



Email: committeeservices@horsham.gov.uk
Direct line: 01403 215465

Accounts, Audit & Governance Committee

Tuesday, 28th June, 2016 at 6.00 pm

Hastings & Knepp Rooms, Parkside, Chart Way, Horsham

Councillors:

John Chidlow
Brian Donnelly
Adrian Lee
Tim Lloyd

Tim Lloyd
Paul Marshall
Godfrey Newman
Stuart Ritchie

You are summoned to the meeting to transact the following business

Agenda

	Page No.
1. Election of Chairman	
2. Apologies for absence	
3. Appointment of Vice-Chairman	
4. To approve the time of meetings of the Committee for the ensuing year	
5. Minutes	1 - 6
To approve as correct the minutes of the meeting held on 23 rd March 2016	
6. Declarations of Members' Interests	
To receive any declarations of interest from Members of the Committee	
7. Announcements	
To receive any announcements from the Chairman of the Committee or the Chief Executive	
8. Audit Progress Report	7 - 16
To receive the External Auditor's progress report	

9.	Year end Outturn Report 2015/16	17 - 34
	To receive the report of the Director of Corporate Resources on the outturn for 2015/16	
10.	Risk Management - Quarterly Update	35 - 48
	To receive the quarterly report of the Director of Corporate Resources on risk management	
11.	Internal Audit - Quarterly Update Report	49 - 56
	To receive the quarterly report of the Chief Internal Auditor	
12.	Annual Internal Audit Report 2015/16	57 - 68
	To receive the annual report of the Chief Internal Auditor for 2015/16	
13.	Draft Annual Governance Statement	69 - 90
	To receive the report of the Director of Corporate Resources on the draft Annual Governance Statement for 2015/16	
14.	Urgent Business	
	Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as urgent because of the special circumstances	
	To consider the following exempt or confidential information:	
15.	Audit Follow-ups	91 - 98
	To receive the quarterly update report of the Chief Internal Auditor on Audit Follow-ups	

Accounts, Audit & Governance Committee
23 MARCH 2016

Present: Councillors: Godfrey Newman (Chairman), Stuart Ritchie (Vice-Chairman), Brian Donnelly, Adrian Lee and Paul Marshall

Apologies: Councillors: Paul Clarke and Ian Howard

Also Present: Councillors Leonard Crosbie and Nigel Jupp
Paul King, Audit Director, Ernst & Young
Hannah Lill, Manager, Ernst & Young
Tom Crowley, Chief Executive
Dominic Bradley, Head of Finance
Paul Miller, Chief Internal Auditor

AAG/45 **MINUTES**

The minutes of the meeting held on 6th January 2016 were approved as a correct record and signed by the Chairman.

AAG/46 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/47 **ANNOUNCEMENTS**

There were no announcements.

AAG/48 **AUDIT PLAN 2015/16 - TO BE PRESENTED BY THE EXTERNAL AUDITOR**

Paul King, Audit Director, Ernst & Young, presented the External Auditors Plan in respect of the 2015/16 audit. The Plan set out the audit work the Auditor proposed to undertake for the audit of financial statements; the statutory conclusion on the Council's arrangements to secure value for money (economy, efficiency and effectiveness); and the review of the Whole of Government Accounts return.

The Audit Director drew attention to two risks that had been identified as being relevant to the audit of financial statements and indicated how these areas would be audited:

- Risk of management override (the Audit Director reassured Members that this was not a particular risk at Horsham but one that was identified and responded to on every audit engagement they undertook).
- National Non-Domestic Rates (NNDR) rateable value appeals provision.

With regard to value for money, the Audit Director had identified one significant risk: Sustainable Resource Development (the predicted budget gap in future years). The Audit Director also gave a short presentation on the new code of audit practice.

The Audit Director referred to the definition used by the auditors for materiality when determining whether the financial statements were free from material error.

The planned fee for the 2015/16 audit had been set at £50,094, a 25% reduction from the out-turn fee for 2014/15.

The outcome of the 2015/16 audit would be reported to the meeting of the Committee in September 2016.

AAG/49 **AUDIT PROGRESS REPORT 2015/16 - TO BE PRESENTED BY THE EXTERNAL AUDITOR**

Paul King, Audit Director, Ernst & Young, gave an overview of plans for the 2015/16 audit. Certification of the 2014/15 housing benefit subsidy claim had been completed in November 2015 and the certification report was a separate item on the agenda for this meeting.

The report also noted that a key area of the Accounts and Audit Regulations 2015 was that from the 2017/18 financial year, the timetable for the preparation and approval of accounts would be brought forward to a draft accounts deadline of 31st May and an audit deadline of 31st July. These changes provided challenges for both the preparers and the auditors of the financial statements. With this in mind, Ernst & Young had provided some suggestions which would help achieve these new statutory deadlines.

The Department for Communities and Local Government had recently announced that it had decided to extend the existing arrangements for awarding external audit contracts by one year, to the end of 2017/18. From 2018/19 onwards, larger local government bodies would be responsible for appointing their own auditors and directly managing the resulting contract. Existing external audit arrangements would remain unchanged for the 2015/16, 2016/17 and 2017/18 financial years

AAG/50 **GRANT CERTIFICATION REPORT 2014/15 - TO BE PRESENTED BY THE EXTERNAL AUDITOR**

Hannah Lill, Manager, Ernst & Young, presented the outcomes of the certification work on the 2014/15 claim and returns. The claim involved was for the Housing Benefits subsidy (£31,572,184).

It was noted that a qualification letter had been issued in respect of the claim due to the identification of errors in the calculation of benefits or compilation of

claims, which had an impact on the subsidy paid. These issues had been previously discussed at the Committee's last meeting (Minute No. AAG/36 (6/1/16) refers). It was also noted that senior officers from the CenSus partnership had met with Members to discuss the issues and answer questions.

The actual certification fee for 2014/15 was the same as the initial indicative figure and was lower than that for 2013/14 as the Department of Work and Pensions had not requested any additional work. The indicative certification fee for 2015/16 was lower again at £12,360.

The report recommended that the Council continued to implement the recommendations it made in respect of the 2013/14 certification claim and summarised the progress that had been made to date.

AAG/51 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Chief Executive presented the latest quarterly update of the Corporate Risk Register.

The Senior Leadership Team had reviewed all outstanding actions on the corporate risk register and updated the comments to reflect the current position for each risk. As requested by the Committee, two new risks had been added to the register: temporary absence of Section 151 Officer (CRR16) and Benefit Subsidy Claim (CRR17).

It was noted that the Chief Internal Auditor had provided updated training to all service managers and risk champions on how to manage their risks.

RESOLVED

That the report be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/52 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since December 2015.

A summary of audit findings in respect of Building Control Fees and National Non-Domestic Rates (both of which had achieved an overall audit opinion of substantial assurance) and Housing Allocations, VAT, DEFRA Grant (Flooding) and Council Tax (all of which had achieved an overall audit opinion of satisfactory assurance) was submitted.

It was noted that the audit plan for 2015/16 was currently on schedule.

The Internal Audit Strategy, Internal Audit Plan 2016/17 and the Internal Audit Charter were all submitted for approval.

RESOLVED

- (i) That the summary of audit and project work undertaken since December 2015 be noted.
- (ii) That the Internal Audit Strategy, Internal Audit Plan for 2016/17 and the revised Internal Audit Charter be approved.

REASONS

- (i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/53 **URGENT BUSINESS**

There were no urgent matters to be considered.

AAG/54 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That, under Section 100A(2) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/55 **INTERNAL AUDIT - QUARTERLY UPDATE ON AUDIT FOLLOW-UPS**

The Chief Internal Auditor submitted a report summarising progress since December 2015 on the implementation of actions in respect of audits undertaken in 2015/16, 2014/15, 2013/14 and 2012/13.

RESOLVED

- (i) That progress in terms of agreed actions implemented since December 2015 be noted.

- (ii) That the position in respect of the specific areas highlighted by the Chief Internal Auditor be noted.

REASON

The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/56 **AUDIT REPORT**

The Chief Internal Auditor submitted a report summarising the findings from a recent audit which had achieved an overall audit opinion of limited assurance.

RESOLVED

That the audit findings and remedial action arising from the recent audit be noted.

REASONS

- (i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

The meeting closed at 7.45 pm having commenced at 6.00 pm

CHAIRMAN

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Horsham District Council

Accounts, Audit and Governance Committee Progress Report

June 2016



The Members
Accounts, Audit and Governance Committee
Horsham District Council
Parkside
Chart Way
Horsham
West Sussex, RH12 1RL

6 June 2016

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Accounts, Audit and Governance Committee in March 2016. The purpose of this report is to provide the Committee with an overview of our plans for the 2015/16 audit, to ensure they are aligned with your service expectations.

Our audits are undertaken 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.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Paul King
Director
For and on behalf of Ernst & Young LLP
Enc.

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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](http://www.psa.co.uk) (www.psa.co.uk)

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

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

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Accounts, Audit and Governance 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.

2015/16 audit

Fee letter

We issued our 2015/16 fee letter to the Council in April 2015.

Financial statements audit

We adopt a risk based approach to the audit and, as part of our ongoing planning, we held an audit planning meeting with key officers to discuss significant issues for the audit, how we can work together to improve the accounts production and audit process for 2015/16 and bring the audit forward for 2016/17. We will continue to liaise with officers to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity. Where possible we seek to rely on the controls within the Council's financial systems.

We have been liaising with Internal Audit with a view to placing reliance on the testing of controls which they perform in the normal course of their annual plan.

We have set out an outline timetable for the audit in Appendix 1.

Planning visit

Our work to identify the Council's material income and expenditure systems and to walk through these systems has been completed and our review of the controls work performed by Internal Audit has also been completed.

There are no matters arising from our initial planning meetings that we need to bring to your attention at this stage.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post Statements audit

We have agreed dates for our post statements audit with officers and agreed a timetable for the receipt of the draft financial statements and working papers. We are planning to commence our post-statements work in July 2016.

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

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Value for money assessment

We reported the changes in the value for money (VFM) approach to you in our March progress report.

We have carried out our initial risk assessment. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion, which we reported to you in our Annual Audit Plan to the March Committee.

Significant value for money risks**Our audit approach**

Sustainable Resource Development

Local government continues to face considerable financial challenges and Horsham District Council is not immune from these pressures.

We are aware from our review of the Council's budget monitoring for 2015-16 to quarter 3 that it is forecasting a budget underspend of around £73,000 for the year. The Council has also set a balanced budget for 2016-17.

However, the financial position in future years is far more challenging and achieving financial balance will become progressively harder. The current medium term financial plan is predicting a significant budget gap over the following three years.

Our approach will focus on:

- ▶ Detailed review of how the medium term financial plan is created.
 - ▶ Examine and challenge the key assumptions used by the Council to create the medium term financial plan.
 - ▶ Review the extent to which the Council is dependent upon future savings. For significant savings we will test the estimated savings in order to ensure that the Council's assumptions are reasonable.
-

Appendix 1 – Timetable for the 2015/16 audit

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Accounts, Audit and Governance Committee cycle. We will provide formal reports to the Accounts, Audit and Governance Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Accounts, Audit and Governance Committee	Status
High level planning	Ongoing	Audit Fee Letter	January 2016	Completed
Risk assessment and setting of scope of audit	December 2015 – January 2016	Audit Plan	March 2016	Completed
Testing of routine processes and controls	December 2015 – February 2016	Audit Plan	March 2016	Completed
Year-end audit	June - August 2015	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2015	Not yet started
Annual Reporting	October 2016	Annual Audit Letter	November 2016	Not yet started

Audit phase	EY Timetable	Deliverable	Accounts, Audit and Governance Committee	Status
Grant Claims 2015/15	June 2016 and September – November 2016	Annual certification report	March 2017	Not yet started

In addition to the above formal reporting and deliverables we provide a progress update to each meeting and practical business insights and updates on regulatory matters through our Sector Briefings. The next briefing is due in June 2016.

EY | Assurance | Tax | Transactions | Advisory

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Report to Accounts, Audit and Governance Committee

Date of meeting 28th June 2016

By the Head of Finance

INFORMATION REPORT

Not exempt



Horsham
District
Council

Outturn report for 2015/16

Executive Summary

This report summarises the Council's financial performance for 2015/16.

The Council achieved a £0.758m surplus in 2015/16 after allowing for budgets that will be carried forward to 2016/17 to cover essential expenditure which has been unavoidably delayed. The surplus is a combination of income in excess of budget and also efficiencies and net underspends during the year.

Capital expenditure amounted to £7.4m (£5.2m in 2014/15) for the period, which was only 25% of the £29.9m approved budget for the year.

Recommendations

Members are recommended to note:

- i) the financial position of the Council as outlined in the report.
- ii) the revenue budgets carried forwards as approved by the Director of Corporate Resources, as outlined in the report.
- iii) the transfers between the general reserves and the earmarked reserves as outlined in the report.
- iv) the transfer of £0.5m from the General Fund reserve to an earmarked transformation reserve.

Reasons for Recommendations

- i-iii) Monitoring of the Council's budget is essential, so that action can be taken to safeguard the Council's financial position if required.
- iv) To set up an earmarked transformation reserve for projects that will help transform the Council in the future; being effectively funded from the 2015/16 budget surplus.

Consultation: SLT

Wards affected: All

Contact: Gillian Bloomfield ext. 5450

Background Papers: Report to Cabinet on the 29th of January 2015 on the Budget 2015/16 and the Medium Term Financial Strategy.

