to identify future training and development needs. Services consider workforce plans as part of the annual business planning process. Our service plans paint a picture of what we want to achieve; workforce planning helps to establish the nature of the workforce needed to deliver that vision, and produce a plan to fill the gaps. This helps to ensure we have the right people, with the right skills, in the right jobs, at the right time.

### **6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

#### ***Engagement and communication***

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Adur District Council has developed a Community and Engagement Policy, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.

#### ***Engagement and communication***

To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council. Current consultations can be found on the Council's website at [www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk). Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, council meetings (open to the public), their local Councillor and through the citizens panel.

#### ***Consultations***

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.

# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***THE OPERATION OF THE GOVERNANCE FRAMEWORK***

### **6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

#### ***Partnership working***

In addition to the partnership between Adur and Worthing (<http://www.adur-worthing.gov.uk/about-the-councils/partnership-working/>), this Council is involved in a number of different partnerships, at different levels – each with their own set of terms of reference for effective joint working.

## ***REVIEW OF EFFECTIVENESS***

Adur District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by relevant stakeholders, the external auditors and other review agencies and inspectorates.

The Council has procedures in place to ensure the maintenance and review of the effectiveness of the governance framework, which includes reports to and reviews by the following:

- the Joint Strategic Committee, Executives, the Joint Governance Committee, the Joint Overview and Scrutiny Committee, the Standards Committee
- internal and external audit
- other explicit review/assurance mechanisms.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Joint Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## ***SIGNIFICANT GOVERNANCE ISSUES***

There are two significant governance issues either identified by red status on the Governance Action Plan or from the Internal Audit Annual Report or via a report from the Monitoring Officer;

### **i) Procurement and contract management procedures and processes:**

The Council identified the need to improve its future procurement and contract management arrangements following an in depth review of contact procedures and contract management arrangements. Actions are being taken to remedy the situation by way of:

- A programme of training on contract standing orders and contract management;
- A major review of contract management; and
- A corporate review of procurement.



# WORTHING BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

## ***SIGNIFICANT GOVERNANCE ISSUES***

- ii) Lack of an ICT Disaster Recovery Plan.

The Council identified this as a key priority following an in-depth review of an IT failure. To address this, the Council has engaged consultants to support the production of a new ICT Disaster Recovery Plan

- iii) Housing Solutions procedures and processes;

The Council identified the need to improve its management of the Housing Solutions Service following an in depth review of processes and procedures by the Legal team and Internal Audit. An internal Corporate Governance Team was convened, chaired by the Chief Executive and actions are being taken to improve the service by way of:

- A programme of training on the legislative framework for the Housing Solutions Team;
- A major review of all processes and procedures
- A review of the staffing and management of the service.

## ***OTHER ISSUES***

The Governance Action Plan has been updated to deal with any issues brought forward from the 2015 review together with any issues which have been identified during the current review.

The governance requirements in the Statement on the Role of the Chief Financial Officer in Public Services are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The position within Adur and Worthing Councils does not wholly conform to the above statement. The Section 151 Officer does not report directly to the Chief Executive, but reports to one of the Directors in line with the reporting requirements for all Heads of Service. The Section 151 Officer is not a member of the Council's Corporate Leadership Team and does not have the same status as the other members, but has full access to the Chief Executive and the Corporate Leadership Team where necessary.

## ***PROPOSED ACTION***

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**WORTHING BOROUGH COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

Signed: \_\_\_\_\_

Councillor Daniel Humphreys  
Leader of the Council  
Worthing Borough Council



Dated:

Signed: \_\_\_\_\_

Alex Bailey  
Chief Executive of  
Adur & Worthing Councils



Dated:

## Homeless case review

### Report by the Director for Communities

#### 1.0 Summary

- 1.1 At Joint Governance Committee on 22 March 2016 it was reported (JGC/15-16/051) that:

*A Member was disappointed to see a complaint that 'the Council failed to assist a complainant when he faced homelessness' and suggested that the Joint Governance Committee take a closer look at this area of work. It was proposed and seconded that a report regarding homelessness be brought to the June meeting of the Joint Governance Committee.*

- 1.2 It should be noted that whilst this is a correct account of the discussion, it does not correctly reflect that the household in question was assisted appropriately, that the Local Government Ombudsman found in favour of Worthing Borough Council and that there was no fault identified on the part of the local authority in terms of the decision. However, the complaint was upheld due to delays in responding to the complaint itself.
- 1.3 The Council has apologised to the complainant for the delay in the handling of this complaint and was asked by the Ombudsman to ensure the same errors do not happen again. This was considered to be reasonable resolution.

