



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

Audit Committee

Wednesday, 22nd March, 2017 at 5.30 pm
Hastings & Knepp, Parkside, Chart Way, Horsham

Councillors: Godfrey Newman (Chairman)
Stuart Ritchie (Vice-Chairman)
John Chidlow
Brian Donnelly
Adrian Lee
Tim Lloyd
Paul Marshall

You are summoned to the meeting to transact the following business

Tom Crowley
Chief Executive

Agenda

	Page No.
1. Apologies for absence	
2. Minutes To approve as correct the minutes of the meeting held on 4 th January 2017	3 - 8
3. Declarations of Members' Interests To receive any declarations of interest from Members of the Committee	
4. Announcements To receive any announcements from the Chairman of the Committee or the Chief Executive	
5. Audit Progress Report 2017/17 To be presented by the External Auditor	9 - 20
6. Grant Certification report 2015/16 To be presented by the External Auditor	21 - 34
7. Risk Management - Quarterly Update To receive the quarterly report of the Director of Corporate Resources	35 - 48
8. Internal Audit - Quarterly Update Report To receive the quarterly report of the Chief Internal Auditor	49 - 76

9. **Local Code of Corporate Governance** 77 - 84
To receive the report of the Director of Corporate Resources
10. **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:
11. **Internal Audit - Quarterly Update on Audit Follow-ups** 85 - 90
Exempt under Paragraph 3 of schedule 12A of the Local Government Act 1972
12. **Bulky Waste (Special Collections)** 91 - 96
Exempt under Paragraph 3 of schedule 12A of the Local Government Act 1972

Audit Committee
4 JANUARY 2017

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

Apologies: Councillors: John Chidlow and Tim Lloyd

Also Present: Paul King, Audit Director, Ernst & Young

AAG/29 **MINUTES**

The minutes of the meeting held on 13th September 2016 were approved as a correct record and signed by the Chairman.

AAG/30 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/31 **ANNOUNCEMENTS**

There were no announcements.

AAG/32 **AUDIT PLAN 2016/17**

Paul King, Audit Director, Ernst & Young presented the External Auditors Plan in respect of the 2016/17 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 one risk that had been identified as being relevant to the audit of financial statements and indicated how this 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).

With regard to value for money, the Audit Director had identified one significant risk: Sustainable Resource Deployment (the predicted budget gaps in future years).

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

It was noted that the planned fee for the 2016/17 audit had been set at £50,094, which was the same as the fee for 2015/16.

The timetable for the 2016/17 audit had been set with the statutory changes to accounting deadlines in 2017/18 in mind and it was hoped the audit would be completed in time to be reported to the meeting of the Committee in July 2017. If this was not achieved the report would be submitted to the September meeting.

AAG/33 **CONFIRMATION OF AUDITOR APPOINTMENT FOR 2017/18**

The Director of Corporate Resources submitted a letter received from Public Sector Audit Appointments confirming the re-appointment of Ernst & Young LLP as the Council's external auditor for 2017/18.

AAG/34 **TREASURY MANAGEMENT STRATEGY 2017/18**

The Director of Corporate Resources reminded Members that the Council had significant investments which required an overall strategy as well as sets of practices and procedures to identify, monitor and control the associated risks. The Treasury Management Strategy for 2017/18, which both fulfilled legal requirements and provided a workable framework for day-to-day operations, was therefore submitted for approval.

The strategy had been prepared taking account of the general economic situation, statutory requirements and relevant Government and Council policies including the resource projections to 2019/20. The wider use of pooled funds had been introduced in the 2016/17 strategy and the strategy for 2017/18 would provide the opportunity to develop the use of this type of fund whilst recognising the risk of the volatility of capital values.

Details of the current treasury portfolio were submitted together with information in respect of the borrowing and investment strategies, treasury management indicators, the policy on the use of financial derivatives, the Council's treasury management advisers, staff training and the investment of money borrowed in advance of need.

The Head of Finance would advise Committee Members on the likely effect on the capital values of pooled funds, especially bonds, if interest rates were to rise. In addition, the Head of Finance would advise Committee Members on the expected average interest returns on the pooled funds over the medium term.

Members agreed that a prudent approach to treasury management was appropriate as some of the money available for investment by the Council was being held on behalf of other bodies.

RECOMMENDED

- (i) That the Treasury Management Strategy for 2017/18 be approved.
- (ii) That the Treasury Management Indicators for 2017/18 be approved.

REASONS

- (i) The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition which requires the Council to approve a treasury management strategy before the start of each financial year.
- (ii) The Department for Communities and Local Government issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

AAG/35 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS MID-YEAR REPORT 2016/17**

The Director of Corporate Resources presented a report on treasury management activity and prudential indicators for the first half of 2016/17.

The report confirmed that, during this period, the Council had complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, had not been breached. There had been one instance when the single institution limit of £2,500,000 had been breached by £80,000 for one day, otherwise all limits and indicators had been within estimates.

At 30th September 2016, the Council's external debt was £4,000,000 and its investments totalled £52,800,000.

It was noted that, during the first half of 2016/17, the Council's cash balances had been invested in accordance with the Council's treasury management strategy, with interest of £260,000 being earned on investments, an average return of 1.1% compared to the full year return of 0.8% in 2015/16.

RESOLVED

That the mid-year treasury management stewardship report and mid-year prudential indicators for 2015/16 be noted.

REASON

The report meets the requirements of the Council's reporting procedures and the relevant CIPFA Codes of Practice for Treasury Management and Prudential Indicators in Capital Finance.

AAG/36 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources 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. The corporate risk profile highlighted four risks as being high and details of control actions in respect of all risks on the register were submitted. It was noted that risk CRR19 relating to future uncertainty in the UK economy would be amended so that it did not refer solely to Brexit. The Director of Corporate Resources would advise the Committee Members on how it might be possible to further sub-divide CRR19 to relate to specific risks.

One emerging risk relating to the implementation of the new Financial Management System (CRR20) had been added. Risks relating to an overly-bureaucratic Constitution (CRR08) and decisions not always being based on data (CRR13) had now been mitigated and would be removed from the register.

RESOLVED

That the report be noted.

REASON

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

AAG/37 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since September 2016.

A summary of audit findings in respect of Emergency Planning; Software License Management; Release and Change Management; Events Management; and Complaints Management (all of which had achieved an overall audit opinion of satisfactory assurance); and Contracts and Payment Card Industry Data Security Standard (both of which had achieved an overall audit opinion of limited assurance) was submitted. The Committee was advised of actions being undertaken to address the control weaknesses identified in respect of those areas identified as being of limited assurance.

The report also summarised other work being undertaken by the Internal Audit team and gave a progress update in respect of the Audit Plan.

RESOLVED

That the summary of audit and project work undertaken since September 2016 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.

AAG/38 **URGENT BUSINESS**

There were no urgent matters to be considered.

AAG/39 **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 item of business on the grounds that it involves 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/40 **INTERNAL AUDIT – QUARTERLY UPDATE ON AUDIT FOLLOW-UPS**

The Chief Internal Auditor submitted a report summarising progress since September 2016 on the implementation of actions in respect of audits undertaken in 2016/17, 2015/16 and 2014/15.

RESOLVED

- (i) That progress in terms of agreed actions implemented since September 2016 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.

The meeting closed at 6.31 pm having commenced at 5.30 pm

CHAIRMAN

Horsham District Council

Audit Committee Progress Report

March 2017



Building a better
working world

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

13 March 2017

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 Audit Committee in January 2017. The purpose of this report is to provide the Committee with an overview of our plans for the 2016/17 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 Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2016/17 audit

Fee letter

We issued our 2016/17 fee letter to the Council in April 2016.