Appendix A – Revenue summary of outturn

Appendix B – Revenue budget carried forward into 2016/17

Appendix C – Unaudited balance sheet at 31 March 2016

Appendix D – Capital programme outturn

Appendix E – Movement between GF and ear-marked reserves

Background Information

1. Introduction

- 1.1 This report analyses the actual budget outturn for the year ended 31 March 2016 and compares it with the original budget approved by the Council in February 2015. The report covers outturn against the revenue budget and capital budget. The report also covers the movement in the Council's reserves and budgets to be carried forward into the next financial year.

2. Background

- 2.1 The Council set its 2015/16 net operating budget in February 2015 at £13.0m and a capital budget of £29.9m which included £7.2m of unspent budgets carried forward from 2014/15.
- 2.2 The Council reports on the projected outturn against budget during the course of the financial year to Cabinet, Council and the Finance and Performance Working Group. The last report, at Quarter 3 was to the Finance and Performance Working Group on 17th February 2016.

3. Financial Performance

Revenue

- 3.1 The Council achieved income in excess of budget and also made efficiencies in the year, resulting in a £0.76m surplus at year-end. This has led to an increase in the Council's revenue reserves.
- 3.2 The revenue position on a service by service basis can be found in Appendix A. Income exceeded budget and ended £2.2m higher than budget at year-end. Despite some areas where income was lower than budgeted such as the rent reduction at Rookwood, key income areas performed well and income from planning fees and green waste for example ended well ahead of budgeted levels. Parking income also withstood the impact of the John Lewis / Waitrose car-park and was higher than budgeted for, albeit the budget had been reduced in anticipation of this effect. Our estimate of the Housing Benefit subsidy budget for 2015/16 was based a mid-year estimate of 2014/15 outturn at the point we set the budget which has also contributed to income being higher than budget, although this nets out as the expenditure budget was similarly under-estimated.
- 3.3 Efficiencies were generated by both officers and circumstances. Contributions to the surplus include £46k savings from the planned decommissioning of the reprographics department, a £35k reduction in Bed and Breakfast placements and £170k fuel cost savings due to the relative fall in the price of fuel since the budget was set.
- 3.4 Expenditure was monitored throughout the year and officers took prompt action to mitigate and reduce overspends where possible. The year-end surplus included some areas of overspend such as for example on vehicle repairs and parts £34k, and legacy repairs of the leisure centres £60k. Some costs such as those on higher consultancy costs for specific plans and to cover vacancies in planning and development of £420k were mitigated somewhat by higher planning fees income. Cumulative appeal costs paid in the year totalled £253k of which £59k were costs of appeals and £194k were adverse costs awarded.

- 3.5 In addition unspent revenue budgets totalling £390k, intended for projects in 2015/16, have been carried forward to 2016/17 under FR25 of the Constitution. Details of the carried forward budgets are shown in Appendix B.

Capital

- 3.6 The unaudited¹ balance sheet, provided at Appendix C, sets out a net asset position of £127m at 31 March 2016 (£111m at 31 March 2015). The main movements between the two years relate to a £5m increase in current assets (£10m short term investments less the £5m reduction of cash and cash equivalents) and a reduction in the pension liability of £11.5m due to the value of assets increasing and also reflecting an increase in the net discount rate during the year.
- 3.7 Expenditure on capital amounted to £7.4m. The detailed capital programme is provided at Appendix D. This compares to £5.2m spent in 2014/15. However, it is only 25% of the £29.9m full year planned capital programme which included unspent budgets of £7.2m from 2014/15. Schemes did not progress as far as expected in this financial year. In total, £22.5m will be re-profiled into 2016/17 and future years.
- 3.8 The significant schemes re-profiled into future years have been previously reported during the year and relate to the Hop Oast depot redevelopment £4.5m, Broadbridge Heath Leisure centre £12.3m, the building of temporary accommodation at the Bishopric £2.9m, the £7m loan for a third party housing association, not yet finding suitable assets in which to invest the remainder of the £5m commercial property investment fund and the postponement of some of the £1.4m vehicle replacements whilst a vehicle review was being carried out.

4. Reserves

- 4.1 The Council holds a number of ear marked reserves which may be used in year to fund associated expenditure. Where grants and contributions are received in year but not spent the unused portion may be transferred to ear marked reserves for use in future years. The Council can also chose to move funds from the general fund reserve to ear marked reserves to cover future costs.
- 4.2 The movements between the general fund and ear marked reserves are given in **Appendix E**. The level of general fund reserves at 31 March 2016 stood at £9.1m and earmarked reserves at £8.2m. The usable reserves total of £17.3m at 31 March 2016 compares to £16.2m at 31 March 2015.
- 4.3 The Council is currently forecasting budget deficits from 2017/18 through to 2019/20. A range of actions are being considered and, where appropriate, implemented to help reduce these future deficit forecasts, including further income generation, efficiency measures and commissioning. Closing these gaps completely though will require further investment in transformational projects.
- 4.4 The next phase of this transformation will focus on how we ensure that services are designed to meet customer's needs and done in the most efficient way. Projects to facilitate transformation include areas such as ICT to help unlock further digital change and enhancing the website to improve customer self-service, and

¹ Note that the balance sheet and outturn figures remain draft as the finance team finalises their work on closing the accounts for the year. The figures are yet to be audited by the external auditor.

potentially, investment under the wider “Future Horsham” business transformation project.

4.5 £0.5m will be transferred from the General Fund reserve balance to an earmarked transformation reserve for this purpose during 2016/17. This will help to set aside a balance to help transform the Council in the future; effectively being funded using the budget surplus from 2015/16. Expenditure from this transformation reserve will follow the normal financial authorisation and budget process procedures.

4.6 This ‘policy’ would be revisited each year should a surplus be made in future years.

5. Outcome of consultations

5.1 SLT have considered the review of Financial Monitoring for 2015/16.

6. Other courses of action considered but rejected

6.1 Not appropriate; Council needs to be seen to effectively monitor its performance.

7. Staffing consequences

7.1 There are no staffing consequences associated with this report.

8. Financial consequences

8.1 There are no direct financial consequences as a result of this report

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal? Risk Assessment attached Yes/No	None
How will the proposal help to reduce Crime and Disorder?	Managing finance and performance will help identify areas where the Council can provide better crime and disorder reduction initiatives
How will the proposal help to promote Human Rights?	Managing finance and performance will help identify areas where the Council can promote Human rights initiatives
What is the impact of the proposal on Equality and Diversity? Equalities Impact Assessment attached Yes/No/Not relevant	Service and performance improvements will ensure that our work reaches out to more local residents and meet the requirements as set out by the Equality Act 2010. No Equality Impact Assessment (EIAs) required at this level (EIAs will be carried out at more strategic opportunity)
How will the proposal help to promote Sustainability?	Performance against sustainability issues are reviewed regularly through Performance Management Working Group

Statutory and Policy Background

Statutory Background	'Best value' (Local Government Act 1999) is the statutory basis on which councils plan, review and manage their performance in order to meet the needs and expectations of their citizens who use their services. The aim is to deliver continuous improvement in all their services. The principles involve local accountability, breaking departmental and organisational boundaries, partnership, performance measurement and management, comparability and continuous improvement
Relevant Government policy	Duty of Best Value. 'Taking the Lead' and 'Sector Led Improvement'. The LGA is to maintain an overview of the performance of the sector in order to identify potential performance challenges and opportunities
Relevant Council policy	The Performance Management Framework, 'Performing to Win', supports how we will achieve this.

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Revenue Summary 2015/16	Gross spend	Gross income
	£000's	£000's
BUILDING CONTROL	737	(779)
DEVELOPMENT	2,572	(1,756)
PROPERTY & FACILITIES - ADMINISTRATION	716	(0)
PROPERTY & FACILITIES - INVESTMENT PROPERTIES	401	(2,751)
PROPERTY & FACILITIES - OPERATIONAL PROPERTIES	580	(35)
STRATEGIC PLANNING	881	(151)
CENSUS ICT	2,959	(2,164)
REVENUES AND BENEFITS - administration	1,360	(1,033)
HUMAN RESOURCES	491	(9)
COMMUNITY AND CULTURE	109	0
CAPITOL	1,912	(1,663)
COMMUNITY DEVELOPMENT	1,269	(722)
COMMUNITY SAFETY	405	(205)
LEISURE SERVICES	1,007	(653)
MUSEUMS	257	(49)
PARKS & COUNTRYSIDE SERVICES	1,483	(384)
ENVIRONMENTAL HEALTH	1,032	(348)
HOUSING	1,193	(924)
PARKING SERVICES	1,669	(4,001)
STREET SCENE & FLEET	2,870	(131)
WASTE & RECYLING	3,416	(3,306)
AUDIT	186	(9)
BENEFIT PAYMENTS	32,391	(32,225)
BUSINESS TRANSFORMATION	309	(0)
COMMISSIONING	252	(25)
COMMUNICATIONS	307	(20)
CORPORATE MANAGEMENT	750	0
CUSTOMER SERVICES	342	(4)
ECONOMIC DEVELOPMENT	631	(178)
FINANCE ACCOUNTANCY	948	(9)
FINANCE CORPORATE	699	(600)
HDC ICT	991	(69)
LEGAL & DEMOCRATIC	1,547	(151)
	66,674	(54,354)

Appendix A

Net Spend 2015/16	Reprofiled Annual Budget 2015/16	(Under)/Over against Budget	Net Spend 2014/15
£000's	£000's	£000's	£000's
(42)	(56)	13	(81)
816	528	288	976
716	748	(32)	751
(2,350)	(2,334)	(16)	(2,461)
545	691	(146)	395
731	713	18	746
795	734	61	708
327	437	(109)	455
482	494	(12)	511
110	158	(48)	147
249	336	(87)	360
547	600	(53)	487
200	178	22	145
355	311	44	477
209	206	3	212
1,099	1,081	18	959
684	777	(93)	646
269	267	2	280
(2,332)	(2,190)	(142)	(2,265)
2,739	2,876	(137)	2,703
110	250	(140)	158
177	188	(12)	190
166	(22)	188	(49)
309	298	11	325
227	277	(50)	205
287	353	(67)	339
750	765	(15)	704
338	369	(31)	341
454	474	(21)	366
939	888	51	867
99	161	(62)	473
922	1,155	(234)	1,012
1,396	1,367	29	1,332
12,320	13,078	(758)	12,410

Budget carry forwards from 2015-16 to 2016-17			Appendix B
Deaprtment	Code Description	Carry Forward	Comments
Census ICT	Cloud based back up	19,000	Project to be completed
Census ICT	Redhat-Linux	4,650	Implementation of internet security services - project to be completed
Communications	Communications	15,000	Postponed residents survey
Community and Culture	Drill Hall	13,000	Drill Hall - external decoration
Community and Culture	Museum -	32,670	Additional works for Museum
Community and Culture	Parks and open space	6,680	Tree works delayed due to weather and ground conditions
Community and Culture	Allotments	4,000	Clarence Road allotment bank removal delayed due to wet ground conditions
Community and Culture	Children's playgrounds	32,580	Play equipment at Lindfield Copse (consultation delay) and play area at Ropeland way (overrun of previous project)
Community and Culture	CCTV	32,600	Delay in works relating to Bishops Weald re-development and location of new CCTV camera and BBHLC camera system
Parking	Swan Walk Car Park	15,000	Fire escape finishes renewal
Parking	Forum Car Park	35,000	Soffit decoration
Parking	Forum Car Park	90,074	Forum lift replacement - project delayed
Property and facilities	Feasibility Studies	25,000	Professional fees for preparing identified surplus assets for sale
Property and facilities	Energy management	12,500	Survey has identified opportunities to reduce car park maintenance
Property and facilities	Footpath lighting	14,160	Medwin Walk lighting to be changed from Gas to LED
Property and facilities	Public conveniences	7,750	For improvements to toilets at North Parade
Property and facilities	Bus station	8,100	High level canopy and other minor refurbishment works
Property and facilities	Stable Block	15,000	Works to prepare Campus buildings for re-letting .
Property and facilities	Horsham Industrial Estate	8,000	Improvement works
TOTAL		390,764	

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31.3.2015			31.3.2016	
£'000	£'000		£'000	£'000
		Property, Plant and Equipment		
79,741		- Other Land and Buildings	77,881	
3,419		- Vehicles, Plant, Furniture & Equipment	2,213	
801		- Assets under construction/Awaiting Development	1,767	
709		Heritage Assets	709	
30,085		Investment Property	32,887	
375		Intangible Assets	189	
34		Long-term Debtors	32	
2,000		Long-term Investments	4,000	
	117,164	TOTAL LONG TERM ASSETS		119,678
12,001		Short - Term Investments	22,433	
129		Inventories	136	
4,943		Short Term Debtors	5,131	
10,835		Cash and Cash Equivalents	5,309	
	27,908	CURRENT ASSETS		33,009
-9,881		Short Term Creditors	-11,033	
	-9,881	CURRENT LIABILITIES		-11,033
-267		Provisions	-291	
-1,693		Provision for Business Rates Appeals	-2,063	
-4,000		Long Term Borrowing	-4,000	
		Other Long Term Liabilities		
-13,412		- Pension Asset/(Liability)	-1,875	
-3,172		- WSCC S106 Monies (Transport & Education)	-4,399	
-577		- Other balances	-657	
-1,220		Capital Grants & Receipts in Advance	-1,471	
	-24,341	LONG TERM LIABILITIES		-14,756
	110,850	NET ASSETS		126,898
		Usable Reserves		
-16,178		- Reserves	-17,333	
0		- Capital Receipts Reserve	-5,755	
-5,673		- Capital Grants & Contributions Unapplied	-3,504	
		Unusable Reserves		
-19,013		-Revaluation Reserve	-23,553	
13,412		-Pensions Reserve	1,875	
-84,131		-Capital Adjustment Account	-78,838	
-84		Financial Instrument Available for Sale Reserve	-68	
-98		-Financial Instrument Adjustment Account	-74	
787		-Collection Fund Adjustment Account	199	
128		-Accumulating Absences Adjustment Account	153	
	-110,850	TOTAL RESERVES		-126,898