The Ombudsman's decision contained the following recommendations:

- The Council's complaint handling process should record receipt of a complaint on an IT system. This is to ensure that a full written response to a Stage One complaint is sent to the complainant within correct timescales.
- The Ombudsman said the Council needs to ensure it is providing correct information. In this instance the Council told the Ombudsman in March, that the case had already been dealt with as a Stage One complaint, this was incorrect.
- Finally, the Ombudsman said the Stage One response should have included an apology for the delay.

## **2.0 Background**

2.1 The complainant (Mr A) first approached the Council for housing assistance in October 2014. His representative (Ms B), submitted a complaint to the Council at the beginning of December 2014, setting out how they were dissatisfied with the advice they had been given. This should have been responded to by December 17<sup>th</sup> 2014. Ms B chased this up in December and again in January 2015.

A response to the complaint was issued on 8<sup>th</sup> April 2015, after Ms B had contacted the Ombudsman. In the response from the Housing Services Manager, Ms B was invited to make an appointment, and it was pointed out the housing advice given had been correct. The letter also said it was treating the complaint referred by the Ombudsman under the Stage Two complaint process.

On the 29<sup>th</sup> April 2015 the Stage Two complaint was responded to. It again reiterated the points made in the previous letter about the advice given but also apologised for the distress the delay in a response had caused.

The first response to Mr B's complaint was four months overdue. Worthing and Adur Council's published Customer Feedback leaflet states that a complaint will be acknowledged within five working days, and a full response will be sent within 10 working days (Stage 1) and 15 working days (Stage 2).

## **3.0 Proposals**

3.1 The Housing restructure includes a post of Project's Assistant; this is currently in the process of being recruited to. One of the duties aligned with this role will be to track the progress of complaints and members enquiries. This will ensure the following:

- All complaints, member enquiries, MP enquiries, etc coming into Housing are recorded at first point of contact and allocated to a named officer;
- Once recorded, these are then monitored and tracked for progress, including reminders being sent to the named officer as the deadline approaches and escalation to the relevant manager;
- A quality check in terms of the response that's provided, and identifying any potential need for staff development;
- Identifying common themes and trends that will assist in service improvement;
- Identifying common themes that may relate to individuals circumstances (eg issues around equality);
- Clear accountability, and reallocation in times of unexpected absence.

This will feed into a monthly review within the Management Team.

3.2 A new IT system for handling complaints, compliments and comments on services has been developed within the Councils, and following a period of testing, will be rolled out in early June 2016.

The system will enable the Councils to track complaints to ensure they are responded to within appropriate timescales, and also enable monitoring of the quality of responses to complaints to ensure a high standard is maintained.

#### **4.0 Legal**

- 4.1 There are no legislative time scales in regards to complaint response times or in regards to the way they should be handled. However, there is an Ombudsman Best Practice Guidance, published 1996 (updated 2002), which contains a checklist of rules for behaviour of officers. The guidance states that we should deal with people properly without undue delay in accordance with published time limits.

#### **5.0 Financial implications**

- 5.1 There are no financial implications arising from this report

#### **6.0 Recommendation**

- 6.1 To note the implementation of an internal process with the Project Officer post acting as a central point to coordinate Housing Services complaints and track their progress.

### **Local Government Act 1972**

#### **Background Papers:**

Published findings of the Local Government Ombudsman  
Ombudsman Best Practice Guidance, published 1996 (updated 2002)

#### **Contact Officer:**

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01903 221190  
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## Schedule of Other Matters

### **1.0 Council Priority**

- 1.1 Ensuring that our core business services are consistently high quality, cost effective and have the necessary capacity delivered with the full understanding of the strategic needs of the organisation

### **2.0 Specific Action Plans**

- 2.1 None

### **3.0 Sustainability Issues**

- 3.1 None

### **4.0 Equality Issues**

- 4.1 Analysis of complaints, member enquiries, MP enquiries, etc will identify where an equality issue arises and lead to service improvement

### **5.0 Community Safety Issues (Section 17)**

- 5.1 Analysis of complaints, member enquiries, MP enquiries, etc will identify where a community safety issue arises and lead to service improvement

### **6.0 Human Rights Issues**

- 6.1 Analysis of complaints, member enquiries, MP enquiries, etc will identify where a human rights issue arises and lead to service improvement

### **7.0 Reputation**

- 7.1 Analysis of complaints, member enquiries, MP enquiries, etc will identify areas for service improvement and hence improve service reputation

### **8.0 Consultations**

- 8.1 None

### **9.0 Risk Assessment**

- 9.1 None

### **10.0 Health & Safety Issues**

- 10.1 Analysis of complaints, member enquiries, MP enquiries, etc will identify where a health and safety issue arises and lead to service improvement

## **11.0 Procurement Strategy**

11.1 None

## **12.0 Partnership Working**

12.1 Analysis of complaints, member enquiries, MP enquiries, etc will identify where partnership working may result in an improved outcome and/or service improvement





## **THE ACCOUNTS AND AUDIT REGULATIONS 2015**

### **REPORT BY SARAH GOBEY, CHIEF FINANCIAL OFFICER**

#### **1.0 SUMMARY**

- 1.1 The purpose of this report is to brief the Joint Governance and Audit Committee on the Accounts and Audit Regulations 2015 which were laid before Parliament on 17<sup>th</sup> February 2015 and which came into force on 1st April 2015.