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 2016/17 and meet the earlier audit deadlines in 2017/18. We will continue to liaise with officers to ensure the 2016/17 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 commenced and will continue in March 2017.

There are no matters arising from our initial planning meetings that we need to bring to your attention at this stage. We will update the Committee when the planning and early substantive testing has been completed.

We will update the Committee when the planning and early substantive testing has been completed.

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 June 2017.

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 are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2016/17 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

“The overall criterion is supported by three sub-criteria, designed to help us structure our risk assessment”. There is no requirement for us to conclude or report against the following sub-criteria:

- ▶ informed decision making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

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 January Committee.

Significant value for money risks	Our audit approach
<p>Sustainable Resource Development</p> <p>Local government continues to face considerable financial challenges and Horsham District Council is not immune from these pressures.</p> <p>We are aware from our review of the Council’s budget monitoring for 2016/17 to quarter 2 that it is forecasting a budget underspend of around £94,000 for the year. The Council is also planning to set a balanced budget for 2017/18 and 2018/19.</p> <p>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 significant budget gaps over the remaining years of the medium term financial plan to 2021 of £0.5m in 2019/20 and £2.3m in 2020/21 before remedial action.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ 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.

2015/16 Grant Certification Work

We completed the certification of your 2015/16 housing benefit subsidy claim in November 2016. We also performed additional testing at the request of the DWP in

respect of representations made by the Council to reduce one of the extrapolations in our qualification letter. Our certification report is being presented as a separate item at this meeting.

Other matters of interest

Financial Statements Presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made. We have had early conversations with officers to understand the methodology being used for this restatement and do not believe it to be complex and therefore do not consider this to be a significant risk for our audit.

Our Approach will focus on:

- Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code
- Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.
- Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

Appendix 1 – Timetable for the 2016/17 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 2016/17 Audit Committee cycle. We will provide formal reports to the Audit Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Audit Committee	Status
High level planning	Ongoing	Audit Fee Letter	January 2017	Completed
Risk assessment and setting of scope of audit	December 2016 – January 2017	Audit Plan	January 2017	Completed
Testing of routine processes and controls	December 2016 – February 2017	Audit Plan	January 2017	Commenced, not yet completed
Year-end audit	June - July 2017	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	July 2017	Not yet started
Annual Reporting	October 2017	Annual Audit Letter	November 2017	Not yet started

Audit phase	EY Timetable	Deliverable	Audit Committee	Status
Grant Claims 2016/17	June 2017 and September – November 2017	Annual certification report	March 2018	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.

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Certification of claims and returns annual report 2015-16

Horsham District Council

February 2017

Ernst & Young LLP



The Members
Audit Committee
Horsham District Council
Parkside
Chart Way
Horsham
West Sussex
RH12 1RL

28 February 2017
Ref: HDC/HB/2015-16

Direct line: 0118 928 1556
Email: pking1@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 Horsham District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Horsham District Council's 2015-16 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £31,743,355. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected and the amendments had a marginal effect on the subsidy due. Other errors we found were extrapolated and reported in our qualification letter. The total value of the extrapolations and errors in the qualification letter was £113,406. Added to the current year LA error and administrative delay figure on the claim form (£136,651) this breaches the LA error and administrative delay threshold of £166,132, meaning that the total sum of £250,057 may be clawed back by the DWP.

The DWP agreed for the Council to provide further representations to exclude a case which they believed was isolated from the extrapolations. We have reviewed this work and agree with the conclusions drawn. The revised extrapolation is £95,899, which in conjunction with the isolated error of

£202 is a total of £96,101. This is a reduction of £15,806 from the initial extrapolation. The DWP have accepted these representations.

The DWP determine the amount of subsidy to which the Council is entitled, therefore we cannot be precise regarding the amount of clawback which the DWP will request, however, in their reply, they have stated that the revised overpayment of subsidy is £234,252 and therefore are likely to request that this be repaid in full.

The Council has made some progress in implementing the five recommendations which we initially made in 2013-14 and additional actions have been put in place for 2016-17, although further improvements still need to be made. Details are included in section 4.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting in March 2017.

Yours faithfully

Paul King
Director
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£31,743,355 (amended claim value)
Amended/Not amended	Amended – subsidy increased by £38 Further details of reasons for amendment are set out below.
Qualification letter	Yes
Fee – 2015-16	£12,360
Fee – 2014-15	£16,510
Recommendations from 2014-15	Findings in 2015-16
We identified five recommendations in 2014-15 which remain relevant for 2015-16.	Our assessment of progress against these recommendations is set out in Section 4.

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete three samples of 20 cases for authorities with a Housing Revenue Account (HRA), covering HRA Rent Rebate, Non-HRA Rent Rebate and Rent Allowance cases, plus an undefined sample of Modified Scheme Cases, where each of these are applicable to the Council. Horsham District Council does not have its own housing stock, therefore testing is limited to Non-HRA Rent Rebate and Rent Allowance cases, including related modified scheme cases. Where errors are identified in our initial testing, more extensive testing on an additional sample of 40 cases (or the total population if less than 40), for each error found. This is known as "40+" testing. We found errors and carried out extended testing in several areas.

The indicative fee is based upon the final fee for 2013-14, and the volume of additional testing required in 2015-16 was similar to that undertaken in 2013-14.

The "40+" testing identified a number of cases where similar errors had occurred. Where we tested 100% of the population, the Council amended the claim form.

For those "40+" tests where we did not test the whole population, we extrapolated the financial impact of our findings to determine the total financial impact of the errors on the claim. This was then reported in our qualification letter, but no amendment was made to the claim form.

The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid.

A summary of the key issues found is shown below:

Claimant Income

- Non-HRA Rent Rebates: Our initial testing identified three cases where benefit was underpaid or there was no impact as a result of the Council incorrectly assessing income, one where a benefit cap had been applied incorrectly, one where an incorrect state retirement pension figure had been used and one where an incorrect child tax credit figure was used in the income assessment. We found similar errors in previous years covering different types of income. Therefore an

additional 40 Non-HRA Rent Rebate cases containing an income assessment were selected and tested. Twelve cases containing errors were identified, five cases where benefit was overpaid as a result of the incorrect income assessment and seven where benefit was underpaid or there was no impact as a result of the incorrect income assessment. We calculated an extrapolated error of £1,499 which was reported in our Qualification Letter.

- Rent Allowances: Our initial testing identified one case where a claimant's benefit was overpaid as a result of incorrect weekly income assessment and one case where benefit was underpaid due to an incorrect weekly income assessment. Testing also identified one case where the Council had underpaid benefit relating to the prior year eligible overpayments cell as a result of miscalculating the claimant's weekly income assessment. We found similar errors in previous years covering different types of income, therefore an additional 40 Rent Allowance cases containing an income assessment were selected and tested. The additional testing identified a further ten cases where benefit was overpaid and a further fourteen cases where benefit was underpaid or there was no impact as a result of an incorrect income assessment. We calculated an extrapolated error of £111,907 which was reported in our Qualification Letter.

Additional testing was also performed on prior year eligible overpayments, as detailed below.

Rent Cost

- Rent Allowances: In our work on the 2014-15 claim we identified once where benefit had incorrectly been underpaid due to an incorrect application of the Local Housing Allowance (LHA) rent. An additional 40 Rent Allowances cases were selected and tested to confirm the correct rent had been applied. Testing of the additional sample identified two cases where benefit had been underpaid as a result of the Council applying the incorrect eligible rent. This did not lead to an extrapolation. This was reported in the Qualification Letter.