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Capital programme 2015/16 Summary

APPENDIX B

Net Expenditure Budget Net Expenditure

Capital projects categories	Detailed Description	Period 1-12	Period 1-12	% of Budget
Existing Leisure Centres	SWIMMING PROVISION-PARK SWIMMI	290,923	126,884	229%
Existing Leisure Centres	SWIMMING PROVISION-STEYNING	119,133	301,064	40%
Existing Leisure Centres	SWIMMING PROVISION-BILLINGSHURST	1,555	-	n/a
Existing Leisure Centres	LEISURE FACILITIES - GENERAL	-	200,000	0%
Existing Leisure Centres	ARTS CENTRE-CHILLER REPLACEMENT	2,406	2,583	93%
Existing Leisure Centres	CAPITAL ARTS CENTRE - SOUND SYSTEM	63,894	65,000	98%
		477,912	695,531	69%
	Broadbridge Heath Leisure Centre - new bui BBHLC-NEW BUILD	59,870	1,098,628	5%
Other Community and Culture projects	SOUTHWATER COUNTRY PARK-BEACH/PLAYEQT	157,372	137,282	115%
Other Community and Culture projects	HENFIELD LEISURE CENTRE - SOFT PLAY AREA	300,000	300,000	100%
Other Community and Culture projects	CAR PARK SOUTHWATER (COUNTRY PARK)	99,086	120,000	83%
Other Community and Culture projects	PARBROOK LANDSLIP PREVENTION	7,970	100,000	8%
Other Community and Culture projects	WARNHAM MILLPOND ENGINEERING WORKS	77,625	117,000	66%
Other Community and Culture projects	PLANNING OBLIGATION PROJECTS	10,260	-	n/a
Other Community and Culture projects	CCTV CAMERAS - TOWN CENTRE	7,218	5,298	136%
Other Community and Culture projects	FRENCHES WAY PLAY AREA, BILL'HURST	70,494	85,163	83%
Other Community and Culture projects	RIVERSIDE WALK PROJECT-HORMARE	54	25,924	0%
Other Community and Culture projects	PARTRIDGE GREEN	-	963	0%
Other Community and Culture projects	TRAVELLER TRANSIT SITE CHICHESTER	72,608	162,000	45%
Other Community and Culture projects	PULBOROUGH TOWN CENTRE IMPS S106	-	32,826	0%
Other Community and Culture projects	FLOOD COMPENSATION SCHEME	34,115	-	n/a
		836,802	1,086,456	77%

Capital programme 2015/16 Summary

APPENDIX B

Capital projects categories	Detailed Description	Net Expenditure Period 1-12	Budget Period 1-12	Net Expenditure % of Budget
Waste and Recycling projects	HOP OAST SECURITY	-	65,000	0%
Hop Oast Depot development	HOP OAST DEPOT REALIGNMENT	184,668	3,535,110	5%
Vehicle Fleet	VEHICLES - NEW	115,496	1,442,000	8%
New Parking payment system	TOWN CENT CP SMARTPARK SYSTEM	-	-	n/a
Grants - Environmental health	96 ACT-DISABLED FACILITY GRANT	501,494	713,000	70%
Grants - Environmental health	ACT-HOME REPAIR ASSIST. GRANT	62,910	125,000	50%
		564,405	838,000	67%
Housing enabling grants	HOUSING ENABLING GRANTS	1,350,000	2,665,000	51%
Housing enabling grants	HOUSING SERVICES - SAXON WEALD LOAN	-	7,000,000	0%
		1,350,000	9,665,000	14%
ICT projects - HDC	HDC DATA CENTRE - PARK NORTH	-	38,870	0%
ICT projects - HDC	SAN	-	13,409	0%
ICT projects - HDC	CORE SWITCH REPLACEMENT	-	20,000	0%
ICT projects - HDC	DISASTER RECOVERY	5,085	23,757	21%
ICT projects - HDC	LAN - HDC	-	4,850	0%
ICT projects - HDC	WAN	47,407	35,904	132%
ICT projects - HDC	HDC-WINDOWS7+MS OFFICE2010ROLLOUT	-	11,992	0%
ICT projects - HDC	HDC-REPLACE END OF LIFE DESKTOP PC'S	4,670	12,549	37%
ICT projects - HDC	HDC-MEMBERS TABLETS/LAPTOPS	8,450	-	n/a
ICT projects - HDC	ICT PROJECTS	-	200,000	0%
		65,612	361,331	18%

Capital programme 2015/16 Summary

APPENDIX B

Capital projects categories	Detailed Description	Net Expenditure	Budget	Net Expenditure
		Period 1-12	Period 1-12	% of Budget
ICT projects - Census	CENSUS PSN ACCREDITATION	-	34,144	0%
ICT projects - Census	CENSUS SERVER REPLACEMENT (4 WAY)	30,723	38,291	80%
ICT projects - Census	CENSUS - REDHAT LINUX (3 WAY)	-	34,000	0%
ICT projects - Census	CENSUS - DISK CAPACITY (4 WAY)	-	1,940	0%
ICT projects - Census	CENSUS - WIRELESS RESILIENCE (4 WAY)	-	5,900	0%
		30,723	114,275	27%
Car Parks Fabric and Equipment	MULTI-STOREY CAR PARK-REPAIRS	2,160	469,244	0%
Car Parks Fabric and Equipment	PIRIES PLACE CARPARK	9,725	118,979	8%
Car Parks Fabric and Equipment	PIRIES PLACE CAR PARK LIFT	12,188	125,000	10%
Car Parks Fabric and Equipment	FORUM CAR PARK LIFT	-	140,000	0%
		24,073	853,223	3%
Office move	PARKSIDE	429,912	325,048	132%
Office move	PARKSIDE COMMS	21,151	10,000	212%
Office move	PARKSIDE PEOPLE	-	85,000	0%
Office move	HDC PARKSIDE ICT	244,886	235,698	104%
		695,949	655,746	106%
Town centre improvements	EAST STREET PEDESTRIANISATION	-	1,500	0%
Town centre improvements	WEST STREET IMPROVEMENTS	56,914	215,235	26%
		56,914	216,735	26%
Commercial Property Investment Fund	COMMERCIAL PROPERTY INVESTMENT FUND	1,751,893	5,000,000	35%

Capital programme 2015/16 Summary

APPENDIX B

Net Expenditure Budget Net Expenditure

Capital projects categories	Detailed Description	Period 1-12	Period 1-12	% of Budget
Miscellaneous properties spend	REPLACE BOILERS	1,301	4,444	29%
Miscellaneous properties spend	ENERGY EFFICIENCY IMPROVEMENTS	-	40,000	0%
Miscellaneous properties spend	SOUTHWATER HEALTH CENTRE PROJECT	-	20,000	0%
Miscellaneous properties spend	HOPOAST DEPOT DRAINAGE RENEWAL	1,289	25,938	5%
Miscellaneous properties spend	DISABLED ACCESS TO PUB.BLDGS.	-	20,000	0%
Miscellaneous properties spend	CORPORATE PROVISION - ASSET ENHANCEMENT	-	50,000	0%
Miscellaneous properties spend	SWAN WALK CENTRE	-	300,000	0%
Miscellaneous properties spend	HILLSIDE PARK,SMALL DOLE,SAFETY WORKS	-	4,197	0%
Miscellaneous properties spend	COMMERCIAL ESTATES - GENERAL	-	50,000	0%
Miscellaneous properties spend	BISHOPRIC REFURBISHMENT / ENHANCEMENT	120	160,000	0%
Miscellaneous properties spend	GRANARY REFURBISHMENT	-	35,000	0%
Miscellaneous properties spend	DRILL HALL HEATING SYSTEM	-	65,000	0%
Miscellaneous properties spend	BILLINGSHURST GP SURGERY REFURB BRIDGING	-	243,000	0%
Miscellaneous properties spend	FORUM PAVING	13,471	82,307	16%
Miscellaneous properties spend	TEMP ACCOMMODATION APARTMENTS (BISHOPRIC)	832,015	2,900,000	29%
Miscellaneous properties spend	MYRTLE LANE CAR PARK (BILLINGSHURST)	285,003	315,000	90%
		1,133,199	4,314,886	26%
		7,347,516	29,941,921	25%

2015/16 Movements between General Fund Reserve and Ear Marked Reserves				Appendix D
Ear Marked Reserve	Opening Balance	Movement to/(from) ear marked reserve	Closing Balance	Comments
Council Tax & Housing Benefit Reserve	(258,383)	(19,366)	(277,749)	Local burden grants available for use in spend in future years
New Homes Bonus	(1,924,648)	(1,776,856)	(3,701,504)	Grants and contributions received to fund future expenditure
Weekly Waste Collection	(334,565)	80,465	(254,100)	Grants and contributions received to fund future expenditure
Crime Disorder Reduction Partnership - Local Action	(47,606)	9,092	(38,514)	Grants and contributions received to fund future expenditure
West Sussex Arts Partnership Reserve	(56,706)	31,256	(25,450)	Grants and contributions received to fund future expenditure
Aiming High Project	(98,259)	42,619	(55,640)	Grants and contributions received to fund future expenditure
Health & Wellbeing	(256,438)	58,206	(198,232)	Grants and contributions received to fund future expenditure
Chichester Festival Theatre	(8,589)	8,589	0	Used to offset expenditure in 2015/16
Hls Grant Countryside	(2,662)	(1,039)	(3,701)	Grants and contributions received to fund future expenditure
District Election Provision	(76,515)	76,515	0	Used to offset expenditure in 2015/16
General Fund Reserve		1,490,519		NET MOVEMENT ON RESERVE
TOTAL		0		

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**Report to Accounts, Audit and Governance
Committee**

Date of Meeting: 28th June 2016

By the Director of Corporate Resources



**Horsham
District
Council**

INFORMATION REPORT

Not Exempt

Risk Management ~ Quarterly Report

Executive Summary

This report includes an update on the Corporate Risk Register for consideration and provides an update on progress with the quarterly departmental risk register reviews.

Recommendations

That the Committee is recommended to:

- i) Note the contents of this report

Reasons for Recommendations

As part of good governance, it is important that this document is considered by Members.

Background Papers

Management Information obtained from Covalent

Wards affected: All

Contact: Paul Miller, Chief Internal Auditor, 01403-215319

Background Information

1 Introduction and Background

- 1.1 The Accounts, Audit and Governance Committee is charged with responsibility for monitoring the effectiveness of the Council's risk management arrangements.
- 1.2 The report provides details of key changes to the Council's Corporate Risk Register, and an update on progress regarding the departmental risk registers (see 3.1 and 3.2 below).

2 Relevant Council policy

- 2.1 Risk management is an important part of the Council's Governance framework and supports the Council's District Plan priorities and corporate objectives.

3 Details

3.1 Corporate Risk Register

The Senior Leadership Team (SLT) has reviewed the Corporate Risk Register and comments have been updated to reflect the current position for each risk (see Appendix 2). Risk CRR16 will be removed as the new Director of Corporate Resources is now in post.

3.2 Departmental Risk Registers

All 20 departmental risk registers have been reviewed and updated.

4 Outcome of Consultations

- 4.1 Not applicable.

5 Other Courses of Action Considered but Rejected

- 5.1 Not applicable.

6 Financial Consequences

- 6.1 There are no financial consequences.

7 Legal Consequences

- 7.1 There are no legal consequences.

8 Staffing Consequences

- 8.1 There are no staffing consequences.

9 Risk Assessment

- 9.1 The report provides an update on the Council's corporate risks and how these are being managed by the Senior Leadership Team. See Appendix 2 for the latest version of the Council's Corporate Risk Register.

Appendix 1

Consequences of the Proposed Action

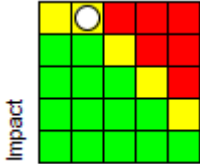

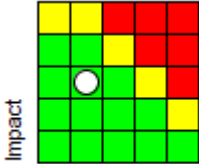

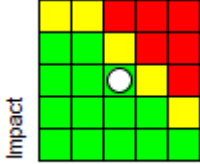



How will the proposal help to reduce Crime and Disorder?	Section 17 of the Crime and Disorder Act 1998 requires the Council to do all that it reasonably can to reduce crime and disorder. There are no crime and disorder implications as a result of this report.
How will the proposal help to promote Human Rights?	Effective risk management helps to ensure that the Council achieves its objectives within this area.
What is the impact of the proposal on Equality and Diversity?	Not relevant.
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.