#### **2.0 BACKGROUND**

- 2.1 The Accounts and Audit Regulations contain provisions on financial management, annual accounts, internal control and audit procedures affecting all local authorities and a number of other local public bodies.
- 2.2 The Accounts and Audit Regulations 2015 revoke the Accounts and Audit (England) Regulations 2011 (and related adjusting amendments). The 2011 regulations were in effect in relation to financial years ending on or before 31 March 2015. The Councils' Statement of Accounts for 2014/15 was subject to the requirements of the 2011 Regulations. The publication and audit of the forthcoming 2015/16 Statement of Accounts will be subject to the 2015 Regulations.

#### **3.0 ACCOUNTS AND AUDIT REGULATIONS 2015 - STRUCTURE AND CONTENTS**

- 3.1 The 2015 Regulations are structured as follows:

##### **Part 1 - Introduction and Interpretation**

##### **Part 2 – Internal Control**

- Responsibility for internal control ensuring effective financial management and effective arrangements for risk management;
- responsibility for and maintenance of accounting records and system of financial control;
- requirement to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes;
- requirement to review the effectiveness of the system of internal control.

### **3.0 ACCOUNTS AND AUDIT REGULATIONS 2015 - STRUCTURE AND CONTENTS**

#### **Part 3 – Published Accounts and Audit**

- Requirement to prepare a statement of accounts in accordance with the regulations and proper practices;
- arrangements for signing and approval of the accounts including consideration and approval of the accounts by Members;
- publication of the statement of audited accounts by 31st July each year from 2017/18 (currently 30th September).

#### **Part 5 – Inspection and Notice Procedure**

- Period for exercise of public rights – rights of objection, inspection and questioning of the local auditor to be exercised within a single period of 30 working days;
- Above period to include the first 10 working days of July following the year-end and from 2017/18 this becomes the first 10 working days in June;
- Arrangements to publish pre-audit accounts including notice of public rights
- Notice of conclusion of audit and rights of public inspection;
- Procedure for written notice of objections to the auditor

#### **Part 6 – Miscellaneous**

- Publication of annual audit letter

### **4.0 ACCOUNTS AND AUDIT REGULATIONS 2015 – THE CHANGES**

#### **4.1 Timing of Changes**

4.1.1 The regulations come into force from April 2015, which means that majority of the changes described in the 2015 Accounts and Audit Regulations are applicable from the 2015/16 statement of accounts. However the most significant change contained within the new regulations is deferred until 2017/18 as follows:

- i) The deadline for certifying the statement of the accounts by the Chief Financial Officer will remain as 30<sup>th</sup> June until 2017/18 when it will become 31<sup>st</sup> May. The accounts must be certified before the public inspection period.
- ii) The deadline for the approval and publication of the audited accounts will remain as the 30<sup>th</sup> September until 2017/18 when it will become the 31<sup>st</sup> July.

## **4.0 ACCOUNTS AND AUDIT REGULATIONS 2015 – THE CHANGES**

### **4.1 Timing of Changes**

- iii) The period for the inspection of the accounts must include the first 10 days in July until 2017/18 when it will include the first 10 days of June.

These changes will significantly impact the timing of the preparation and approval of the 2017/18 accounts.

### **4.2 Categorisation of Authorities**

4.2.1 The regulations define relevant authorities as Category 1 and Category 2 authorities. Category 1 authorities are larger Councils such as Adur and Worthing Councils or smaller authorities that have chosen to prepare their accounts for the purpose of a full audit. All other authorities are classed as Category 2 authorities

4.2.2 The requirements of the regulations are identified separately for Category 1 and Category 2 authorities. The remainder of this report will focus on the regulations for Category 1 authorities only.