Overpayments

- Non-HRA Rent Rebates: Our initial testing identified two cases where a technical overpayment was offset against underlying entitlement. This should have been shown in the headline cell, technical overpayment cell as well as the underlying entitlement. Given that technical overpayments do not attract subsidy and a similar issue could affect eligible overpayments, the remaining population of 27 eligible overpayment cases were selected for testing for the classification of the overpayment and to ensure that they were not offset against underlying entitlement. This additional testing identified one case where an overpayment due to LA error and administrative delay was incorrectly classified as an eligible overpayment. The claim form was amended to correct this error and this was not reported in our Qualification Letter.

Prior Year Overpayments

- Non-HRA Rent Rebates: In our work in 2014-15 testing identified one case where a prior year overpayment was misclassified as an eligible prior year overpayment rather than a technical prior year overpayment. The remaining six non-HRA rent rebate cases were tested and no errors were identified. Therefore this was not reported in our Qualification Letter.
- Rent Allowances: Our initial testing identified one case where the Council had underpaid benefit relating to the prior year eligible overpayments cell as a result of miscalculating the claimant's weekly income assessment.. An additional 40 Eligible Prior Year Overpayment Rent Allowances cases were selected and tested to confirm correct income assessment in the overpayment. No further errors were identified. This was reported in our Qualification Letter.

Modified Schemes

- The Council undertook 100% testing of the modified scheme cases. Our review of these cases did not identify any issues. No reporting was required in the qualification letter.

CenSus Action Plan

As part of the CenSus action plan in response to our findings and recommendations in our 2013-14 and 2014-15 work, a large amount of work continued to be carried out during 2015-16 to provide training to staff members and to correct claims. This resulted in a high level of identified LA error and administrative delay overpayments before we commenced our certification work.

Extrapolations

The total of the extrapolations and errors in the qualification letter amounted to £113,406 increasing current year LA error and administrative delay.

Where extrapolations impact the LA error and administrative delay overpayments balance, the DWP usually require that the extrapolation amount is repaid to the DWP.

The DWP review the combined LA error and administrative delay overpayments balance, taking the subsidy claim form value and the value of our extrapolations and, where this breaches the upper threshold, the total LA error and administrative delay overpayments incurred during the year are required to be repaid to the DWP. The LA error and administrative delay overpayments upper threshold was £166,132 and the total of the amended claim form total (£136,651) and the extrapolation effect on the LA error and administrative delay overpayments (£113,406) is £250,057. This breaches the threshold and therefore the subsidy claim form total for LA error and administrative delay overpayments of £136,651 may be required to be repaid to the DWP in addition to the value of our extrapolations.

The DWP agreed for the Council to provide further representations to determine if one error included in the rent allowance income extrapolation should be excluded. We reviewed these representations and agreed that the specific case is isolated and therefore can be excluded from the extrapolation. The revised extrapolation is £95,899, which in conjunction with the isolated error of £202 is a total of £96,101. This is a reduction of £15,806 from the initial extrapolation. The DWP have accepted these representations. We need to finalise the additional fee with the Council now that the work has been concluded and subsequently discuss it with the PSAA. This is expected to be £811.

The DWP determine the amount of subsidy to which the Council is entitled, therefore we cannot be precise regarding the amount of clawback which the DWP will request, however, in their reply, they have stated that the revised overpayment of subsidy is £234,252 and therefore are likely to request that this be repaid in full.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the certification of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	12,360	12,360	16,510
Total	12,360	12,360	16,510

The indicative fee for 2015-16 is based upon the final fee for 2013-14, and the volume of additional testing required in 2015-16 was similar to that undertaken in 2013-14.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £12,383. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Corporate Resources before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

4. Summary of recommendations

Our findings from our 2015-16 work are similar to those from 2013-14 and 2014-15, where a number of recommendations were raised. We therefore believe it appropriate for the Council to continue to implement those recommendations raised in the past two years. These are outlined below, together with our assessment of progress to date.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer	Progress To Date
1 Review the CenSus Quality Plan to ensure that it is robust and addresses the weaknesses reported in the 2013-14 qualification letter.	High	A Quality plan was Implemented as a result of the 2012-13 certification work. This plan was internally audited and assurance given that the actions in the plan had been effectively undertaken. Some elements of the plan have been incorporated into 'everyday business' and are ongoing. A further plan based on the 2013-2014 certification work was developed and was finalised following the DWP Performance Development Team visit to offer guidance and advice.	31/03/15	Tim Delany, Head of Revenues and Benefits (CenSus)	We are aware the Quality Plan has been implemented and have seen evidence of this reducing the volume of errors identified..
2 Monitor progress against the CenSus Quality Plan and report progress to the CenSus Programme Board (PMB) and CenSus Joint Committee (CJC).	High	Activity and outcomes related to the 2013-2014 action plan have been reported at each PMB and CJC. The Benefits Manager reported and discussed progress with the Head of Service each month.	Ongoing	Tim Delany, Head of Revenues and Benefits (CenSus)	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus.
3 Increase quality assurance checks and implement training in areas where	High	Additional staff were deployed to complete an exercise to review all earned income and self-employed cases and to conduct	Completed	Morag Freitas, CenSus	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the

	errors have been identified including self-employed and earned income.		100% quality checks on 'current' cases. Several strands of training have been and are being implemented.		Benefit Manager	areas of focus.
			Employ additional staff to check the accuracy of earnings case assessments	Commenced Mid Dec 2016 and continues to end May 17	Morag Freitas, CenSus Benefit Manager	This is a new action put in place during 2016-17. We have seen that additional members of staff have been employed by Council and we will wait for the 2016-17 work to determine the effect that this has had on reducing the volume of errors identified.
			Introduce a clerical action sheet for completion in all cases to enable staff to a) explain/justifies their decision on the evidence in each case and b) take the time to review their decision in each case	Completed	Morag Freitas, CenSus Benefit Manager	This is a new action put in place during 2016-17. We will wait for the 2016-17 work to determine the effect that this has had on reducing the volume of errors identified.
4	Undertake work or review the 2015-16 subsidy claims in high risk areas, such as claims with self-employed earnings and earned income, to ensure that these claims have been correctly processed and to reduce the likelihood of future qualifications of the subsidy claim.	High	The running of subsidy each month has recommenced. The subsidy officer undertakes checks of high risk cases; there is a written procedure and a signed checklist which are in turn supported by details of specific cases checked. A quarterly exercise is undertaken to compare and contrast current subsidy with the subsidy claim in past years.	Ongoing	Shirley Eveleigh, CenSus Quality Control, Appeals & Training Manager	Evidence of review of the modified schemes and overpayment classification has been reviewed as part of the certification work. The initial training focus was on earned income and we identified fewer errors in this area in our initial testing for 2014-15. The training focus in 2015-16 was on self-employed earnings and we saw a reduction in the number of errors identified in this area.
5	Introduce robust, evidenced checks on the preparation of the subsidy claim to	High	See above.	Ongoing - at least monthly	Tim Delany, Head of	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the

ensure that the Head of Finance and HR can certify the claim to state that the Council's administrative systems, procedures and key controls for awarding benefits operate effectively.

Revenues and Benefits (CenSus) areas of focus.

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Report to Audit Committee

22nd March 2017

By the Director of Corporate Resources

INFORMATION REPORT



**Horsham
District
Council**

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

Covalent Performance Management System / Departmental Risk Registers

Wards affected: All

Contact: Julie McKenzie, Project Assurance Manager 01403-215306

Background Information

1 Introduction and Background

- 1.1 The Audit 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 The Council's Risk Management Policy is detailed in the Council's Risk Management Toolkit. The Council's Risk Management Strategy is a component part of the Policy, and this document sets out to achieve the following objectives:

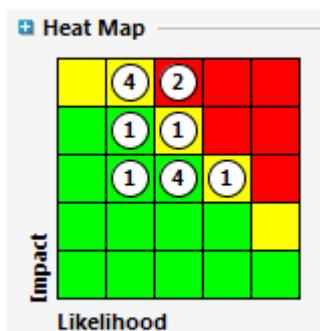
- Fully integrate risk management into the culture of the Council and its strategic and service planning processes;
- Ensure that the risk management framework is understood and that ownership and accountability for managing risks is clearly assigned;
- Ensure the benefits of risk management are realised through maximising opportunities and minimising threats;
- Ensure consistency throughout the Council in the management of risk.