Corporate Risk Report June 2016 V3

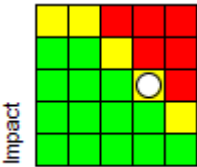

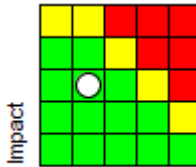

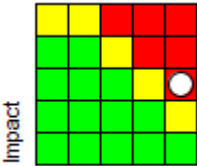

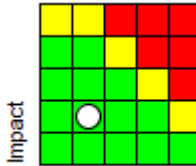
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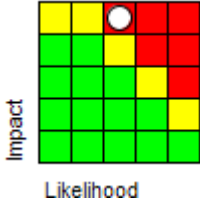

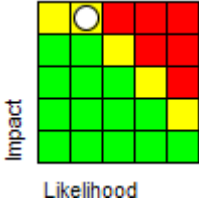


Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR01 Financial Source: The Council is reliant on Central Government funding (eg. New Homes Bonus). Event: Grant funding from Government is less generous than assumed in the MTFS.	<ul style="list-style-type: none"> . Reductions in funding . Adverse effect on morale . Financial losses . Failure to achieve agreed objectives 	Jane Eaton		CRR.01.1 Review current budgets in preparation for the 2017/18 budget	Dominic Bradley			June 2016 Update: The focus is now on refining and adding more detail to the 'savings' plans to find ways to generate more income, efficiencies and commissioning and transformation that will help close the budget deficits that are forecast from 2017/18 through to 2019/20. An updated MTFS together with the savings plans will be taken back to Council in October 2016. The NHB consultation which closed in March 2016 indicated a reduction of NHB compared to present levels. The updated October 2016 MTFS will include the assumptions from the outcome of the NHB consultation.
				CRR.01.2 Develop options to deal with pressure for consideration by Members	Dominic Bradley			
				CRR.01.3 Develop a Medium Term Plan	Dominic Bradley			
CRR02 Managerial / Professional Source: The Council has a legal obligation to protect personal data. The Information Commissioner has the power to levy significant financial penalties up to £500k for data breaches. Some information held by	<ul style="list-style-type: none"> . People and businesses come to harm and suffer loss that might not otherwise have occurred . Complaints / claims / litigation . Resources consumed in defending claims . Financial losses . Censure by 	Jane Eaton		CRR.02.1 Develop appropriate processes & procedures which underpin the IT Security Policy	Jane Eaton			June 2016 Update: Ongoing information security training will be provided.
				CRR.02.2 Provide a programme of training on Information Security to all staff.	Jane Eaton			
				CRR.02.3 Annual PSN Accreditation	Jane Eaton			

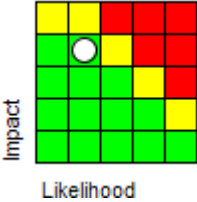

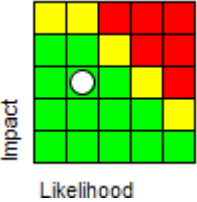

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
commercially sensitive, and it is important that such information is not leaked. Event: Major data breach or leak of sensitive information to a third party.	regulators . Adverse publicity . Reputation damage							
CRR03 Legal Source: The Civil Contingencies Act places a legal obligation upon the Council, with partners, to assess the risk of, plan, and exercise the Council's emergency response in emergencies, as well as undertaking emergency and business continuity management. The Council is also responsible for warning and informing the public in relation to emergencies, and for advising local businesses. Event: The Council is found to have failed to fulfil its obligations under the Act in the event of a civil contingency.	. People and businesses come to harm and suffer loss that might not otherwise have occurred . Complaints / claims / litigation . Resources consumed in defending claims . Financial losses . Censure by regulators . Reputation damaged	Natalie Brahma-Pearl		CRR.03.1 Update corporate business continuity plan and regular review.	Trevor Beadle			<p><u>June 2016 Update:</u></p> <p>CRR.03.1 Our warm site is currently undergoing an IT upgrade to suit the needs of the business and the plan will be reviewed once the upgrade is complete. In addition, recommendations and lessons learned from the Crowmarsh (South Oxfordshire) fire are being incorporated into the HDC BC plan to improve resilience.</p> <p>CRR.03.2 All departmental plans are due for review in July/August 2016 and every department will be audited to ensure full reviews are undertaken. All reviewed plans will be stored in 'Resilience Direct' and made available to SLT.</p>
				CRR.03.2 Update departmental business continuity plans and regular review.	Trevor Beadle			
CRR05 Governance Source: Managers are responsible for ensuring that controls to mitigate risks are consistently applied.	. Failure of business objectives . Health & Safety . Financial . Service Delivery . Compliance with Regulations . Personal Privacy	Jane Eaton		CRR.05.1 Officer training	Jane Eaton			<p><u>June 2016 Update:</u> No change. Risk is considered to be low, but remains on the risk register for monitoring purposes.</p>
				CRR.05.2 Raise the profile of risk and control by incorporating them into the performance management framework	Jane Eaton			

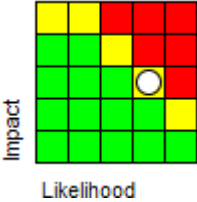

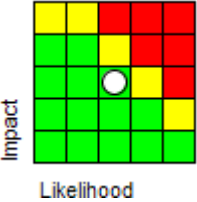

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p><u>Event:</u> Officers are either unaware of expected controls or do not comply with control procedures.</p>	<p>Infringement . Reputation damage</p>			(e.g. integrate into appraisal process).				
				CRR.05.3 All Service Managers required to sign an Assurance Statement. (By 30th June Annually).	Jane Eaton			
<p>CRR06 Physical <u>Source:</u> The Council is responsible for the health & safety of its clients, staff and other stakeholders, owns and maintains significant assets, and also has responsibility for H&S in some partner organisations where it does not have operational control.</p> <p><u>Event:</u> A health & safety failure occurs.</p>	<p>. People come to harm . Complaints/claims/litigation . Financial losses . Censure by audit / inspection . Reputation damage . Adverse effect on morale . Stress and absenteeism</p>	Jane Eaton		CRR.06.1 Set up a Health & Safety Forum with clear terms of reference (by 30/11/15).	Robert Laban			<p><u>June 2016 Update:</u> CRR06.1 – Complete</p> <p>CRR06.2 - The Corporate H&S Adviser is continuing a programme of inspections; the introduction of Premises Coordinators (PCs) at all sites has been agreed and 100% of localities have been assigned. A pilot log for PCs has been developed and is being tested – training of PCs to start in June 2016. Estimated completion date 30/11/16.</p> <p>CRR 06.3 – This is continuing; H&S responsibilities have been set out, generically, in the Corporate H&S Policy; more specific responsibilities are being set out as each existing H&S subject policy is reviewed and as an additional suite of H&S subject policies is introduced; the reviews and introductions are now 50% complete. The Corporate Health & Safety Adviser has drafted a H&S training matrix, now awaiting direction from the soon to</p>
				CRR.06.2 Develop and implement a corporate inspection strategy (By 30/11/16).	Robert Laban / Health & Safety Officer			
				CRR.06.3 Clarity of responsibilities and implementation of a training programme	Robert Laban			
				CRR.06.4 Implement a central repository for risk assessments (by 30/06/16).	Robert Laban / Health & Safety Officer			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
								be appointed L&D Officer so it can fit into the wider corporate L&D programme. CRR 06.4 – Action is still outstanding. The Corporate Health & Safety Adviser has contacted Census IT to ask advice on a suitable electronic solution.
<p>CRR07 Managerial / Professional <u>Source:</u> There is a lack of corporate consistency in terms of the way in which contracts are managed, and contract management is inadequate in some areas. <u>Event:</u> Failure of contract / poor service delivery / failure to achieve value for money.</p>	<ul style="list-style-type: none"> . Failure of business objectives . Financial . Service delivery . Compliance with regulations . Personal Privacy Infringement . Reputation damage 	Jane Eaton		CRR.07.1 Specific contract management guidelines will be developed. (By 30/06/16).	Mark Pritchard			<p><u>June 2016 Update:</u> Contract Management guidance is currently being drafted. Target completion date 30/6/16.</p>
				CRR.07.2 A contract management training programme will be designed and implemented. (By 30/06/16).	Mark Pritchard			
<p>CRR08 Governance <u>Source:</u> The Council's decision-making processes are based on a Constitution that is overly bureaucratic and unnecessarily complicated <u>Event:</u> Non-compliance with the Constitution and delays in decision-making</p>	<ul style="list-style-type: none"> . Opportunities lost . Complaints / claims / litigation . Financial losses . Lack of openness and transparency 	Paul Cummins		CRR.08.1 The Council's Constitution will be updated using the 2011 template. (By December 2016).	Paul Cummins			<p><u>June 2016 Update:</u> Members completed a review of Governance and recommendations were adopted by Full Council in April 2016. At the same meeting the Full Council formed a Constitutional Review Group to undertake a review of the Constitution.</p>

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR09 Governance <u>Source:</u> The Council's decision-making relies upon the taking of professional advice from officers or external consultants <u>Event:</u> Advice is not taken.	<ul style="list-style-type: none"> . Poor/ultra vires decisions . Complaints/claims/litigation . Financial losses . Reputation damage 	Tom Crowley		CRR.09.1 Member training (ongoing)	Paul Cummins			<u>June 2016 Update:</u> Ethical Governance training was undertaken in March 2016. In addition the Governance Review included three all Member briefings on Governance including the changes that were agreed at Full Council in April 2016.
				CRR.09.2 Officer training (ongoing)	Paul Cummins			
				CRR.09.3 Member briefings to improve communications	Paul Cummins			
CRR12 Partnership / Supplier / Contractual <u>Source:</u> The Council is subject to EU procurement rules and regulations, is putting more services out to tender, and contractors are increasingly challenging contract awards. <u>Event:</u> A contractor successfully challenges an award (e.g. on inflexible price/quality ratios).	<ul style="list-style-type: none"> . Financial losses . Censure by audit / inspection . Reputation damage . Adverse effect on morale 	Jane Eaton		CRR.12.1 Staff training	Mark Pritchard / Roger Dennis			<u>June 2016 Update:</u> Staff training programme completed. Procurement Toolkit being revised at the moment. Procurement team now assisting departments more on lower value tenders due to transparency requirements and uncertainty over procedures.
				CRR.12.2 Up-to-date procedures	Mark Pritchard / Roger Dennis			
				CRR.12.3 Reference to Procurement Team for advice	Mark Pritchard / Roger Dennis			
				CRR.12.4 Proactive monitoring by the Procurement Team	Mark Pritchard / Roger Dennis			
CRR13 Governance <u>Source:</u> Decisions are not always based on data. <u>Event:</u> Wrong decision made.	<ul style="list-style-type: none"> . Missed opportunities . Poor decisions . Poor VFM . Increased costs / financial losses 	Tom Crowley		CRR.13.1 Robust evaluation of business cases to inform decisions (ongoing)	SLT			<u>June 2016 Update:</u> The Senior Leadership Team will continue to review the quality of business cases.
				CRR.13.2 Ensure that decisions are properly documented (Ongoing)	SLT			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR14 Customer/Citizen</p> <p><u>Source:</u> The negotiation of Section 106 and CIL (Community Infrastructure Levy) are essential for ensuring outcomes for residents.</p> <p><u>Event:</u> Failure to negotiate the optimum outcome.</p>	<p>Reduced funding to deliver outcomes for the community</p>	<p>Chris Lyons</p>		<p>CRR.14.1 Ensure that leisure priorities are understood within the CIL schedule process and keep under review</p>	<p>Trevor Beadle</p>			<p><u>June 2016 Update:</u> The CIL Draft Charging Schedule was agreed by Council on 24 February for consultation and was published alongside the Draft Planning Obligations and Affordable Housing Supplementary Planning Document (SPD) on 6 May 2016. Comments are invited until 17 June 2016. The draft SPD will be a background document referred to by the Inspector during his Examination of the CIL Charging Schedule. Further work is being undertaken by Leisure Officers regarding appropriate standards for sport, recreation and open space provision, based on previously published evidence. It may be necessary to re-consult on the draft SPD once this amendment has been made. The timetable for CIL preparation allows for this prior to Examination.</p> <p><u>CIL Preparation Timetable:</u> Submission – September 2016. Examination (Inspector appointed – Geoff Salter) – October 2016 Adoption – December 2016.</p>
				<p>CRR.14.2 Identify the impact of funding erosion with competing partners e.g. WSCC</p>	<p>Barbara Childs</p>			
				<p>CRR.14.3 Update the Planning Obligations SPD (Supplementary Planning Document) and CIL charging schedule.</p>	<p>Barbara Childs</p>			

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR16 Source: The Council has a statutory responsibility to employ the services of a suitably qualified and experienced Section 151 Officer to oversee the Council's financial affairs. In addition, the Section 151 Officer, in her capacity as Director of Corporate Resources, has responsibility for other important areas of the Council (namely, CenSus ICT, Legal & Democratic Services, HR & OD, Risk Management & Audit, Business Services, and Commissioning & Performance. Event: The recent departure of the Council's Section 151 and the delay in the commencement date of the new Section 151 Officer could expose the Council to risk in terms of decision-making.	Failure of business objectives Health & Safety Financial Service delivery Compliance with regulations Personal privacy infringement Reputation	Tom Crowley		CRR.16.01 The Section 151 Officer at MSDC has been appointed as Interim Section 151 Officer to provide appropriate advice as required.	Dominic Bradley			June 2016 Update: The Director of Corporate Resources is now in post, and therefore this risk will be removed from the register.
			CRR.16.02 The Chief Executive will assume management responsibility for the Director of Corporate Resources' (DOCR) direct reports until the new DOCR commences employment.	Tom Crowley				

Risk Code & Description	Consequences	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR17 <u>Source:</u> The External Auditors audit the HDC Benefits Grant Subsidy return to the Department for Work and Pensions (DWP) on an annual basis to identify errors. Targeted sample testing is undertaken to ensure that housing benefit claims have been correctly administered, and extended sample testing is carried out should errors be identified. The amount of the error is then extrapolated across the entire population (for that particular cell) to produce an estimate of the total error amount. Where errors are identified, the Subsidy Claim may be qualified, and financial penalties may occur. It is important to note that the Administration of Housing Benefit is undertaken by the CenSus Partnership and Benefits staff are employed by Mid-Sussex.</p> <p><u>Event:</u> Errors may be made which are not identified by quality control checking. This may result in the Subsidy claim being qualified and/or financial losses.</p>	Financial Service Delivery Compliance with regulations Reputation	Jane Eaton		CRR.17.1 Increase / improve the level of quality control checking.	Tim Delany			<p><u>June 2016 Update:</u> Following receipt of notice from Adur to withdraw from the Census Revenues and Benefits Partnership, the CenSus Board has appointed a specialist benefits consultant to help with the redesign of the service and second phase of the project. A review of how the service operates will be carried out, including issues around benefit subsidy. However, it is expected that there will be further issues with the 2015/16 claim.</p>
			CRR.17.2 Continued implementation of the Census Quality Plan which came out of the 2013/14 audit.	Tim Delany				

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**Report to Accounts, Audit & Governance
Committee**

28th June 2016

By the Chief Internal Auditor



**Horsham
District
Council**

INFORMATION REPORT

Not Exempt

Internal Audit – Quarterly Update Report

Executive Summary

This report summarises the work completed by the Internal Audit Section since March 2016.