### **4.3 Earlier Timetable for the Closure of Accounts**

4.3.1 Previously, for the financial years up to and including 2014/15 the 2011 Regulations required that the following provisions be applied for the approval and publication of the annual accounts:

- no later than 30th June following the financial year end the responsible financial officer must certify the presentation of the annual accounts
- the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members, by no later than 30th September
- the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given

4.3.2 The transition regulations were explained in paragraph 4.1.2 of this report. From 2017/18, the 2015 Accounts and Audit Regulations bring forward significantly the timetable for the closure of Accounts as follows:

- the responsible financial officer must certify the accounts. Whilst no date is provided for this in the regulations, the latest date the accounts can be signed is 31st May as the accounts must be open for public inspection by 1st June at the latest.
- the annual accounts (including annual governance statement) must be published with the audit opinion and certificate, and before that must have been approved by members, by no later than 31st July.
-

## **4.0 ACCOUNTS AND AUDIT REGULATIONS 2015 – THE CHANGES**

### **4.3 Earlier Timetable for the Closure of Accounts**

- the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given

4.3.3 A fundamental review and streamlining of the year-end closedown process will be required to enable the Council's audited accounts to be certified 1 month earlier than they are currently. In addition the audit and certification of the accounts has been bought forward by 2 months which will also mean a change to how the audit is undertaken.

4.3.4 In recognition of this, the 2015 Regulations make transitory provisions for the statement of accounts relating to financial years 2015/16 and 2016/17 with continuation of the current 30<sup>th</sup> September deadline for publication of audited accounts and the implication is that sign off by the responsible finance officer also remains at 30<sup>th</sup> June for 2015/16 and 2016/17.

### **4.4 Exercise of Public's Rights to Inspect the Accounts**

4.4.1 For financial years up to and including 2014/15 the 2011 Regulations required that the Councils make available the accounts and other relevant documents available for public inspection for 20 working days before the date appointed by the Council's external auditor for questions and/or objections to the external auditor. The Council must give at least 14 days' notice of the public inspection period.

4.4.2 The 2015 Regulations require that the responsible finance officer must ensure that the period for the exercise of public rights includes the first 10 working days of June of the financial year immediately following the end of the financial year being reported (transitional arrangements allow for this period to relate to the first 10 working days of July for reporting on financial years 2015/16 and 2016/17). The period for the exercise of public rights (which will include rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period. During the period for the exercise of public rights the council must make all relevant documents available for public inspection.

### **4.5 Other Changes**

4.5.1 There are a couple of other minor changes in the 2015 regulations that will apply from 2015/16. The most significant are:

- Documents relating to the published statement of accounts must remain available for public access for a period of not less than 5 years.
- A narrative statement (Part 3, section 8) must be prepared to support the statement of accounts. It must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.

## **5.0 ADUR & WORTHING PROGRESS TO DATE**

### **5.1 2015/16 Statement of Accounts**

Adur and Worthing staff have incorporated the requirements of the 2015 Accounts and Audit Regulations into the 2015/16 statement of accounts and procedures with the aim of bring completion of the accounts forward.

### **5.2 Other Process Changes preparing for 2016/17**

The changes required by the 2015 Accounts and Audit Regulations impact significantly upon all those involved in the preparation and audit of the accounts. The Finance staff are aware of the challenge and have already taken steps to achieve the new tighter timetable through a number of measures. Examples include the following:

- a) Staff have been in regular dialogue with external auditors to ensure that the accounts comply with the new legislation. With the External Auditors we have agreed an in-year “hard close”, which means that we have closed the accounts at December 2015 to allow a partial audit of transactional data at this time. This will reduce audit work required from end of June.
- b) The timetable has been reviewed with the aim of programming tasks earlier in the financial year. This is an ongoing process and further revisions will be required for next year’s process.
- c) The Council is also investigating extending the use of estimation techniques particularly for the valuation of assets and pension valuations.

Outside agencies impact upon the closure of accounts process. West Sussex Finance Officers Association (WSFOA) have requested earlier pension information from Actuary and a review of external valuation working practices is being undertaken.

## **6.0 LEGAL**

- 6.1 There are no immediate legal implications arising directly from the content of this report. Compliance with the regulations will be required for accounting periods commencing on or after 1st April 2015.

## **7.0 FINANCIAL IMPLICATIONS**

- 7.1 There are no immediate financial implications arising from this report. Although, as explained in 4.2.3, processes and practices will need to change in order to comply with the tighter timescales. Any future financial implications will be reported.

## **8.0 CONCLUSION**

- 8.1 Much of the content of 2015 Accounts and Audit Regulations is similar to the 2011 regulations. The most significant change for the Councils is the accelerated deadline for the preparation and audit of the accounts. Adur Worthing staff, in conjunction with the External Auditors, has taken action to comply with the new regulations.