3 Details

3.1 Corporate Risk Register

The Senior Leadership Team has reviewed the Corporate Risk Register and comments have been updated to reflect the current position for each risk (see Appendix 1).

The Corporate Risk profile is shown in the following heat map which shows the total number of risks in each segment. The red / amber / green zones are in accordance with the Council's risk appetite.



There are two risks which are currently considered to be high, six medium risks and six low risks. The high risk areas relate to the following:

CRR01a	Uncertainty about the Council's Financial position up to 2019/20.
CRR01b	Uncertainty about the Council's Financial position beyond 2020.

Please see the risk register in Appendix 1 which provides full details of all risks on the "live" register together with details of the control actions and responsible officers.

Risk CRR09 has now been mitigated and the Senior Leadership Team has confirmed that this should be removed.

3.2 Departmental Risk Registers

All departmental risk registers have been reviewed and updated.

4 Outcome of Consultations

4.1 Officers who are responsible for control actions and the Senior Leadership Team have been consulted in updating the Corporate Risk Register.

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 1 for the latest version of the Council's Corporate Risk Register.

10 Other Considerations

10.1 Risk management encompasses all risks within the organisation, including strategic, operational, and project/change risks. This includes consideration of Crime & Disorder; Human Rights; Equality & Diversity; and Sustainability as appropriate.

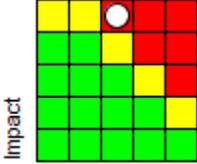
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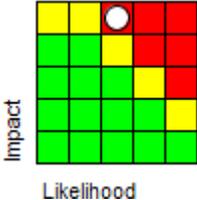
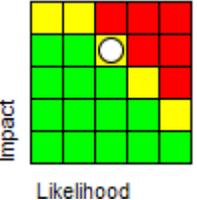
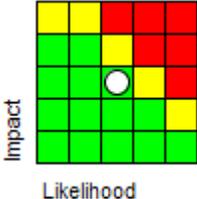
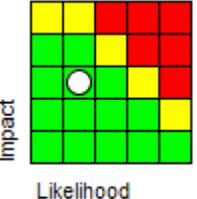
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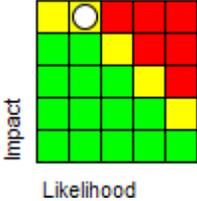
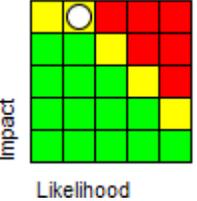
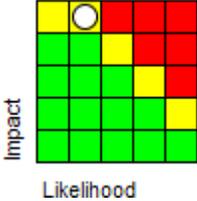
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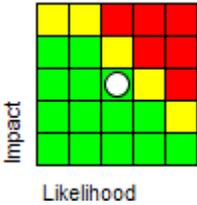
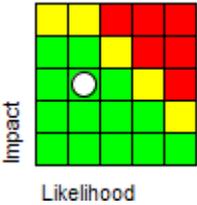
Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>Page 39</p> <p>CRR01a Financial Cause: The Council is reliant on Central Controlled Government funding (eg. Business Rates). Risk: (i) Failure to achieve the required level of savings and income in the MTFS to 2019/20</p>	Reductions in funding	Jane Eaton		CRR.01.1 Review current budgets in preparation for the 2018/19 budget (October Annually)	Dominic Bradley			<p>March 2017 Update: A balanced budget for 2017/18 has been set incorporating many of the efficiency and additional income plans generated over the last 9 months. This was approved at Cabinet on 26 January 2017 and Council on 15 February 2017.</p> <p>It also forecast balanced budgets through to 2019/20 on the expectation that central funding from the government's four year settlement is delivered and that the proposed plans to deliver further efficiencies and income are implemented.</p> <p>The Council's acceptance of the 2015/16 four year settlement during 2016 has helped to provide a degree of certainty for the next three years, in as much as the Revenue Support Grant and the baseline Business Rates funding reduction from £2.2m in 2017/18 to £1.4m in 2019/20 should not get any worse during this period.</p>
	Adverse effect on morale			CRR.01.2 Develop options to deal with pressure for consideration by Members	Dominic Bradley			
	Financial			CRR.01.3 Implement the Medium Term Plan	Dominic Bradley			
	Failure to achieve agreed objectives			CRR.01.4 Ongoing monitoring under the Service Efficiency Board (Future Horsham)	Dominic Bradley			
				CRR.01.5 Productivity & commercialisation projects reviews being undertaken, each of which will provide recommendations (programme of reviews to be completed by 31/03/19)	Mark Pritchard			

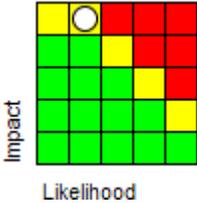
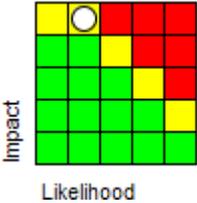
Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR01b Financial</p> <p><u>Cause:</u> The Council is reliant on Central Controlled Government funding (eg. Business Rates).</p> <p><u>Risk:</u> (ii) Funding from Government is less generous than assumed in the MTFS from 2020</p>	<p>Reductions in funding</p> <p>Adverse effect on morale</p> <p>Financial</p> <p>Failure to achieve agreed objectives</p>			See CRR01a above.	As above	As above		<p><u>March 2017 Update:</u></p> <p>Uncertainty beyond 2020, especially with regards to the 100 per cent retention of business rates remains a significant area of concern. This will be reviewed as information and guidance on how the scheme will work is released. An updated MTFS will be brought back to Members as soon as more is known.</p>
<p>Page 40</p> <p>CRR02 Managerial / Professional</p> <p><u>Cause:</u> 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.</p> <p><u>Risk:</u> Major data breach or leak of sensitive information to a third party.</p>	<p>People and businesses come to harm and suffer loss that might not otherwise have occurred</p> <p>Complaints / claims / litigation</p> <p>Resources consumed in defending claims</p> <p>Fines from regulators</p> <p>Adverse publicity Reputation damage</p>	Jane Eaton		<p>CRR.02.1 Develop appropriate processes & procedures which underpin the IT Security Policy</p> <p>CRR.02.2 Develop Strategy for implementation of General Data Protection Regulations (GDPR) (to follow)</p> <p>CRR.02.3 Provide a programme of training on Information Security to all staff.</p> <p>CRR.02.4 Annual PSN Accreditation</p>	Paul Cummins Paul Cummins Paul Cummins Dave Briggs	▶ ▶ ▶ ▶		<p><u>March 2017 Update:</u></p> <p>E-learning module now launched and staff have started using the module.</p>