Recommendations

The Committee is recommended to:

- i) Note the summary of audit and project work undertaken since March 2016.

Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

Background Papers

Internal Audit Reports and Correspondence

Wards affected: All.

Contact: Paul Miller, Chief Internal Auditor, 01403-215319

Background Information

1 Introduction and Background

- 1.1 The purpose of this report is to provide a quarterly summary of work undertaken by the Internal Audit Team since March 2016.
- 1.2 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” This responsibility is discharged through the Council’s Internal Audit Section.

2 Relevant Policy / Professional Standards

- 2.1 Internal Audit follows the mandatory standards set out in the Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors.
- 2.2 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the work of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

3 Summary of Audit Findings

3.1 Housing Benefits


OVERALL AUDIT OPINION: **SATISFACTORY ASSURANCE** (↔)¹

The audit of Housing Benefits has been undertaken by the Internal Audit Team working on behalf of Mid Sussex District Council. Their overall conclusion was that “*whilst there is a basically sound system of internal control designed, there are weaknesses which put some of the system objectives at risk*”. The assurance level has remained the same as 2014/15 (previously audited by Mazars who are the Internal Auditors for Adur/Worthing).


The main concern identified from the 2015/16 audit was that from a sample of 30 new housing benefit claims, in 4 cases, the auditor could not find any evidence on the claimant file that proof of identity had been obtained. The CenSus Benefits Manager has reminded her team that proper identification should be submitted for all new claims.

3.2 Cash and Bank

¹ ¹ The symbols in brackets indicate the movement in the level of assurance when the area was last audited.

 = Improved.

(↔) = No change.

 = Reduced.

If blank ~ No previous opinion

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↔)

The auditor is satisfied that a sound system of internal control is in place for the collection and receipting of cash within the Finance department. Daily reconciliations ensure that all transactions passing through the bank account are processed correctly. Monthly bank reconciliations are being signed by the preparer and reviewer. Delays can occur in correcting reconciling differences processed through CenSus Revenues and Benefits and protocols for dealing with these items will be revised.

3.3 Creditors

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↔)

The auditor was satisfied that there is a sound system in place for the processing of creditor payments, including financial controls and maintenance of records. There continues to be an issue regarding the number of non-order invoices, and it has been agreed that this will be resolved when the new Finance system is implemented in April 2017.

Remedial action has been agreed to address the five low priority recommendations included within the report. This should further reduce the identified risks.

3.4 Treasury Management

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↔)

The audit identified a generally sound system of control. However a few areas of weakness were identified. Monthly reconciliations between the Council's General Ledger and the Treasury Management records did not always show evidence of review by a senior finance manager. Evidence of agreement to the ledger and senior manager review will be retained and filed in future.

3.5 Payroll

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↑)

Whilst there is an adequate system of control and all key controls are in place, there are a few weaknesses which may place the Council at risk. However, the control environment has improved significantly since the last audit review.

There are concerns about the level of data input error when batches are processed by West Sussex County Council, but this risk is mitigated by 100% checks being undertaken by Horsham District Council's Payroll Controller.

3.6 Planning Fees

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↔)

A few control weaknesses were identified relating to the processing of planning applications. It was identified that there are currently no reconciliations carried out between the Uniform and TOTAL systems to ensure that all money processed and receipted on Uniform has been recorded in TOTAL. Steps also need to be taken to ensure that application processing is completed within 26 weeks to safeguard against the risk of having to refund planning fees. Appropriate remedial action has been agreed.

3.7 Purchase Cards

OVERALL AUDIT OPINION: SUBSTANTIAL ASSURANCE (↑)

Whilst there is always an inherent risk in issuing purchase cards to staff, the auditor concluded that there are effective processes in place for controlling card use and reporting expenditure, reducing the threat of misuse.

3.8 Declarations of Interest

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE

The auditor was satisfied that there are good systems and controls in place for Member Declarations of Interest.

At the time of the audit, there was no formal process for reminding officers of the requirement to complete declarations of interest, and no system for reviewing documents. It has been agreed that a six monthly reminder will be sent to staff via the "Council Matters" publication. In addition, all line managers will be required to complete "nil" returns, and the Officer Register of Interests will be periodically reviewed by senior officers to ensure consistency and appropriateness.

3.9 Debtors

OVERALL AUDIT OPINION: LIMITED ASSURANCE (↓)

The main control weakness relates to the lack of action being taken on unpaid debtor accounts. It was identified that the debt recovery process is not being complied with resulting in the Council's debt profile increasing each year. At the time of the audit, there were approximately 270 unpaid debtor accounts requiring further recovery action. This has been taken very seriously by senior officers, and a new officer has been appointed in Legal Services (on a one year contract) to review the outstanding recovery cases and to take appropriate action.

3.10 Capitol Theatre

OVERALL AUDIT OPINION: LIMITED ASSURANCE (↓)

A number of weaknesses were identified relating to processes and management controls. It was identified that fire drills are not being scheduled on a six monthly basis as required and evacuation procedures have not been signed and dated. Duty

Manager Log sheets are not always being completed and some risk assessments are out of date. There was also a concern about locking up procedures. Other concerns were raised including the electrical equipment register which is in need of updating. Remedial action has been agreed which will help to mitigate the risks identified.

3.11 Data Access Management

OVERALL AUDIT OPINION: LIMITED ASSURANCE

Whilst there are some examples of effective data management, there are weaknesses in several areas where the confidentiality, integrity and availability of the Council's data is at risk. In particular:

- One area of the network was being shared by officers from two different directorates. This folder was being used by a significant number of users who work in discrete and unrelated service areas. Some of the services handle personal and sensitive documents. The audit identified that there is a need to separate electronic folders which hold both confidential information (which is role related) and personal data.
- The auditor found that ICT technicians had permission to read or write to all data folders on the Council's network. Internal Audit considered this to be a risk and recommended that their permissions should be restricted. ICT management have accepted this recommendation and will seek to reset the permissions for the Domain Admin accounts.
- Internal Audit recommended updating the Acceptable Use Policy in order to protect the Council from the risk of copyrighted material being saved on the Council's network

4. Audit Plan ~ Progress Update

- 4.1 87% of the original audit plan for 2015/16 has been achieved. More detail is contained in the Annual Audit Report.

5 Next Steps

- 5.1 Not applicable.

6 Outcome of Consultations

- 6.1 Not applicable.

7 Other Courses of Action Considered but Rejected

- 7.1 Not applicable.

8 Financial Consequences

- 8.1 There are no financial consequences.

9 Legal Consequences

9.1 There are no Legal consequences.

10 Staffing Consequences

10.1 There are no staffing consequences.

11 Risk Assessment

11.1 All internal audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported and informs the overall audit opinion (see Appendix 2 for definitions).

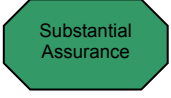
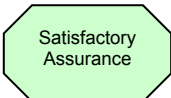


Appendix 1

Consequences of the Proposed Action

How will the proposal help to reduce Crime and Disorder?	This report has no effect on Crime & Disorder issues.
How will the proposal help to promote Human Rights?	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values.
What is the impact of the proposal on Equality and Diversity?	Not relevant.
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.

Appendix 2

SUMMARY OF INTERNAL AUDIT ASSURANCE OPINIONS

	<p><u>System of Control:</u> There is a sound system of control in place which minimises risk to the Council; and/or</p> <p><u>Compliance with Controls:</u> Audit testing identified that expected controls are being consistently applied. Only a few errors or weaknesses were identified, but the implementation priority is considered to be of low importance.</p>
	<p><u>System of Control:</u> Whilst there is an adequate system of control and all key controls are in place, there are some weaknesses which may place the Council at risk in a few areas; and/or</p> <p><u>Compliance with Controls:</u> Audit testing identified a lack of compliance with controls in a few areas.</p>
	<p><u>System of Control:</u> There are several weaknesses in the system of control and / or the absence of one or more key controls, which is placing the Council at risk in a number of areas; and/or</p> <p><u>Compliance with Controls:</u> Audit testing identified a lack of compliance with several controls and/or one or more key controls and/or potential risk of abuse.</p>
	<p><u>System of Control:</u> The system of control is generally weak leaving the system open to significant error or abuse; and/or</p> <p><u>Compliance with Controls:</u> Significant non-compliance with basic control processes leaves the processes / systems open to significant error or abuse.</p>

Report to Accounts, Audit & Governance Committee

28th June 2016

By the Chief Internal Auditor



INFORMATION REPORT

Not Exempt

Internal Audit – Annual Report

Executive Summary

This report has been compiled to:

- Provide a statement on conformance with the Public Sector Internal Audit Standards.
- Summarise the effectiveness of internal audit work.
- Summarise the work undertaken by Internal Audit during 2015/16 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.

Recommendations

- i) To note the statement of compliance with the Public Sector Internal Audit Standards.
- ii) To note the performance of internal audit against performance targets.
- iii) To note the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems.

Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Auditing Standards 2013.
- ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

Background Papers: Internal Audit Reports and Quality Assurance Improvement Programme self assessment document.

Consultation: N/A

Wards affected: All

Contact: Paul Miller, Chief Internal Auditor, Ext 5319

Background Information

1. Introduction

1.1 Purpose of Report

The main purposes of the report are to:

- Provide a statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance Improvement Programme.
- Comment on the performance of the Internal Audit Section during the year.
- Summarise the work undertaken by the Council's Internal Audit Section and provide management and Members with an opinion on the adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.

It should be emphasised that internal audit work can provide reasonable, not absolute, assurance and it cannot guarantee that any system reviewed is free from material weakness. The opinion given on the overall system of internal control is based primarily on the audit work undertaken.

1.2 Quarterly Reports

The Accounts, Audit and Governance Committee receives quarterly reports on the work carried out by Internal Audit as part of the Council's governance arrangements.

1.3 Strategic Audit Plan

The Internal Audit Team works to a four year strategic audit plan, prepared by the Chief Internal Auditor, and aims to review the Council's major areas of operation and systems on a rolling cycle. The strategic plan was developed using a risk-based assessment which determines priorities and time allocations for each audit. Areas and systems which are considered to be fundamental to the Council's operations, or that are considered to be high risk, are normally reviewed on an annual basis.

1.4 Staffing

During 2015/16, the audit team operated with 3.6 members of staff (three full time employees and one part-time). All auditors have the requisite experience to effectively fulfil their responsibilities, and three members of staff are professionally qualified.

2. Statutory and Policy Background

Statutory Background

- 2.1 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” This responsibility is discharged through the Council’s Internal Audit Section.

Relevant Government Policy / Professional Standards

- 2.2 Internal Audit follows the standards set out in the Public Sector Internal Audit Standards 2013.

Relevant Council Policy

- 2.3 The Council’s Constitution supports the statutory requirements outlined above. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the results of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

3. Compliance with the Public Sector Internal Audit Standards

The Council’s Internal Audit Service is operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1st April 2013.

The standards require the Chief Internal Auditor to undertake a self-assessment of the internal audit service against a Quality Assurance and Improvement Plan (QAIP) checklist and to outline the results as part of the Annual Audit Report. There are a few areas of non-conformance which are detailed in Appendix 4. The only significant issue relates to the requirement for the internal audit function to be reviewed by an external organisation on at least a five yearly basis. A programme of reviews has been agreed between the heads of Internal Audit throughout Sussex which will be undertaken during 2016/17.

The Internal Audit Team has maintained its independence throughout 2015/16 in accordance with the Audit Charter.

4. Effectiveness of Internal Audit

4.1 Performance against the Annual Internal Audit Plan

The Internal Audit team uses a risk based approach when determining the annual audit plan and undertaking audit assignments. In order to respond to new risk areas identified during the year, the audit plan was sufficiently flexible to allow for additional audits to be undertaken.

During the year, 87% of audits were completed against a target of 85%. A summary is given below:

	<u>No. of Audits</u>
Original Audit Plan	31
(Less) audits not completed	<u>(4)</u>
	<u>27</u>

The following pieces of work were also undertaken:

- Backup and Recovery audit.
- DEFRA Grant Certification audit.
- Coordination of the Annual Governance Statement.
- Development of a corporate risk management toolkit.
- Risk management training to all service managers and risk champions.
- Review and update of the Council's Anti-Fraud and Corruption Policy.
- Review and update of the Council's Whistleblowing Policy.
- Development of a corporate Money Laundering Policy.
- Checks of old Council offices during the office move to ensure that no sensitive / confidential data was left behind.

Reviews of the following areas were not undertaken:

- Contracts
- Computer Asset Inventory
- Complaints Management
- Gap Analysis against ISO 27001

4.2 Implementation of agreed actions within the agreed timescale

The percentage of agreed action items implemented is one of the measures used to demonstrate the effectiveness of the section, although the actual implementation of agreed actions is a management responsibility. This area has continued to improve. From a review of 200 agreed actions for the previous financial year (2014/15), 198 have been implemented (99%). The percentage reported for 2013/14 was 94%. Details continue to be reported to the Accounts, Audit & Governance Committee who monitor progress on a quarterly basis.