## **9.0 RECOMMENDATIONS**

- 9.1 The Committee is recommended to note the publication and requirements of the Accounts and Audit Regulations 2015

### **Local Government Act 1972**

#### **Background Papers:**

Accounts and Audit (England) Regulations 2015

[http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

Local Audit and Accountability Act 2014

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

#### **Contact Officer:**

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## **SCHEDULE OF OTHER MATTERS**

### **1.0 COUNCIL PRIORITY**

Matter considered and no issues identified

### **2.0 SPECIFIC ACTION PLANS**

2.1 Matter considered and no issues identified

### **3.0 SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### **4.0 EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### **5.0 COMMUNITY SAFETY ISSUES (SECTION 17)**

5.1 Matter considered and no issues identified

### **6.0 HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### **7.0 REPUTATION**

7.1 The External Auditor's Audit Results Report – ISA (UK and Ireland) 260 is a publicly available document and as such the findings on the report have an impact on the Councils reputation with regard to financial Governance.

### **8.0 CONSULTATIONS**

8.1 Matter considered and no issues identified

### **9.0 RISK ASSESSMENT**

9.1 Matter considered and no issues identified

### **10.0 HEALTH AND SAFETY ISSUES**

10.1 Matter considered and no issues identified

### **11.0 PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### **12.0 PARTNERSHIP WORKING**

12.1 This report contains details of the Statement of Accounts for the Adur and Worthing Partnership.





Ward: All

## Amendments to the Constitution

### Report by the Solicitor to the Councils

#### 1.0 Summary

1.1 This report seeks to update Members of the Joint Governance Committee with recent amendments made to the Councils' Constitutions by the Monitoring Officer.

#### 2.0 Background

2.1 The Monitoring Officer has a duty to maintain an up-to-date version of the Constitution and ensure it is publicly available, and has authority to make minor amendments to it.

#### 3.0 Proposals

##### Petition Scheme

3.1 The Monitoring Officer has made a minor amendment to the Councils' Petition Scheme to include a provision that a petition submitted under the petition scheme may be rejected if it is also submitted in response to a formal consultation process.

3.2 This amendment is primarily for clarity; a formal or statutory consultation process is a separate process from the petition scheme and a response to consultation should not trigger the action under that scheme. The amendment was published and came into effect on 31st March 2016.

##### Scheme of Officer Delegations

3.3 The Scheme of Officer Delegations has been amended by the Monitoring Officer. The revised scheme has been published and came into effect on 26th April 2016. The majority of amendments are as a result of recent changes to the Officer structure of the organisation, resulting in functions being the responsibility of different Heads of Service. Other amendments haveoDelegation has been given to the Director for Communities to manage the relationships with South Downs Leisure Trust and Impulse Leisure.

- Changes have been made to reflect the fact that the function of Freedom of Information and Data Protection have been transferred to the Director for Digital and Resources.

- Officers dealing with staffing matters are now prevented from authorising redundancies, which require Member approval, in line with current practice and protocol.
- Changes have been made to reflect the fact that the function of parking has transferred to Head of Customer Services.
- The authority of the Solicitor to the Council has been restricted when settling legal proceedings with a confidentiality clause which now requires Member approval.
- Changes have been made to reflect the fact that functions relating to water supply, draining, highways and coastal duties are the responsibility of the Head of Business and Technical Services.

### Council Procedure Rules

3.5 Various amendments have been made to the Council Procedure Rules which can be found in Part 4 of the Councils' Constitutions. The changes took effect on 5th May 2016 and have been made publicly available. Details of each amendment made are set out at Appendix B to this report and are summarised as follows:-

- Substitutes on regulatory committees are now required to have had training within the previous 2 years.
- Questions by the public at Council meetings continue to be permissible, but not statements, and only by those who live, work or own property in the District or Borough.
- Members continue to be able to ask questions on notice at Council meetings but not if the same question has been asked in the previous 6 months.
- Motions at Council will be referred to Planning or Licensing Committee if they relate to a planning or licensing matter.
- Council is unable to rescind decisions made within the previous 6 months, unless the subsequent decisions of other bodies have had significant impact on the decision.
- The Chairman of a sub committee may agree the minutes of that meeting.
- References to record of attendance sheets have been removed.
- Clarity has been provided around the appointment of the Leader of the Opposition as no such appointment will be made if the numbers of the second and third largest groups are equal.

### **4.0 Legal**

4.1 Article 11, paragraph 11.03, of the Councils' Constitutions sets out the Functions of the Monitoring Officer and states "The Monitoring Officer has the delegated authority to make minor and consequential amendments to the Constitution at any time".

### **5.0 Financial implications**

5.1 There are no financial implications arising from this report

## **6.0 Recommendation**

- 6.1 Members of the Joint Governance Committee are asked to note the contents of the report.