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR03 Legal <u>Cause:</u> The Civil Contingencies Act places a legal obligation upon the Council, with partners, to assess the risk of, plan, and exercise for 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.</p> <p><u>Effect:</u> The Council is found to have failed to fulfil its obligations under the Act in the event of a civil contingency.</p>	<p>People and businesses come to harm and suffer loss that might not otherwise have occurred</p> <p>Complaints / claims / litigation</p> <p>Resources consumed in defending claims</p> <p>Financial losses</p> <p>Censure by regulators</p> <p>Reputation damage</p>	<p>Natalie Brahma-Pearl</p>		CRR.03.1 Update corporate business continuity plan and regular review.	Trevor Beadle			<p><u>March 2017 Update:</u> CRR.03.1 – Waiting for final IT improvements at warm site (drill hall) before full revision of Business Continuity Plan due to take place last week of Feb 2017. Once complete SLT and other senior managers will be trained in its use by 1 hour bitesize workshops throughout 2017 and 2018. Once IT is installed at warm site a live walk through should take place (no date to action as yet).</p> <p>CRR.03.2 – All plans updated in October last year. Varied compliance scores across departments with an average of 71%. Areas of concern are IT (no documented plan), Census Revs and Bens (susceptible from offsite risks) and Strategic Housing (lack of succession planning leading to poor plan). IT provided with Business Impact Analysis (BIA) in December 2016 to inform their Disaster Recovery plan. Audits and reviews due to take place again in October 2017. Currently looking at holding additional 1 hour Business Continuity exercises for departments to test and validate plans and fit these in with the 2017/18 Emergency Planning & Business Continuity Management training schedule.</p>
				CRR.03.2 Update departmental business continuity plans and regular review.	Trevor Beadle			

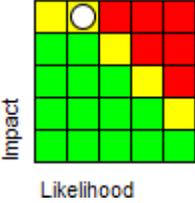
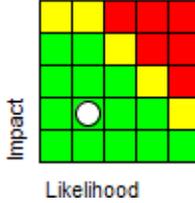
Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR05 Governance Cause: Managers are responsible for ensuring that controls to mitigate risks are consistently applied. Risk: Officers are either unaware of expected controls or do not comply with control procedures.	Failure of business objectives	Jane Eaton		CRR.05.1 Officer training	Jane Eaton	✓		March 2017 Update: A Blitz on Bureaucracy project is underway to reduce levels of control that have limited benefit. So remaining controls more likely to be followed.
	Health & Safety			CRR.05.2 Raise the profile of risk and control by incorporating them into the performance management framework (e.g. integrate into appraisal process).	Jane Eaton	▶		
	Financial			CRR.05.3 All Service Managers required to sign an Assurance Statement. (By 30th June Annually).	Jane Eaton	▶		
	Service Delivery							
CRR06 Physical Cause: 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. Risk: A health & safety failure occurs.	People come to harm	Jane Eaton		CRR.06.1 Set up a Health & Safety Forum with clear terms of reference (by 30/11/15).	Robert Laban	✓		March 2017 Update: CRR.06.2 -Corporate H&S Adviser continues to inspect HDC premises; ongoing. Premises Coordinators have been identified and briefed and premises inspection format has been agreed with Property & Facilities Manager and inspections are underway. Line / team manager self-audits being progressed. CRR.06.3 - H&S responsibilities are set out in the Corporate H&S Policy in H&S subject policies. Directorate H&S Working Groups are responsible for implementing these policies. E-learning courses for H&S key topics are accessible via Horsham
	Complaints /claims/ litigation			CRR.06.2 Develop and implement a corporate inspection strategy (By 30/06/16).	Robert Laban / Health & Safety Officer	▶		
	Financial losses			CRR.06.3 Clarity of responsibilities and implementation of a training programme	Robert Laban	▶		
	Censure by audit / inspection							
	Reputation damage			CRR.06.4 Implement a central repository for risk assessments	Robert Laban / Health & Safety Officer	▶		
Adverse effect on morale								
Stress and absenteeism								

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
								LAB; a corporate e-learning strategy/ promotion will make this more prominent. A H&S Training matrix has been drafted and will be introduced as part of a new corporate competencies framework from April 2017. CRR.06.04 - The introduction of a central repository for risk assessments has been deferred until the introduction of Office 365 in 2017 which may provide a cost effective solution.
CRR07 Managerial / Professional Cause: 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. Risk: Failure of contract / poor service delivery / failure to achieve value for money.	Failure of business objectives	Jane Eaton		CRR.07.1 Specific contract management guidelines will be developed. (By 31/05/17).	Mark Pritchard	▶		March 2017 Update: Due to staffing issues the programme has been delayed. Work scheduled for completion end May 2017.
	Financial Service delivery Compliance with regulations Personal Privacy Infringement Reputation damage			CRR.07.2 A contract management training programme will be designed and implemented. (By 31/05/17).	Mark Pritchard	▶		
CRR09 Governance Source: The Council's decision-making relies upon the taking of professional advice from officers or external consultants Event: Advice is not taken.	Poor/ultra vires decisions Complaints/claims/ litigation Financial losses Reputation damage	Tom Crowley		Member and Officer training are ongoing.	Paul Cummins	▶		March 2017 Update: Senior Leadership Team has decided that this risk can be removed from the live register as the risk has now been mitigated.

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR12 Partnership / Supplier / Contractual</p> <p>Use: The Council is subject to procurement rules and regulations, is putting more services out to tender, and contractors are increasingly challenging contract awards.</p> <p>Risk: A contractor successfully challenges an award (eg on inflexible price:quality ratios).</p>	<p>Financial losses</p> <p>Censure by audit / inspection</p> <p>Reputation damage</p> <p>Adverse effect on morale</p>	Jane Eaton		CRR.12.1 Staff training	Mark Pritchard / Jo Newton-Smith	✓		<p>March 2017 Update:</p> <p>CRR.12.2 Interim updates submitted for review with Legal Services of revised Procurement Code to reflect constitutional revision.</p> <p>CRR.12.4 Six monthly report is being prepared for SLT</p>
				CRR.12.2 Up-to-date procedures (by 31/7/17).	Mark Pritchard / Jo Newton-Smith	▶		
				CRR.12.3 Reference to Procurement Team for advice (ongoing)	Mark Pritchard / Jo Newton-Smith	▶		
				CRR.12.4 Proactive monitoring by the Procurement Team. Six monthly report to Senior Leadership Team (SLT).	Mark Pritchard / Jo Newton-Smith	▶		
				CRR.12.5 Six monthly report to SLT agreed at last risk meeting	Mark Pritchard	▶		

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR14 Customer/Citizen Cause: The negotiation of Section 106 and CIL (Community Infrastructure Levy) are essential for ensuring necessary level of infrastructure provision for residents. Risk: Failure to negotiate the optimum outcome. Failure to deliver the infrastructure needs of the District</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>March 2017 Update:</u> <u>Section 106:</u> The planning application for the Land North of Horsham will now be considered at a special meeting of the Planning North Committee in April and the Council has had specialist input to advise on the s.106. <u>CIL:</u> . CIL has been agreed. . Report to be taken to Cabinet 30 March 2017 and Full Council April 26 for adoption of the CIL Charging Schedule. . The Procedures Working Group will meet summer 2017 however; Housing White Paper of 7 February 2017 indicates there is likelihood that Government will change CIL system in the Autumn Statement 2017, based on the CIL Report that was published alongside White Paper. . Implementation to be delayed until Council is clear how Government will proceed with CIL reorganisation, following autumn statement. . Adoption of SPD to be delayed due to potential Government reorganisation of CIL and abolition of Regulation 123 list in the Autumn Statement 2017 (Regulation 123 List sets out what the council will use Section 106 for and what it will use CIL for).</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	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR17 Cause: 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>Risk: Errors may be made which are not identified by quality control checking. This may result in the Benefit Subsidy claim being qualified and/or financial losses.</p>	<p>Financial Service Delivery</p> <p>Compliance with regulations</p> <p>Reputation</p>	Jane Eaton		CRR.17.1 Increase / improve the level of quality control checking.	Tim Delany			<p>March 2017 Update: This is currently under review.</p>
				CRR.17.2 Continued implementation of the Census Quality Plan which came out of the 2013/14 audit.	Tim Delany			
				CRR.17.3 A reassessment of all "Working Age In Work" cases will be undertaken by the end of May 2017.	Tim Delany			
				CRR.17.4 Explore options for future service provision	Jane Eaton			