4.3 Reporting

“Draft” audit reports and working papers are subject to a quality review undertaken by the Chief Internal Auditor before the final report is issued. There is a performance indicator which measures the percentage of audit reports issued within 15 days of the final audit meeting. The target for 2015/16 was set at 85%, and 92% has been achieved.

A new performance indicator was introduced in 2014/15 to measure the number of days between receiving the points arising from the auditor (for review) and issuing the points arising. The standard set is to issue points arising within 15 days. The target for 2015/16 was set at 85%. This is a challenging target as it does not take into account annual leave absences and busy periods. However, 82% was achieved. Since October 2015, the performance has been 100%.

4.4 Management Feedback

On completion of each audit assignment, the Chief Internal Auditor consults management formally to obtain their opinion on the approach and value of the audit work. 10 responses were received, expressing 100 constituent opinions, and these are summarised as follows:

<u>Opinion</u>	<u>201516</u>
Very Satisfied	60
Satisfied	40
Unsatisfied	0

The percentage of “very satisfied” and “satisfied” responses achieved was therefore 100% against a target of 95%.

5. Opinion on the Control Environment

5.1 This section of the report draws attention to any issues the Chief Internal Auditor considers are particularly relevant to the preparation of the Annual Governance Statement and includes an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment and discloses any qualifications to that opinion, together with the reasons for the qualification.

5.2 The overall opinion is that “**Satisfactory**” assurance can be given that there is generally a sound system of internal control designed to meet the Council’s objectives, and that the controls are generally being applied consistently. The opinion is based upon audit work undertaken during the year. The number of outstanding agreed action items from audit follow ups has also been taken into account.

Assurance Areas:	
Governance	<p>The Council is committed to the principles of good corporate governance, which are already demonstrated through many aspects of good practice.</p> <p>A number of improvements have been made in respect of the Council's Governance Framework during 2015/16. In particular, the Council's Procurement Code and Financial Regulations have been reviewed and updated, and a new Officer Governance Group has been formed comprising the Director of Corporate Resources, Monitoring Officer and Chief Internal Auditor. This Group meets quarterly, and standing agenda items include the Council's Constitution; Annual Governance Statement; Risk Management; Information Security; Declarations of Interest; and Fraud.</p>
Risk Management	<p>The Council's corporate and departmental risk registers have been comprehensively updated following the 2014/15 consultant's review of the Council's risk management arrangements. A programme of training was completed as part of this exercise. The Internal Audit plan for 2016/17 has been developed primarily from the Council's risk registers.</p>
Internal Control	<p>There are no significant weaknesses to report which haven't been previously identified. A number of key control weaknesses were identified during the year, but remedial action has been taken on a timely basis in accordance with the Council's Risk Management Strategy.</p> <p>The table of internal audit assurance opinions, in Appendix 2, shows the individual audit opinions from the audit assignments undertaken in 2015/16. Where significant control weaknesses have been identified, remedial action is programmed (where possible) to be implemented within three months.</p>

5.3 Qualification to the Opinion

The audit opinion is based upon, and limited to, the work performed during the year. The opinion does not imply that Internal Audit has reviewed all risks and controls relating to the Council, but is based upon the range of individual opinions arising from risk based audit assignments completed during 2015/16. Opinions for individual audits are detailed in Appendix 2 of this report, and definitions of the opinions can be found in Appendix 3.

6. Next Steps

Not applicable.

7. Outcome of Consultations

Not applicable.

8. Other Courses of Action Considered but Rejected

Not applicable.

9. Staffing Consequences

There are no direct staffing consequences.

10. Financial Consequences

There are no financial consequences.

Appendix 1

Consequences of the Proposed Action

Consequences of the proposed action on:	
Risks	The Internal Audit function contributes to the effectiveness of the Council's risk management arrangements.
Risk Assessment attached Yes/No	No
Crime and Disorder	This report has no effect on Crime & Disorder issues.
Equality and Diversity/ Human Rights	The audit plan is undertaken in a way that encompasses the Council's overall corporate aims, objectives and values.
Equalities Impact Assessment attached Yes/No/Not relevant	Not relevant.
Sustainability	This report has no effect on sustainability.

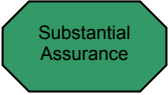
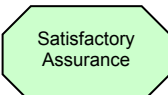

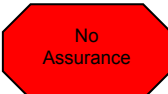
Appendix 2

AUDITS	INTERNAL AUDIT ASSURANCE OPINIONS			
	SUBSTANTIAL	SATISFACTORY	LIMITED	NO ASSURANCE
Fuel Cards		✓		
Staff Loans			✓	
BACS			✓	
Security		✓		
Agency Staff			✓	
Vehicle Management & Maintenance		✓		
Elections		✓		
Back-up and Recovery		✓		
Trade Waste			✓	
Car Parks			✓	
Housing Allocations		✓		
Data Access Management			✓	
Building Control	✓			
VAT		✓		
DEFRA Grant (Flooding)		✓		
NNDR	✓			
Planning Fees		✓		
Debtors			✓	
Cash & Bank		✓		
Creditors		✓		
Council Tax		✓		
Housing Benefits		✓		
Purchase Cards	✓			
Capitol Theatre			✓	
Treasury Management		✓		
Declarations of Interest		✓		
Payroll		✓		

Note: Internal audit at Horsham audited the NNDR system on behalf of Horsham, Mid Sussex and Adur District Councils (the CenSus Partnership). The opinions for Housing Benefits and Council Tax have been provided by the Internal Audit teams working on behalf of Mid-Sussex District Council and Adur/Worthing District Council respectively, and reliance has been placed on this work.

Appendix 3

SUMMARY OF INTERNAL AUDIT ASSURANCE OPINIONS

 <p>Substantial Assurance</p>	<p><u>System of Control:</u></p> <p>There is a sound system of control in place which minimises risk to the Council; and/or</p> <p><u>Compliance with Controls:</u></p> <p>Audit testing identified that expected controls are being consistently applied. Only a few errors or weaknesses were identified, but the level of risk is considered to be minimal.</p>
 <p>Satisfactory Assurance</p>	<p><u>System of Control:</u></p> <p>Whilst there is an adequate system of control and all key controls¹ are in place, there are some weaknesses which may place the Council at risk in a few areas; and/or</p> <p><u>Compliance with Controls:</u></p> <p>Audit testing identified a lack of compliance with controls in a few areas.</p>
 <p>Limited Assurance</p>	<p><u>System of Control:</u></p> <p>There are several weaknesses in the system of control and / or the absence of one or more key controls, which is placing the Council at risk in a number of areas; and/or</p> <p><u>Compliance with Controls:</u></p> <p>Audit testing identified a lack of compliance with several controls and/or one or more key controls and/or potential risk of abuse.</p>
 <p>No Assurance</p>	<p><u>System of Control:</u></p> <p>The system of control is generally weak leaving the system open to significant error or abuse; and/or</p> <p><u>Compliance with Controls:</u></p> <p>Significant non-compliance with basic control processes leaves the processes / systems open to significant error or abuse.</p>

¹ A **key control** is defined as a control or a group of controls that help to reduce an otherwise unacceptable risk to a tolerable level (i.e. to within the Council's risk appetite).

Appendix 4

PSIAS Quality Assurance & Improvement Plan ~ Results of Self Assessment

Standard	Requirement	Explanation / Actions
1110	<p>Organisational Independence</p> <p>The Chief Internal Auditor (CIA) should report “functionally” to the Board.</p>	<p>At Horsham, the CIA reports functionally to the Accounts, Audit and Governance Committee which is responsible for:</p> <ul style="list-style-type: none"> • Reviewing and approving the Internal Audit Charter. • Reviewing and approving the Internal Audit Strategy. • Reviewing and approving the Annual Internal Audit Plan. • Receiving communications from the Chief Internal Auditor on the Internal Audit activity’s performance relative to its plan and other matters. • Making appropriate inquiries of management and the Chief Internal Auditor to determine whether there is any scope or budgetary limitation that impedes the ability of the internal audit activity to execute its responsibilities. <p>As stated in the Internal Audit Charter, full Council is responsible for the following:-</p> <ul style="list-style-type: none"> • Approving the internal audit budget. • Approving decisions regarding the appointment and removal of the Chief Internal Auditor. • Approving the remuneration of the Chief Internal Auditor. <p>The Director of Corporate Resources is responsible for approving the resource plan.</p>
1312	<p>External Assessments</p> <p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p> <p>The scope of the assessment and qualifications / independence of the external assessor must be agreed with the Board.</p>	<p>A cost-effective, collaborative arrangement for external reviews has been agreed amongst local heads of audit within Sussex.</p> <p>During 2016/17, the Internal Audit Team at Horsham D.C will be formally audited by two Heads of Audit from East Sussex.</p>

1321	<p>Use of “Conforms to the International Standards for the Professional Practice of Internal Auditing”.</p> <p>The Chief Internal Auditor may only state that internal audit activity “conforms” if the results of the Quality Assurance and Improvement Programme (QAIP) support this statement.</p>	<p>Until an external assessment has been conducted, as required by the QAIP, a full conformance statement is not appropriate.</p>
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**Report to Accounts, Audit & Governance
Committee**

28th June 2016

By the Director of Corporate Resources

INFORMATION REPORT



Not exempt

“Draft” Annual Governance Statement 2015/16

Executive Summary

The annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement for 2015/16. This review included information and assurance gathering processes to ensure that the published Annual Governance Statement is correct as well as a review of the Council's Governance framework against the best practice framework devised by CIPFA/SOLACE.

The aim of the review process is to ensure that the Council has effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives. Additionally, the review process has identified any shortfalls in these arrangements to enable them to be addressed.

Recommendations

- i) The Committee is asked to consider the “draft” Annual Governance Statement for 2015/16 so that comments can be incorporated prior to the formal approval of the statement. This will take place with the Statutory Financial Statements at the September meeting of this Committee.

Reasons for Recommendations

- i) As part of good governance, it is important that the Annual Governance Statement is approved by Members of the Accounts, Audit and Governance Committee.

Background Papers: Supporting evidence, Service Manager Assurance Statements, and the Annual Internal Audit Report.

Consultation: The Senior Leadership Team, Monitoring Officer, Head of Community & Culture, Head of Finance, HR & OD Manager, and the Commissioning & Performance Manager.

Wards affected: All

Contact: Paul Miller, Chief Internal Auditor, 01403-215319

Background Information

1 Introduction

- 1.1 The Accounts and Audit (England) Regulations 2011 require the Council to review, at least annually, the effectiveness of its governance arrangements and publish an Annual Governance Statement.

Background/Actions taken to date

- 1.2 Senior officers have been consulted and supporting documentation has been updated to reflect the current position.
- 1.3 The Accounts Audit and Governance Committee is asked to consider the “draft” Statement to enable their comments to be incorporated prior to the formal approval of the Statement. This will take place with the Statutory Financial Statements at the September meeting of this Committee.

2 Statutory and Policy Background

Statutory background

- 2.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 requires that:-
- 4(1) the Council shall be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has 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; and
 - 4(2) the Council shall conduct a review at least once in a year of the effectiveness of its system of internal control; and
 - 4(3) a) the findings of the review must be considered by the Members of the Council meeting as a whole or by a committee
b) following the review the body or committee must approve an Annual Governance Statement prepared in accordance with proper practices in relation to internal control; and
 - 4(4) the Annual Governance Statement shall accompany the Statement of Accounts.
- 2.2 In 2007 CIPFA/SOLACE published a framework for Corporate Governance: "Delivering Good Governance in Local Government Framework". This framework provides a useful and practical update to the original Framework and follows the six core principles of good governance outlined in the Good Governance Standard for Public Services (2004) which was developed by the Commission on Good Governance in Public Services. CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains “fit for purpose”. The Framework urges local authorities to review and report on the effectiveness of the governance arrangements.

3 Details

3.1 The Annual Governance Statement for 2015/16 is attached in Appendix 2.

4 Next Steps

4.1 The Committee is asked to review, note and comment on the Annual Governance Statement. The final version of the document will be presented to the September meeting for approval.

5 Outcome of Consultations

5.1 A number of key officers have been consulted (see front page of this report) and comments have been incorporated into the Annual Governance Statement.

6 Other Courses of Action Considered but Rejected

6.1 None.

7 Staffing Consequences

7.1 There are no direct staffing consequences arising from this report.

8 Financial Consequences

8.1 There are no direct financial considerations arising from this report.

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal? Risk Assessment attached Yes/No	There are no risks associated with this proposal.
How will the proposal help to reduce Crime and Disorder?	There is not impact on Crime and Disorder
How will the proposal help to promote Human Rights?	There is no impact on Human Rights
What is the impact of the proposal on Equality and Diversity? Equalities Impact Assessment attached Yes/No/Not relevant	There is no impact on Equality and Diversity
How will the proposal help to promote Sustainability?	This report has no effect on sustainability.



Horsham
District
Council

Draft Annual Governance Statement



2015/16

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**Horsham District Council
Annual Governance Statement 2015-16****1. SCOPE OF RESPONSIBILITY**

Horsham District Council is responsible for ensuring that its business is conducted in accordance with the law, regulations and proper standards, and that public money is safeguarded from waste, extravagance or misappropriation. 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 the exercise of its responsibilities.

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

Horsham District Council has approved and adopted a Local Code of Corporate Governance (11th December 2013) which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA), and Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. The Local Code of Corporate Governance is included within Part 5F of the Council's Constitution. A copy of the Local Code is available on our website or can be obtained from Council offices. This statement explains how Horsham District Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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 Horsham District Council's policy aims and objectives, to evaluate the likelihood and potential impact 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 Horsham District Council for the year ended 31 March 2016 and up to the date of the approval of the Annual Report and Statement of Accounts for the 2015/16 financial year.