### **Local Government Act 1972**

#### **Background Papers:**

Adur District Council Constitution  
Worthing Borough Council Constitution

#### **Contact Officer:**

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## **Schedule of Other Matters**

### **1.0 Council Priority**

1.1 [Set out which of the Council's priorities the proposal meets and how. ]

### **2.0 Specific Action Plans**

2.1 (A) [Set out the specific outcomes from the Corporate Plan the proposal is aimed at achieving and how]  
(B) [Set out any specific government target the proposal is aimed to achieve]

### **3.0 Sustainability Issues**

3.1 [Details of any sustainability issues, checklist to be completed and submitted to Community Wellbeing]

### **4.0 Equality Issues**

4.1 [Details of any equality issues or how the proposal improves the current position]

### **5.0 Community Safety Issues (Section 17)**

5.1 [Details of how the proposal helps reduce crime and disorder and to meet the Council's duty regards crime and disorder reduction targets]

### **6.0 Human Rights Issues**

6.1 [Does the proposal impinge on anyone's human rights and if so how is it justified under the Human Rights Act? Human rights include:  
Right to a fair trial, respect for family life, private life, home and correspondence, freedom of thought, expression, assembly and association and protection and quiet enjoyment of property and possessions. Also ask, is the action proportionate to the anticipated response or outcome?]

### **7.0 Reputation**

7.1 [Is the proposal likely to have an impact on the reputation of the Council(s)]

### **8.0 Consultations**

8.1 (A) [Details of relevant internal (staff UNISON etc) and external (including Stakeholder Groups; etc.) consultation]  
(B) Include how have you used the feedback from the consultation in this proposal

### **9.0 Risk Assessment**

9.1 [Details of risks of doing or not doing? Are there insurance or public liability issues? Is there a statutory duty on the Council to do what is proposed and what are the

consequences of not doing it? Highlight if this report meets an element in the corporate business continuity plan]

## **10.0 Health & Safety Issues**

10.1 [Details of any health and safety issues]

## **11.0 Procurement Strategy**

11.1 [Confirm that the report complies with the Procurement Strategy or explain why the Strategy had not been complied with. Include how your recommendation meets the strategy making reference to Best Value principles if necessary]

## **12.0 Partnership Working**

12.1 [Detail any partnership working the report/proposal seeks to promote]

## APPENDIX A

### Part 4 : Scheme of Delegations

<b>1.5</b>	<b>Sub Delegations</b>
1.5.7	Where an officer is authorised to act, either under this Scheme or by a specific resolution of Full Council, Executive, an Individual Executive Member or a Committee, he/she may further delegate the authority to exercise a specific power on behalf of this Council to an Officer of another Council, whilst still retaining the delegation themselves. All other provisions of paragraph 1.5 of this Scheme must be complied with when exercising this provision.

To enable partnership working with other Local Authorities.

<b>2.3</b>	<b>Director for Communities</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
2.3.2	To manage the relationship between Worthing Borough Council and South Downs Leisure Trust		

To reflect the changes in Worthing Borough Councils' provision of leisure services via South Downs Leisure Trust

2.3.3	To manage the relationship between Adur District Council and Adur Community Leisure (Impulse Leisure)		
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To reflect the changes in Adur District Council's arrangements in respect of leisure facilities.

<b>2.4</b>	<b>Director for Customer Services</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
2.4.1	To be the link officer with the Commissioner for Local Administration in England ("Local Government Ombudsman")	Monitoring Officer (to reflect the statutory role of the Monitoring Officer in respect of maladministration) and the appropriate Head of Service	

To implement provisions of section 5 Local Government and Housing Act 1989.

<b>2.5</b>	<b>Director for Digital and Resources</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
2.5.1	To respond to requests under Data Protection and Freedom of Information legislation		With the exception of requests for review and appeals.

To reflect the change in function as in April 2016 the function of responding to FOI and DPA requests transferred from Legal Services to the PA's to the Directors under the management of the Director for Digital and Resources, with the review function being retained in Legal Services.

2.5.2	To act as the Senior Information Risk Owner for both Councils in respect of the function of Information Security.		
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For completeness

<b>2.7</b>	<b>Chief Executive, all Directors and all Heads of Service</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
2.7.17	To manage land, property (including rent reviews) and other assets allocated to the functions for which they are responsible.		
2.7.18	To vary the terms and conditions of leases and licences or negotiate the surrender of leases and licenses.	Consultee removed	
2.7.19	To give landlord's consent for uses, subject to planning permission.	Consultee removed	

For clarity

2.7.30	To determine and take action in relation to all staff matters in accordance with the Officer Procedure Rules.	Where specified in the Officer Procedure Rules, Solicitor to the Council Head of Human Resources	In accordance with Officer Procedure Rules and all Council policies and procedures.  To exclude the determination of redundancies (voluntary or otherwise) and the determination of termination of
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			contracts of employment on the grounds of efficiency of the service.
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To accord with Executive Members request and to formalise existing protocol and practice.