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
<p>CRR 18 Technological <u>Cause:</u> Council services are increasingly reliant on IT systems at a time when there are greater opportunities for malicious attackers to exploit security weaknesses.</p> <p><u>Risk 1:</u> A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems.</p> <p><u>Risk 2:</u> IT not working due to environmental problems: fire, flood, power cut</p>	<p>Loss of key systems resulting in disruption to Council services.</p> <p>Cost of investigation and recovery of systems.</p> <p>Fraud/theft.</p> <p>Loss of the integrity of Council Records.</p> <p>Exposure of sensitive /personal data resulting in penalties from the ICO.</p> <p>. Reputational or political damage from adverse media coverage.</p>	Jane Eaton		CRR.18.1 Staff Training	Claire Oliver / Robert Laban			<p>March 2017 Update: A Managed Service Provider to be appointed for the security work.</p>
				CRR.18.2 Awareness of current threats	Claire Oliver			
				CRR.18.3 An effective ICT Service delivery team	Claire Oliver			
				CRR.18.4 Effective patching and updates to mitigate known vulnerabilities	Claire Oliver			
				CRR.18.5 Compliance with expected security standards. (PSN, PCI-DSS)	Claire Oliver			
				CRR.18.6 Effective policies in place which outline security requirements for users of ICT	Paul Cummins			
				CRR.18.7 Effective back-up and recovery processes in place for Council ICT systems.	Claire Oliver			
				CRR.18.8 The CenSus Cloud will transfer the risks to the cloud provider.	Claire Oliver			

Risk Code & Description	Effect	Risk Owner	Current Risk Matrix	Control Action	Control Action Owner	Status	Target Risk Matrix	Quarterly Update
CRR19 <u>Cause:</u> Uncertainty in the UK and World economy. The Government has spoken about an additional 5% reduction in local government funding, and further cuts in years to come. <u>Risk:</u> The impact on the financial markets and the pound could bring forward the next recession and cause a slowdown in the housing market. This may result in a reduction in planning fees; reduced car parking income; increased homelessness; and increased housing benefit claims.	Financial Service Delivery Compliance with Regulations	Jane Eaton		CRR19.2 Monitor the external environment	SLT	▶		<u>March 2017 Update:</u> The uncertain economic environment is being continually monitored.
				CRR19.3 Monitor internal indicators, particularly income generation	SLT	▶		
				CRR19.4 Productivity & commercialisation projects reviews being undertaken, each of which will provide recommendations (programme of reviews to be completed by 31/03/19)	Mark Pritchard	▶		
CRR20 Technological <u>Cause:</u> There is an inherent risk when significant financial systems change. Current contract for Financial Management System (FMS) expires Autumn 2017. <u>Risk:</u> System that has not been adequately tested or is without the right level of functionality goes live. Lack of integration with other systems that requires significant systems re-processing.	Incorrect data migration			CRR.20.1 Monitor and control Joint tender process (with A&WDC) in line with procurement requirements.	Dominic Bradley	✔		<u>March 2017 Update:</u> The contract with Technology 1 was signed at the end of October 2016. The project initiation stages phases of site data collection and prototype build are progressing as planned and are currently on schedule. The anticipated 'go-live' date is expected to be early September 2017.
	Data inaccuracies			CRR.20.2 Training and implementation for finance users. Parallel running of old and new system.	Dominic Bradley	▶		
	Inaccurate reporting and decision-making			CRR.20.3 Training and implementation for all Council users to enable access and self-service usage of new system.	Dominic Bradley	▶		
	Failure to achieve agree objectives and deliver statutory services			CRR.20.4 Project management and sufficient testing time incorporated into plan.	Dominic Bradley	▶		
	Poor VfM			CRR.20.5 Ensure procedure notes for new system and skills are maintained.	Dominic Bradley	▶		

Report to Audit Committee

22nd March 2017

By the Chief Internal Auditor

INFORMATION REPORT

Not Exempt



**Horsham
District
Council**

Internal Audit – Quarterly Update Report

Executive Summary

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

Recommendations

The Committee is recommended to:

- i) Note the summary of audit and project work undertaken since December 2016.
- ii) Approve the revised Audit Charter.
- iii) Approve the Internal Audit Strategy.
- iv) Approve the Internal Audit Plan for 2017/18.

Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- ii) The Audit 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 December 2016.
- 1.2 The Accounts and Audit (England) Regulations 2015 state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” 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 Procedure Rule 4e 32 states that: “the Chief Finance Officer, as determined by the Council, will ensure that the Council has appropriate arrangements in place to maintain an adequate and effective internal audit”. The terms of reference for Internal Audit are detailed in the Council’s Internal Audit Charter which is approved and reviewed by the Audit Committee.

3 Summary of Audit Findings

3.1 Council Tax

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE** (↑)

There is a sound system of control in place for the collection of council tax. There were no significant issues reported.

3.2 Hop Oast Depot ~ Disposal of Bulky Bags

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE**

The Bulky Bag service is a new service for customers. The service has sound processes and controls and is very well administered. Audit testing identified that all expected controls for the operation of the Bulky Bag service and the collection of fee income are being consistently applied.

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

3.3 Debtors

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↑)

The control and administration of debtors and outstanding debts has improved since the last audit. A dedicated Debt Recovery Assistant is now in place in the Legal Department who is responsible for monitoring and chasing up all long-term outstanding debts. Regular meetings are being held between officers from the Finance and Legal departments to discuss the outstanding debt situation and to review the progress that is being made regarding debt recovery. Reports are also produced for, and discussed by, the Senior Leadership Team.

The introduction of a new Finance system later this year will make it easier for officers at all levels to interrogate, monitor and chase outstanding debts.

3.4 Creditors

OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE (↔)

All key controls are in place within the Creditors System and are being complied with. A few recommendations were made primarily designed to support Finance officers in developing controls for the new Financial Information system (FIS) which is due to be implemented later this year.

The high number of invoices that are processed without an order within the system remains an issue, but will be more rigorously addressed with the implementation of the new FIS.

3.5 Budgetary Control **SATISFACTORY ASSURANCE (↔)**

The majority of budget managers who were interviewed said they fully understand what is included within their delegated budgets. All budget managers interviewed said they receive good support from their Finance colleagues.

The audit confirmed that the majority of budget holders complete their monthly budget monitoring and outturn projections within the required timescale. The HR and OD Department is currently in the process of implementing a new "Behaviour Framework" which incorporates a budgetary control component.

4. Other Audit Work

4.1 The Internal Audit team has been involved in a number of other areas. In particular:

- Orbis

Following the Cabinet decision on 26th January, it is envisaged that the Internal Audit service will be provided by Orbis from 1st April 2018. Meetings have been held with Orbis and an integration plan is currently being developed. There will be a period of transition during 2017/18 to establish governance arrangements

and to allow adequate time for processes and ways of working to be aligned. Data sharing agreements have been signed with Surrey County Council, East Sussex County Council and Brighton and Hove City Council to enable resources to be exchanged between sites from 1st April 2017.

- Benefit Subsidy Work

Internal Audit has independently reviewed the Housing Benefit Subsidy claim on behalf of the Director of Corporate Resources for the purpose of providing additional information.

- National Fraud Initiative

Horsham D.C. participates in the National Fraud Data Matching exercise as directed by the Cabinet Office. Internal Audit has examined the non-benefit data matches and appropriate action has been taken. A separate duplicates test for creditor payments will be undertaken during April using our IDEA (Interactive Data Extraction & Analysis) software.