3. THE GOVERNANCE FRAMEWORK

The Council's Governance Framework encompasses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The structures and processes, risk management and other internal control

systems are in place to monitor and manage the delivery of the Council's aims and objectives:

The core principles of the Council's Governance Framework are set out below:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and officers to be effective and efficient.
6. Engaging with local people and other stakeholders to ensure robust accountability.

4. VISION AND OBJECTIVES

The Council published the last District Plan in February 2011. It covers the period 2011-2015 and an interim District Plan has been in place during 2015/16. The District Plan outlines the Council's vision, aims and objectives and is aligned to the Corporate Governance Framework.

- The Council aims to deliver high quality services that meet the needs of the local community. This is set out in the Council's District Plan for Horsham 2011–2015 and also in the interim District Plan for 2015/16 which is the core of the Council's purpose and vision and defines the Council's key priorities and strategic aims. The District Plan sets out the Council's vision for working in partnership over the longer term and is formally reviewed and updated each year. The interim District Plan is in place to cover the period from April 2015 to the end of March 2016.
- The District Plan and interim District Plan 2015/16 are available to local people on paper (on request) or on the Council's website.
- The District Plan is supported by the Medium Term Financial Strategy and the Council's annual budget to ensure the implications on the Council's finances are considered when the objectives are set.
- A new Corporate Plan for 2016/19 (which will replace the District Plan) is currently under development.
- Departmental strategies and service plans are developed annually to support the delivery of the District Plan. They explain in detail how each department contributes to the delivery of the overall aims and objectives of the District Plan.
- The Council's Performance Management Framework includes key performance indicators associated with the District Plan. Performance on a basket of key corporate indicators against targets is reported to the Senior Leadership Team, the Cabinet Portfolio Holders and to the Scrutiny and Overview Committee. The results of the performance against target for each indicator are published on the Council's website in the Performance Indicator End of Year Report. Explanations for poor performance have to be provided by the responsible manager. This process helps to ensure that performance statements and other published information is accurate and reliable.

- The Council's Annual Performance Report, which is published on the Council's website, provides an annual summary of the year's progress against the stated District Plan priorities.
- Every report submitted to the Cabinet or regulatory committee must outline how the recommended action helps to achieve one or more of the District Plan priorities.

5. MEMBERS AND OFFICERS WORKING TOGETHER

The Council's Constitution gives guidance on the roles and responsibilities of Members, the Chief Executive and Chief Officers, and the Scheme of Delegation is periodically reviewed. The Constitution also includes a Member/Officer Protocol. The Leader, Cabinet Members, and Chairmen and Vice Chairmen of standing committees receive briefings from senior management on a regular basis and Members receive training as part of the induction process.

A Member Group was formed in August 2015 to review the governance arrangements at the Council and in particular to decide on the strengths and weaknesses of the Cabinet versus the Committee Systems of Governance. That review has now been completed with a final report to Full Council on 27 April 2016. The Governance Review has focused on ensuring Horsham District Council has the most suitable and effective governance arrangements whilst at the same time the process of review has greatly engaged with Members (there have been three 'All Councillor' briefings, visits by Members to other local authorities and individual briefings and discussions with back bench Members). This process has widened the collective knowledge and understanding amongst Members.

Cabinet advisory groups meet periodically on significant areas of business to ensure there is engagement with back bench Councillors on strategic direction.

Members and senior officers work together helped by a 'Leading Together' away day which focused on improving working relations and understanding the differing perspectives of officers, Members and other stakeholders.

The Council participates in a number of partnerships with other local authorities. In particular the Revenues and Benefits and ICT services are delivered by the CenSus (**Central Sussex**) Partnership, and Building Control services are provided in partnership with Crawley Borough Council. The Council also engages in local community development work with other local public bodies.

6. VALUES AND HIGH STANDARDS OF BEHAVIOUR

The Council has incorporated in its Constitution a Member Code of Conduct and an Employee Code of Conduct. A register of declared interests is held for officers. Member's Registers are available on the Council's website. Members are required to review their registers annually. The Standards Committee promotes and maintains high standards of conduct by Councillors and also considers whether a complaint or allegation of misconduct by a Member should be investigated. The Council has also appointed an Independent Person in accordance with the Localism Act 2011.

The organisation has developed with its staff core values of 'customer focus', 'achieving excellence' and 'our people' (working together, investing in people, training and encouraging responsibility). Desired behaviours are set out in the staff and manager's capabilities which form part of the annual performance appraisal.

The culture of the organisation sets the foundation for the prevention of fraud and corruption by creating an environment that is based on openness and honesty in all Council activities.

The Council has the following policies and procedures in place which aim to prevent or deal with any instances of fraud, dishonesty or malpractice.

- Anti-Fraud and Corruption Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- HR Disciplinary Policies
- Council's Equality Scheme
- Information Security Policies

7. TAKING INFORMED AND TRANSPARENT DECISIONS AND MANAGING RISK

The Council's Constitution sets out how the Council operates and the process for policy and decision making. A Constitution Review Group of Members will be appointed by Council to undertake a full review of the Constitution ensuring the Council has a modern and fit for purpose document. The target date for completion of the review is September 2016.

The Council's Risk Management arrangements are reviewed for effectiveness by the Accounts Audit and Governance Committee to ensure the process is embedded in the culture of the authority. All major projects incorporate a full risk assessment prior to commencement and at key decision points.

All service managers are responsible for implementing strategies at departmental level ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process. The Chief Internal Auditor has facilitated a comprehensive review by each service manager of each departmental risk register during 2015/16, as well as the corporate risk register.

Internal Audit provides an opinion on the effectiveness of the risk management framework annually in the end of year report published in June.

8. CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS

There are training opportunities for new officers. Training programmes for Council employees are identified from regular 1-2-1s, team meetings, staff appraisals and personal development programmes.

New Members to the Council receive induction training in key areas (including the Constitution), ethical governance, decision-making processes and the Council's Code of Members' Conduct. The induction also includes an introduction to the Council's services. All new Members are allocated a 'buddy' who is a senior Council officer tasked with helping the new Members to settle into the Council. There is an ongoing training programme of Member briefings on important areas of the Council's work. There is also ongoing training covering specific issues in a variety of areas.

9. ENGAGEMENT WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS

The Council conducts a wide range of service specific surveys to ascertain the views and needs of its residents. A priority within the District Plan is "the customer is at the heart of what we do" and a key element of that priority is to consult residents, businesses and staff, all of whom regularly provide feedback.

The Council works hard to communicate (and to receive feedback on) its aims for the District. The Council consults with Parish Councils and the Rural Towns Forum (i.e. a consortium of parish level Community Partnerships). It is a leading partner within the Think Family Partnership, Community Safety and Health and Wellbeing Partnerships, linking statutory and non-statutory agencies to provide a co-ordinated approach to delivery of the programme across the District. The Council works with voluntary and community sector partners to ensure effective provision of community engagement activities across the district. These partnerships share feedback from their own stakeholder consultation.

These groups help the Council to assess the priorities of different sections of the community that have different needs. A wide range of service specific surveys are conducted to ascertain the views and needs of residents and partners, particularly in areas such as Think Family Neighbourhoods, Grants and funding, Parish Councils where resources are being targeted. Compliments and complaints received are monitored and a quarterly report is submitted to the Finance and Performance Working Group.

10. DETAILS OF KEY GOVERNANCE MECHANISMS

Sources of assurance received for each of the core principles are set out in Appendix 3.

11. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council's governance framework includes decision-making processes set out in the Council's Constitution, together with rules and procedures. Following a Council decision in April 2015, a Member group was formed to carry out a review of governance at the Council focussing on political structure and the decision-making process at a high level. The review was completed in April 2016 when recommendations were made to Council. These recommendations were unanimously approved by Members, and included endorsement of the Cabinet system supported by formal advisory groups; all key decisions to be made by Cabinet in public meetings and an increase in the financial threshold to £250k bringing the Council into line with comparator authorities. At the meeting in April 2016, Members also agreed to form a Constitution Review Group to review the Council's Constitution. The terms of reference were to make the Council's Constitution less bureaucratic and simplified therefore making it more user friendly with greater openness and transparency.

Mechanisms for maintaining and reviewing the effectiveness of the Council's governance arrangements throughout the year include:

- The Council comprises 44 Members and, as a whole, takes decisions on budget and policy framework matters as defined by the Constitution, including deciding on the aims and objectives of the Council as set out in the District Plan.

- The Scrutiny and Overview Committee is able to scrutinise the decisions of the Cabinet and maintains an overview of Council activities which includes monitoring performance management.
- Finance and Performance Sub-Committee, a sub-committee of Overview and Scrutiny Committee The Cabinet is ultimately responsible for considering overall financial and performance management. Budget and performance monitoring reports are received on a quarterly basis.
- The Standards Committee meets quarterly and at every meeting considers an update report on complaints against Councillors. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
- The Accounts, Audit and Governance Committee meets quarterly to review the Council's risk management arrangements and reports prepared by the Chief Internal Auditor on the control environment. It also reviews the Council's Treasury Management and Investment Strategies and has delegated authority to review and approve the statutory financial statements and consider reports from the Council's external auditors.
- The role of the Director of Corporate Resources (as Chief Financial Officer) includes stewardship and probity in the use of resources and performance, extracting best value from the use of those resources. The Chief Financial Officer complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
- An annual audit plan is developed, in consultation with senior managers, which outlines the assignments to be carried out and estimated resources. The audit plan is sufficiently flexible to enable the Internal Audit team to respond to changing risks and priorities of the organisation.
- The Head of Legal and Democratic Services (as Monitoring Officer) has a duty to ensure that operations are carried out lawfully.

12. IMPROVEMENTS DURING THE YEAR

The following improvements to the Governance Framework were recognised during 2015/16:

- The Member review of governance arrangements and formation of the Constitutional Review Group.
- A new officer governance group has been formed which meets quarterly. This group takes a high level overview of the Council's governance arrangements and comprises the Section 151 Officer, Monitoring Officer and Chief Internal Auditor.
- A new asset management system (Elf) was fully implemented in September 2015 improving management information used for decision-making.
- Reports to the quarterly meetings of the Finance and Performance Working Group have been revised to show financial and performance information together for each of the Council's service areas with a commentary by each of the Council's Service Managers. This has been well received by Members, enabling better Member understanding of corporate performance
- The Council's Contract Standing Orders and Procurement Code have been updated to reflect the new EU Procurement Regulations.
- The Council's corporate and departmental risk registers have been comprehensively updated following the 2014/15 independent review of the Council's risk management arrangements. New service plans have been developed by all service managers.

- A review of performance indicators has been undertaken by Service Managers and the Senior Leadership Team to ensure that these are meaningful and useful in helping services to achieve their objectives.
- The Council's complaints process has been reviewed and revised from a three stage process to a two stage process for the purpose of improving speed and quality of response and making efficiency savings.
- A Governance Framework diagram showing sources of assurance has been developed for Horsham D.C. (see Appendix 4).

13. SIGNIFICANT GOVERNANCE ISSUES

The 2014/15 Annual Governance Statement included an Action plan for 2015/16. Progress against the risks identified is reported in Appendix 5.

New significant governance issues are reported to the Accounts, Audit and Governance Committee. At the current time no significant governance issues have been identified but a number of recommendations for improvement are set out in a new action plan in Appendix 6.

Certification

It is our opinion that Corporate Governance, along with supporting controls and procedures, remains strong for the Council.

Signed

.....

Leader of the Council

on behalf of the Members and senior officers of the Council.

.....

Chief Executive

Sources of Assurance

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

- a) The Council will exercise strategic leadership by developing and clearly communicating our purpose and vision and the intended outcome for citizens and service users.
- b) The Council will ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- c) The Council will ensure that we make best use of resources and that tax payers and service users receive excellent value for money.

The Council's District Plan for 2011/15 and interim 2015/16 Plan consists of six key areas covering:

- Economic Development: Plan for a successful local economy with high levels of employment.
- Efficiency and Taxation: Delivering excellent value and high performance.
- Arts, Heritage and Leisure: Build an arts, leisure and culture reputation that also supports our economy.
- Living, Working Communities: Working together to support the life of local communities.
- Environment: A better environment for today and tomorrow.
- Safer and Healthier: Improving health and well-being.

Annual Departmental Service Plans are derived from the aims and objectives set out in the District Plan.

The Council has a Medium Term Financial Strategy which links the Council's finances to the Corporate priorities and sets out the strategic financial policies, a medium term financial forecast and budget guidelines for the forthcoming year.

The Council's Budget, which is developed from the Medium Term Financial Strategy, is approved annually to provide appropriate resources to enable the achievement of the Council's District Plan.

The Council has a performance management framework to monitor progress against the Council's aims and objectives. This includes a set of Performance Indicators which are monitored regularly by officers and Members.

The Council publishes an Annual Report which provides an update on progress being made against Council aims and objectives. This is published on the Council's website.

The Council's Corporate Procurement Strategy, Commissioning Framework and Procurement Code (revised in October 2015) ensure that value for money is achieved when money is spent.

The Council has a formal complaints procedure which is published on its website or is accessible from the Council offices. It encourages residents to contact the Council and feedback is welcomed. Quarterly reports summarising complaints and compliments are submitted to the Finance and Performance Working Group (a working group of the Scrutiny and Overview Committee). This has been reviewed and revised for 2015 for the purpose of improving speed of response and making efficiency savings.

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

- a) The Council will ensure effective leadership throughout the authority and be clear about Executive and non-Executive functions and of the roles and responsibilities of the Scrutiny function.
- b) The Council will ensure that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard.
- c) The Council will ensure that our relationships with our partners and the public are clear so that each knows what to expect from each other.