<b>3.1</b>	<b>Head of Housing</b>	<b>Consultation</b>	<b>Limitations</b>
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.1.2	To exercise the Council's functions relating to homeless persons.		With the exception of requests for reviews under s202 Housing Act 1996.

To reflect the fact that requests for reviews against homelessness decisions made in accordance with s202 Housing Act 1996 are dealt with by Head of Legal to ensure independence and good governance.

3.1.8	To determine and where appropriate give consent for alterations or extensions to former Council houses and flats		
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To reflect the fact that this function lies within the responsibilities of the Head of Housing rather than the Head of Growth.

<b>3.2</b>	<b>Head of Wellbeing</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.2.4	To determine whether or not a simple caution should be administered following an investigation into an alleged criminal offence	Solicitor to the Council	There must be a full admission It must be a minor matter It must be in the public interest It must be a first offence Copy to be sent with reasons to the Solicitor to the Council To exclude the administration of the caution.

For clarity



<b>3.6</b>	<b>Head of Customer Services</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.6.1	All matters relating to on and off street parking	In respect of Adur District Council, consultation with the relevant Executive Member	

To reflect the fact that the function of parking services has been transferred from the remit of the Head of Growth to the Head of Customer Services.

<b>3.9</b>	<b>Head of Legal Services and Monitoring Officer</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.9.1	<p>Legal Proceedings:</p> <p>a. To determine what, if any legal action should be taken following any investigation into a criminal matter (except in relation to Health &amp; Safety at Work).</p> <p>b. To institute, prosecute or terminate any proceedings which the Council is empowered to undertake in or before any Court, Tribunal, Inquiry or by way of Fixed Penalty Notice (except in relation to Health &amp; Safety at Work).</p> <p>c. To defend or settle any proceedings brought against the Council (except in relation to Health &amp; Safety at Work).</p> <p>d. To take any action incidental or inclusive to or which would facilitate any action under this paragraph.</p> <p>e. To administer simple cautions.</p> <p>f. To determine whether or not any legal proceedings should be taken in any particular case or set of circumstances.</p>		In respect of settling legal proceedings a confidentiality clause may not be included unless the prior written agreement has been obtained from the Leader of the Council (or Deputy in their absence) and the Leader of the Main Opposition (or Deputy in their absence).

To implement decision of the Councils on 23<sup>rd</sup> February 2016 (WBC) and 25<sup>th</sup> February 2016 (ADC).

3.9.22	To respond to requests for review under Data Protection and Freedom of Information legislation.		
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To reflect the change in function as in April 2016 the function of responding to FOI and DPA requests transferred from Legal Services to the PA's to the Directors under the management of the Director for Digital and Resources, with the review function being retained in Legal Services.

3.9.28	To determine the approval of the Adur District Council and Worthing Borough Council logo in appropriate circumstances.	In consultation with the Leader of Adur District Council in respect of the Adur District Council logo. In consultation with the Leader of Worthing Borough Council in respect of the Worthing Borough Council logo.	
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To implement Joint Leader decision JAW/018/13-14

<b>3.11</b>	<b>Head of Human Resources</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.11.5	To comply with all legislation and government guidance on transparency in pay within the Council, including taking the annual pay policy statement to Council		

For clarity and completeness

3.11.6	To execute settlement agreements between the Council and its employees or former employees in circumstances where redundancy or termination of contract on the grounds of efficiency of the service have been approved.	Solicitor to the Councils	
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For operational efficiency – currently sub delegated from Solicitor to the Councils

<b>3.12</b>	<b>Head of Business &amp; Technical Services</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.12.2	To manage the improvement, refurbishment, maintenance and new build provision of the Council's non-housing property portfolio not specifically the responsibility of other officers.		

For completeness

3.12.3	To exercise the Council's powers in respect of water supply, sewerage and drainage.		Such development must be permitted in a General Permitted Development Order or have been granted planning permission
3.12.4	To exercise the Council's powers in respect of land drainage.	Adur DC - relevant Executive Member	
3.12.5	To exercise the Council's powers affecting the design or maintenance of highways		
3.12.6	All matters relating to coastal and dredging licence applications		
3.12.7	All matters related to the Council's powers and duties in relation to the coast, rivers and harbours		

To reflect the fact that these functions have been transferred from the remit of the Head of Growth to the remit of the Head of Business and Technical Services.

<b>3.13</b>	<b>Head of Culture</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>
3.13.2	To manage the function of Events Management	In consultation with the Council's Head of Communications and Emergency Planning Officer	

To reflect the remit of the functions of the Head of Culture

<b>3.14</b>	<b>Head of Place and Investment</b>		
<b>No</b>	<b>Delegation</b>	<b>Consultation</b>	<b>Limitations</b>

3.14.1	To approve and grant seasonal concession licence agreements on behalf of the Councils	In consultation with the relevant Executive Member, the Solicitor for the Council and the Head of Growth	
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To reflect the fact that the function of granting concessionary agreements has been transferred to the Head of Place and Investment. Consultation with Head of Growth prudent as the agreements relate to Council owned land. Consultation with Solicitor to the Council prudent as concessions are legally binding agreements.