5. Audit Plan ~ Progress Update

- 5.1 The audit plan for 2016/17 is continuing to progress well, and we are on target to meet our performance target of 85%. Please see **Appendix 2** for summary of progress.

The following audits will not be carried out during the current year:

- IT and Data Governance
- New Finance System
- ICT Asset Inventory
- Communications / Marketing
- Ethics, Culture and Behaviours

The majority of these areas have been carried forward to the 2017/18 audit plan.

6. Audit Charter

- 6.1 The Public Sector Audit Standards 2013 requires that the Internal Audit Charter is reviewed annually, and that any changes are approved by the Board (i.e. the Audit Committee). The Audit Charter has been reviewed and updated to ensure full compliance with professional standards. **See Appendix 3.**

7. Internal Audit Strategy

- 7.1 The Public Sector Internal Audit Standards 2013 requires the Head of Internal Audit to produce an Internal Audit strategy. This is a high-level statement of how the Internal Audit service will be delivered in accordance with the terms of reference and how it links to organisational objectives and priorities. The Standards state that the Internal Audit Strategy should be approved by the Board (i.e. the Audit Committee). **See Appendix 4.**

8. Audit Plan ~ 2017/18

- 8.1 The Public Sector Audit Standards 2013 requires that the Internal Audit Plan is reviewed and approved by the Board (i.e. the Audit Committee). The plan outlines the assignments to be carried out and the estimated resources needed, and is sufficiently flexible to enable the Internal Audit team to respond to emerging risks. **See Appendix 5.**

9 Next Steps

- 9.1 The Committee will be kept informed about progress in terms of the audit plan.

10 Outcome of Consultations

- 10.1 Service managers are consulted during each audit. At the end of each review, audit findings and recommendations are discussed with the service manager at a final meeting, and actions are agreed. An action plan is incorporated into the final report including details of responsible officers and agreed implementation dates. There are occasions when a director may also be consulted, particularly for audits which span a number of departments.

11 Other Courses of Action Considered but Rejected

- 11.1 Not applicable.

12 Resource Consequences

- 12.1 This report summarises information about the work undertaken by Internal Audit, and therefore there are no direct financial or HR consequences.

13 Legal Consequences

- 13.1 There are no legal consequences. Where compliance issues are identified during audit fieldwork, the Head of Legal & Democratic Services (or relevant legal specialist) will be consulted.

14 Risk Assessment

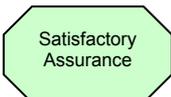
- 14.1 All Internal Audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported and informs the overall audit assurance opinion. See Appendix 1 for audit report assurance definitions.

15 Other Considerations

- 15.1 Internal Audit is a reporting function and there are no consequences in respect of Crime & Disorder; Human Rights; Equality & Diversity; or Sustainability. However these areas are considered where appropriate during audit fieldwork.

Appendix 1

SUMMARY OF INTERNAL AUDIT ASSURANCE OPINIONS

 <p>Substantial Assurance</p>	<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>Satisfactory Assurance</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>Limited Assurance</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>No Assurance</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>

APPENDIX 2

= Current Status

ANNUAL AUDIT PLAN 2016/17 ~ PROGRESS UPDATE

	STATUS UPDATE		
	Commenced	Draft Report Stage	Completed
Annual Audits ~ Key Financial Systems			
1 Ernst & Young Key Financial Controls (ISA)		N/A	
2 Asset Management (IT Asset) ~ Review of the PC Rollout Process		N/A	
3 Housing Benefits (CenSus Partnership)			
4 Cash & Bank			
5 Creditors			
6 Debtors			
7 Payroll			
8 Treasury Management			

Annual Audits ~ Other

9 BACS			
10 Business Continuity			
11 Contracts			
12 IT / Data Governance	Postponed	until 2017/18	
13 Computer Audit ~ Release & Change Management			
14 Computer Audit ~ Software License Management			
15 Computer Audit ~ PCI DSS (Payment Card Industry Data Security Standards)			
16 Computer Audit ~ New Finance System	Postponed	until 2017/18	
17 Ethics, Values & Behaviours	Postponed	until 2017/18	
18 Risk Management Assurance			
19 Purchase Cards			

4 Year Cycle

20 Budgetary Control			
21 Building Maintenance & Facilities Management			
22 Car Parking ~ Review of ANPR System			
23 Communications (to include Marketing)	Postponed	until 2017/18	
24 Use of Consultants			
25 Customer Service / Complaints Management			
26 Depots ~ Bulky Waste			
27 Depots ~ Trade Waste			
28 Events Management			
29 Emergency Planning			
30 Grants ~ Private Sector Housing Assistance Grants			
31 Building Control ~ Cost Sharing Arrangements			
32 Project Management ~ Audit of BBHLC Project Governance Arrangements			
33 Recruitment			
34 Security			

Other Work

Corporate Governance ~ Update Code of Corporate Governance			
Corporate Governance ~ Coordinate completion of the Annual Governance Statement			
National Fraud Initiative (NFI) Data Matching (Coordinate Uploads)			
National Fraud Initiative (NFI) Data Matching (Review Reports)		N/A	
Consultancy ~ Parks & Open Spaces / Grounds Maintenance Contract	Not undertaken	until 2017/18	
Consultancy ~ IT Software (to assist Future Horsham Project)			
PSIAS (External) Review ~ Rother			
PSIAS (External) Review ~ Hastings	Postponed	until 2017/18	
Assurance Framework ~ Pilot within Finance			

Unscheduled Work

	In Progress	Completed
Shared Services ~ Outline Business Case		
Data Matching on behalf of Saxon Weald Homes		
Bribery Proecdureds written		
Disabled Facilities Capital Grant Certification for Central Government		
Review of proposed new Supplier e-form		
Review of new E-Bay procedure		
Development of a formal Risk Management Process for Projects		

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APPENDIX 3



Internal Audit Charter

1.0 Introduction:

- 1.1 The purpose of the Audit Charter is to define what Internal Audit is and explain its purpose, role and activities.
- 1.2 The standards for the work of an Internal Audit section are laid down in the Public Sector Internal Audit Standards which came into effect on 1st April 2013. The objectives of the standards are to:
 - Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.3 The Public Sector Internal Audit Standards have been adopted as Part 1 of the Internal Audit Procedure Manual.
- 1.4 Where assurance is being provided by outside organisations, internal audit may be required to assess the reliability of the work undertaken.

2.0 Definitions:

- 2.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The "Board" is the Audit Committee.
- 2.3 "Senior Management" comprises the Senior Leadership Team (Chief Executive and the three Directors).

3.0 Role:

- 3.1 The Accounts and Audit (England) Regulations 2015 state that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." This responsibility is discharged through the Council's Internal Audit Section.

APPENDIX 3

Internal Audit is conducted in accordance with the Council's Constitution. Financial Procedure Rule 4e 32 states that: "the Chief Finance Officer, as determined by the Council, will ensure that the Council has appropriate arrangements in place to maintain an adequate and effective internal audit".

4.0 Professionalism:

4.1 The internal audit activity will govern itself by adherence to the Chartered Institute of Internal Auditors **mandatory** guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

4.2 The Institute of Internal Auditors Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to relevant organisational policies and procedures and the Internal Audit Procedure Manual Part 2.

5.0 Authority:

5.1 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of Horsham District Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

6.0 Organisation:

6.1 The Chief Internal Auditor will report to the Audit Committee. The Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the Internal Audit Strategy.
- Approve the risk based internal audit plan.
- Review the internal audit activity's performance relative to its plan and other matters.
- Determine whether there is any scope or budgetary limitation that may impede the ability of the internal audit activity to execute its responsibilities.