The Council's Constitution sets out how the Council operates, how decisions are made and which Codes of Conduct are followed.

Member roles are set out in Part 2 of the Council's Constitution.

The Constitution includes a Member / Officer protocol which is contained in Part 5G.

The Constitution is published on the Council's website.

The Council has rules which officers are expected to comply with, for example, Financial Regulations, Contract Standing Orders and the Procurement Code which are included in the Constitution.

The Chief Executive is responsible and accountable to the authority for all aspects of operational management.

The Council has a Monitoring Officer to fulfil those duties specified by legislation, to report on any contraventions of any enactment or rule of law and to advise on the probity and policy framework (as set out in the Constitution).

The Council has a Performance Management Framework which reports on a set of key Performance Indicators to officers and Members.

Partnership agreements are in place for each of the Council's strategic partnerships setting out the partnership principles and objectives, roles and responsibilities and setting out clear accountability for proper financial administration.

The Council's Constitution includes a Partnership Protocol (section 5H).

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

- a) The Council will ensure that Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- b) The Council will ensure that organisational values are put into practice and are effective.

Member and Officer Codes of Conduct which are included in the Constitution set out the values and behaviours that the Council expects Members and officers to adopt. These have been revised to fulfil the requirements of the Localism Act 2011.

The Constitution includes Rules of Procedure governing the meetings of the Council. These describe the expected conduct at meetings.

The Council has an Anti-Fraud and Corruption Policy designed to encourage the prevention and promote the detection of fraud. The Council also has an anti-money laundering policy in place.

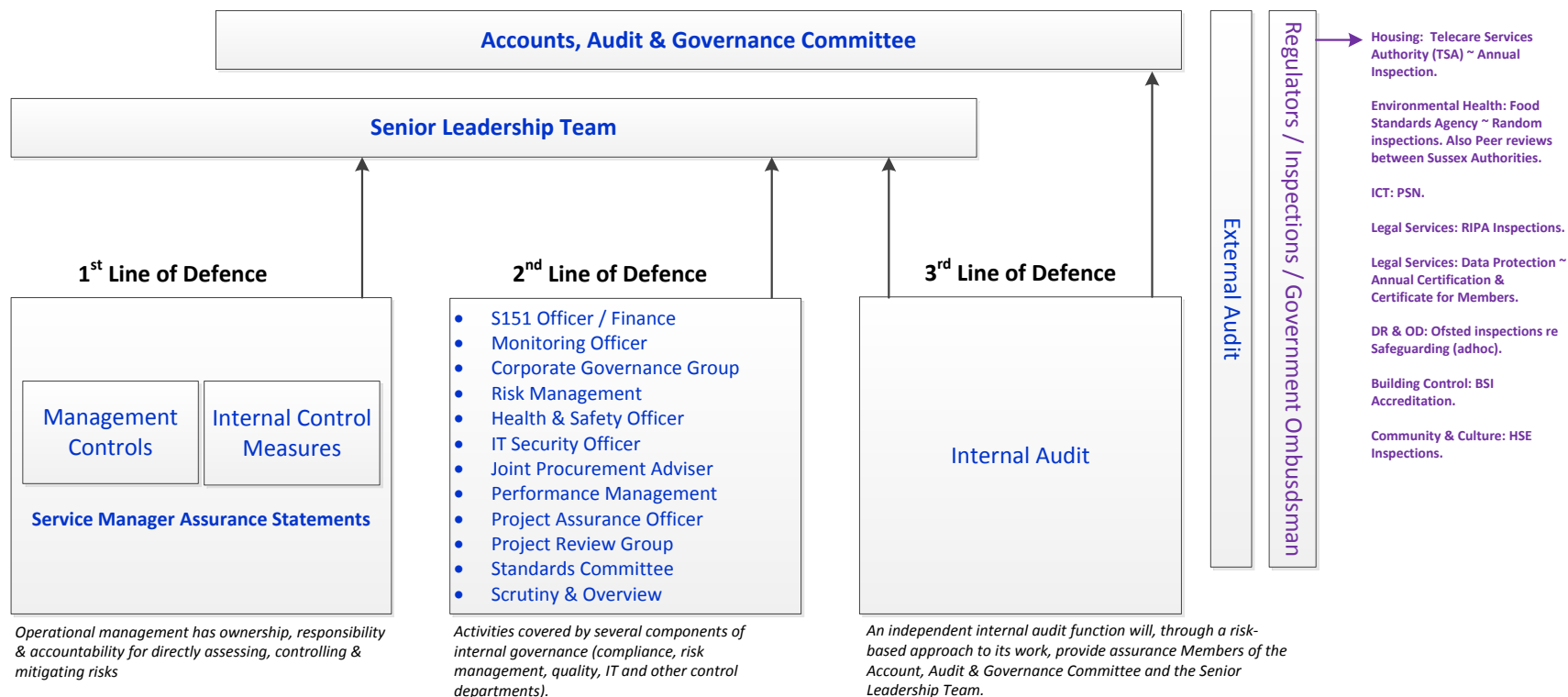
Member and Officer Registers of Interest, Gifts and Hospitality are maintained to safeguard both Members and officers against conflicts of interest.
The Standards Committee has put in place arrangements to consider complaints or allegations made against Councillors, as required by the Localism Act 2011.
Core competences have been defined for officers. The Council has a performance appraisal process in place which ensures officers are monitored against these.
Member and officer training sets out the standards of behaviour expected.
The Council has a Whistleblowing Policy in place which forms part of the Officer Code of Conduct.
<p>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</p> <p>a) The Council will be rigorous and transparent about how decisions are taken and listen and act on the outcome of constructive scrutiny.</p> <p>b) The Council will use good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p> <p>c) The Council will ensure that an effective risk management system is in place.</p> <p>d) The Council will use its legal powers to the full benefit of its citizens and communities in their area.</p>
The Constitution sets out how the Council operates, how decisions are made and the procedures and codes of conduct that are followed.
The Council has a Scrutiny and Overview Committee which reviews the Council's decision making processes and monitors the internal and external delivery of services.
The Agendas and minutes of the committee are published on the Council's website and contain evidence of improvements resulting from reviews undertaken.
The Council's Constitution sets out decision making protocols. Decisions are recorded in Council/Committee minutes together with details of any professional advice sought.
An effective Internal Audit section is maintained which reports to the Accounts, Audit and Governance committee. The Chief Internal Auditor is a fully qualified member of the Chartered Institute of Internal Auditors and follows the Public Sector Internal Audit Standards. One of the key roles of Internal Audit is to ensure there are robust systems of internal control in place to mitigate risks and provide assurance to Members.
The Accounts, Audit and Governance Committee meets quarterly and reviews the effectiveness of the control environment and risk management framework. The Committee reviews reports from the Chief Internal Auditor at each meeting presenting the outcomes of his work programme and highlighting any areas of concern.
There are formal procedures for dealing with complaints. Details are available on the Council's website.
The Council's Chief Finance Officer (S.151 Officer) complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
On an annual basis the Council publishes the Annual Statement of Accounts which is audited by the Council's external auditors, Ernst & Young LLP and is approved by the Accounts, Audit and Governance Committee.

<p>The Council has a Risk Management Strategy which was last reviewed and updated 07/12/15. The Council's Senior Leadership Team formally reviews the Corporate Risk Register quarterly, and the updated version is submitted to the Accounts, Audit and Governance Committee for information / comment.</p>
<p>The Council's Monitoring Officer is responsible for advising the Council if any proposal would give rise to unlawfulness or maladministration. This is a key function in ensuring lawfulness and fairness in the operation of the Council's decision making process.</p>
<p>Committee reports are reviewed by the Council's senior lawyers to identify potential problems. There is also legal involvement in report development and legal advisors are present at decision making committees, as and when required.</p>
<p>5. Developing the capacity and capability of Members and officers to be effective.</p> <p>a) The Council will make sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p> <p>b) The Council will develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.</p> <p>c) The Council will encourage new talent for membership of the authority so that the best use can be made of individuals' skills and resources in balancing continuity and renewal.</p>
<p>An Induction Programme is in place for both Members and employees.</p>
<p>Officers are provided with the training required for them to perform their roles effectively. Training needs are identified through the Council's Performance Development Appraisal system.</p>
<p>Role profiles set out officer roles and responsibilities for all posts. These are reviewed and updated annually as part of the staff appraisal process.</p>
<p>The Officer Performance Review system ensures appraisals are undertaken annually for all staff. Staff development plans are reviewed and updated as part of this process.</p>
<p>The Standards Committee deals with issues relating to Member performance.</p>
<p>The Council offers a number of opportunities as part of the National Apprenticeship Programme. Those who take part gain valuable experience and a nationally recognised qualification.</p>
<p>The Council organises Manager's conferences enabling managers to meet to consider current issues affecting the Council and work together to identify solutions.</p>
<p>6. Engaging with local people and other stakeholders to ensure robust accountability.</p> <p>b) The Council will exercise leadership through a robust Scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p> <p>c) The Council will take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service.</p> <p>d) The Council will make best use of human resources by taking an active and planned approach to meet responsibilities to staff.</p>
<p>The Constitution sets out how the Council operates, how decisions are made and the procedures and codes of conduct that are followed.</p>

The Council has a Scrutiny and Overview Committee which reviews the Council's decision making processes and monitors the internal and external delivery of services.
The Accounts, Audit and Governance Committee is independent of Cabinet and Scrutiny functions. It received reports on the work of Internal and External Audit and Risk Management.
The Council undertakes a Residents Survey every three years which informs the development of the District Plan.
The Council supports local communities who produce their own Neighbourhood Plans providing a vision for their area.
The Council engages with the public in a number of public consultations. These are publicised on the Council's website and the feedback informs the Council's decision making process.
The majority of the Council's meetings are open to the public. Agendas, papers and minutes are published on the Council's website.
The Council facilitates a number of focus groups (the Youth Panel, Older People's Panel, Access Group) which provide feedback on issues concerning these groups.
The Council communicates with staff by means of regular information cascade meetings organised by the Senior Leadership Team; director's meetings; team meetings; Chief Executive Talks; Chief Executive's blog, the "Council Matters" publication and update messages on the Staff Intranet.
The Performance Appraisal system provides opportunities to review employee performance and consider personal development needs in relation to the employee's role.



ASSURANCE FRAMEWORK



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Assurance Framework Documentation

- Constitution
- Code of Conduct
- Complaints Procedure
- Equalities Scheme
- Service Manager Assurance Statements
- Communications Strategy
- Financial Policies & Procedures
- Risk Management Strategy & Toolkit
- Risk Registers
- Performance Framework

- Employee Policies
- Pay Policy
- Anti-Fraud & Corruption Policy
- Whistleblowing Policy
- Annual Internal Audit Report & Opinion
- Statement of Accounts
- Annual Audit Letters from EY
- Annual Complaints Report
- Report of Local Government Ombudsman
- Results of External Inspections

- District Plan & Service Plan
- MFTS & Budget
- Money Laundering Policy
- Partnership Agreements / SLAs
- Treasury Management & Investment Strategy
- Procurement Code
- Values & Behaviours

ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2015/16

No.	Area for Improvement	Actions	Responsible Officer	Outcomes
1.	<u>Assurance Framework.</u> Second and third line assurance defence levels need to be identified so that these can feed into the Council's Annual Governance Statement for 2015/16.	A formal assurance framework will be developed.	Director of Corporate Resources / Chief Internal Auditor	An assurance framework has been developed.
2.	<u>Constitution.</u> The Council's Constitution is currently based on the 2000 model and needs to be re-written. This will improve the Council's governance arrangements and will help to improve engagement with Members.	The Council's Constitution will be re-written in consultation with Members and senior officers.	Monitoring Officer	Progress has been made. Needs to be carried forward to 31/12/16 (see Appendix 6).
3.	<u>Values / Behaviours</u>	The behaviour framework will be further developed to match all of the organisation's values.	HR & OD Manager	The implementation date has been carried forward to 31/03/17 (see Appendix 6).
4.	<u>Health and Safety</u>	Agreed actions following an internal audit review of health & safety will be implemented by the end of the calendar year.	Chief Executive	High risk areas have been implemented. A new work plan has now been written by the Corporate Health & Safety Advisor.

ANNUAL GOVERNANCE STATEMENT ~ ACTION PLAN FOR 2016/17

No.	Area for Improvement	Actions	Responsible Officer	Target Date
1.	Budget holders to undertake their budget monitoring every month and provide more accurate outturn forecasts.	<p>Monitoring of all budget holders on the frequency and accuracy of budget monitoring and forecasting. Regular failure to undertake budget monitoring and accurate forecasting to be more robustly dealt with through people management processes.</p> <p>Local training for budget holders to improve outturn forecasting awareness and skills.</p>	Head of Finance	30/09/16
2.	The Council's Constitution is currently based on the 2000 model and needs to be re-written. This will improve the Council's governance arrangements and will help to improve engagement with Members.	The Council's Constitution (including contract procedures) will be re-written in consultation with Members and senior officers.	Monitoring Officer	31/12/16
3.	Further development of the behaviours framework to match all of the organisation's values.	Re-establish skills/competencies for employees, especially managers, and training will be provided.	HR & OD Manager	31/03/17
4.	Procurement of agency staff	Formal tender action underway to establish local framework with other LA's (MSDC & CBC)	Commissioning & Performance Manager	31/03/17

5.	Improvement in Member training.	The Monitoring Officer will review and improve Member training providing a more structured approach to training and development.	Monitoring Officer	31/03/17
6.	Governance related training is needed for officers.	A programme of regular governance training will be developed (e.g. health & safety, anti-fraud, information and data security).	Director of Corporate Resources	31/03/17

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

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