3.15 No	Head of Growth Delegation	Consultation	Limitations
3.15.3	To determine the Council's stance in respect of and respond to consultation opinions concerning matters including, but not limited to, Neighbourhood Plans and WSCC planning applications unless they are for 'major' development within the meaning of the T&CP (General Development Procedure) Order.	In respect of Neighbourhood Plans, in consultation with Relevant Executive Member	

For completeness

3.15.14	Removed		
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To reflect the fact that the approval of circuses at Brooklands is now dealt with by the Head of Environment rather than the Head of Growth.

3.15.19	Removed		
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To reflect the fact that this function lies within the responsibilities of the Head of Housing rather than the Head of Growth

3.15.20	Removed		
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To reflect the fact that the function of parking services has been transferred from the remit of the Head of Growth to the Head of Customer Services.

3.15.21	Removed		
3.15.22	Removed		

3.15.23	Removed		
3.15.24	Removed		
3.15.25	Removed		

To reflect the fact that these functions have been transferred from the remit of the Head of Growth to the remit of the Head of Business and Technical Services.

<b>3.17</b>	<b>Head of Communications</b>		
3.17.1	Removed		

To reflect the fact that the publication eZine is no longer in existence

<b>4.2</b>	<b>Functions Relating to Democratic Process</b>			
1.1.1	s. 21A Local Government Act 2000 (as amended)	Decision making in respect of Councillor Call for Action	Director for Communities	Head of Wellbeing

To reflect changes to legislation

<b>4.5</b>	<b>Functions in relation to Public Health</b>			
4.5.12	European Communities Act 1972	Food Safety	Director for Communities	Head of Wellbeing

For completeness

## **APPENDIX B**

### **Part 4: Council Procedure Rules**

#### **2.4 Appointment of Substitute Members to Committees and Sub Committees**

CPR amended to include the requirement for training within the last 2 years to sit as a substitute on a regulatory (i.e. planning or licensing) committee.

#### **11.0 Questions and Statements by the Public**

Amended to allow questions only, not statements.

Amended to provide that only those members of the public who live, work or own property in the District / Borough may ask a question.

Amended to provide that the questioner when giving notice of the question must provide their name, address and contact details.

Amended to remove the requirement for each question to be put in a book open to public inspection, and instead for it (when notice has been given) to be made available via the website.

Amended to include a time limit on supplementary questions of 2 minutes.

Amended to include a time limit on the verbal answers provided of 5 minutes in total for the original question and 2 minutes for the supplementary question.

Amended to include time limits of 5 minutes per question and 2 mins per supplementary question, for questions asked at Executive and Committee meetings.

Amended to allow the Chairperson of Executive / Committee meeting to group similar questions together and summarise them.

#### **12 Questions on Notice by Members at Full Council**

Amended to prevent the same or similar question being asked by a Member within 6 months.

#### **13 Leader's Report to Full Council**

Amended to clarify the fact that this is a question and answer session rather than a debate.

#### **14.5 Automatic Reference of Motions**

Amended to provide that if a motion at Full Council relates to a Planning or Licensing matter it will be referred to that Committee for consideration and determination, and that

only a motion which is not within the remit of the Executive or a Regulatory Committee will be considered at Full Council.

## 22 Previous Decisions and Motions

The rules prohibiting rescinding decisions of the Council within the previous 6 months have been amended to enable such a decision to be reconsidered where the subsequent decisions of other bodies have had significant impact on the decision. For example where the Council makes a decision to record all meetings held jointly with another body and that body decides not to, making the Council's decision impracticable and in need to further consideration.

## 24 Voting

Rule 24.4 has been amended to clarify the fact that if a recorded vote is requested it will supersede any request for a ballot.

## 26 Minutes

Amended to reflect the fact that when a sub committee meets to hear a specific licensing, standards or staffing matter the Chairman of that meeting may agree the accuracy of the minutes; the main Committee may consist of different people whom it is not appropriate to ask to agree the accuracy of the minutes of a meeting in which they were not involved and didn't attend.

## 29 Record of Attendance

Amended to reflect the fact that we now note apologies for absence on the agenda for Council meetings rather than asking Members to sign an attendance sheet.

## 39 Appointment of the Leader of the Main Opposition

Rules amended to clarify that if there is no 'next largest political group' either because the remaining groups have equal numbers or because there is no opposition groups, only individual opposition Members, then there will be no appointment to the role of Leader of the Opposition.