6.2 Full Council is responsible for approving the internal audit budget and resource plan.

6.3 Decisions regarding the appointment and removal of the Chief Internal Auditor are governed by the Council's Recruitment and Selection policy.

6.4 Decisions regarding the Chief Internal Auditor's remuneration are governed by the corporate pay and evaluation scheme.

APPENDIX 3

- 6.5 The Chief Internal Auditor will report administratively (i.e. day-to-day operations) to the Director of Corporate Resources.
- 6.6 The Chief Internal Auditor will communicate and interact directly with senior management and the Audit Committee, including attendance at Senior Leadership Team (SLT) meetings as appropriate and quarterly Audit Committee meetings.
- 6.7 The Chief Internal Auditor will establish effective communication with, and has free and unfettered access to, the Chief Executive and the Chair of the Audit Committee.

7.0 Independence and Objectivity:

- 7.1 The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective attitude.
- 7.2 The Internal Audit Team will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal audit's judgement.
- 7.3 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.4 The Chief Internal Auditor will have freedom to report in his or her own name, to all officers and Members and particularly to those charged with governance.
- 7.5 The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal auditing activity.

8.0 Responsibility:

- 8.1 Managers are responsible for ensuring that effective governance arrangements are in place to manage strategic and operational risks and to maintain an effective system of control to mitigate these risks. They are also responsible for ensuring that members of staff are aware of the processes and procedures required to operate the control systems. This includes responsibility for the prevention and detection of fraud and other illegal acts. Where recommendations are made by Internal Audit and appropriate actions are agreed, managers are responsible for ensuring that these actions are completed within the agreed timescale.
- 8.2 Internal Audit is responsible for promoting the benefits of good governance and helping to raise governance standards. The audit function will contribute towards the improvement of risk management processes, and is responsible for reviewing all aspects of internal control throughout the authority's activities and advising the Director of Corporate Resources on the soundness, adequacy and application of internal controls in relation to all key financial systems. The internal auditor should have regard to the possibility of malpractice and should seek to identify serious

APPENDIX 3

defects in internal control that might permit the occurrence of such an event. Whilst Internal Audit is not responsible for the prevention and detection of fraud and other illegal acts, it should evaluate the potential for the occurrence of fraud, and when it does occur, make recommendations for improving controls to prevent further occurrences.

8.3 When undertaking audit assignments, Internal Audit is required to:

- Review and assess the soundness, adequacy and reliability of financial, management and performance systems and data;
- Review and assess the effectiveness of internal controls and make recommendations to improve these where appropriate;
- Review and assess procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed;
- Check for compliance with legislation, Council policies and procedures;
- Promote and assist the Council in the effective use of resources.

8.4 The objectives of Internal Audit are to:

- Provide a high quality effective internal audit service that meets the needs of the Council;
- Support and help embed corporate governance requirements and risk and business continuity management throughout the Council;
- Offer advice and assurance on achieving effective internal controls;
- Comply with professional standards (Public Sector Internal Audit Standards);
- Assist the Section 151 Officer in the discharge of their responsibilities;
- Provide an annual opinion of the Council's Governance arrangements, risk management framework and overall internal control environment.

9.0 Scope of Internal Audit Work:

9.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Internal Audit's remit extends to the entire control environment of the Council.

9.2 The work of the function will include:

- Governance – audit reviews testing the adequacy of the internal control environment.
- Consultancy – carrying out special assignments requested by senior management. However, these will only be carried out where resources are available, and not to the detriment of governance reviews.

APPENDIX 3

- Fraud and irregularities – special investigations will be carried out into frauds and irregularities. See the Council’s Anti-Fraud and Corruption Policy for more information.
- Advice – the audit function will provide advice to officers as part of their day-to-day duties when carrying out reviews or when specifically approached.

10.0 Internal Audit Plan:

- 10.1 At least annually, the Chief Internal Auditor will submit to SLT and the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule and planned resource requirements for the next fiscal year. Where appropriate, the Chief Internal Auditor will communicate the impact of resource limitations to SLT and the Audit Committee.
- 10.2 The annual internal audit plan will be developed in consultation with senior management and service managers using a risk-based methodology. The Chair of the Audit Committee will also be consulted as part of the process. The Chief Internal Auditor will review and adjust the plan, as necessary, in response to changes in the organisation’s business, emerging risks, operations, programmes, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to SLT and the Audit Committee through periodic activity reports.

11.0 Reporting and Monitoring:

- 11.1 A written report will be prepared and issued by the Chief Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. All audit reports are sent to the Chief Executive and Section 151 Officer, and where appropriate, the Council’s Monitoring Officer will be included in the circulation. Internal audit results will also be communicated to the Audit Committee.
- 11.2 The internal audit report will include agreed actions, timescales for implementation and the name of the officer responsible for implementation. An explanation for any corrective action(s) that will not be implemented will also be provided where applicable. Medium and high risk items where no action has been agreed will be referred to the appropriate senior manager.
- 11.3 Where an audit opinion is considered to be less than satisfactory, the report will be discussed by SLT. SLT and the Audit Committee may require the responsible service manager to attend their meeting to provide a progress update.
- 11.4 The internal audit activity will be responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issue file until cleared.
- 11.5 The Chief Internal Auditor will periodically report to SLT and the Audit Committee on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by SLT and the Audit Committee.

APPENDIX 3

- 11.6 The Chief Internal Auditor will write an annual report for the Audit Committee and provide an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.
- 11.7 The Internal Audit team undertakes an annual audit of either: Housing Benefits, Council Tax or Business Rates on behalf of the CenSus Partnership (which comprises Horsham, Mid-Sussex and Adur District Councils). The remaining two systems are audited by the respective internal audit teams working on behalf of Mid-Sussex and Adur District Councils, and reliance is placed on this work. This arrangement has been in place for a number of years, and the audits are routinely rotated.

Horsham D.C. is a commissioning authority, and as such, further assurance services may be provided to other authorities in return for an income where there is demand.

12.0 Quality Assurance and Improvement Programme:

- 12.1 The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identified opportunities for improvement.
- 12.2 The Chief Internal Auditor will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments, and external assessments will be conducted at least every five years.

13.0 Relationships with Elected Members

- 13.1 The Chief Internal Auditor must establish and maintain good working relationships and channels of communication with Members. This should be achieved by regularly attending the Audit Committee meetings and responding to any issues raised by Councillors, especially those who are members of the Audit Committee.
- 13.2 The Chief Internal Auditor should have the opportunity to meet privately with the members of the Audit Committee if appropriate.

14.0 Code of Ethics

- 14.1 Internal Auditors have a separate code of ethics to which they must adhere. These are set by the Institute of Internal Auditors.
- 14.2 In addition, internal auditors must have regard to the Seven Principles of Public Life which the Committee of Standards of Public Life believes should apply to public services. These are set out in the Council's Officer Code of Conduct (Part 5B).

APPENDIX 3

Approved this 22nd March 2017

Chief Internal Auditor

Chief Executive

Chair of the Audit Committee

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INTERNAL AUDIT STRATEGY (2014/15 TO 2017/18)

YEAR 4

1.0 Introduction

1.1 Role and Purpose of Internal Audit

The statutory basis for the internal audit service is provided in the Accounts and Audit (England) Regulations 2015 state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority’s affairs. To perform that duty the Section 151 Officer relies on amongst other things, the work of internal audit in reviewing systems of internal control, financial management and other assurance processes.

The internal audit team will evaluate the adequacy and effectiveness of controls in responding to risks within the organisation’s governance, operations and information systems regarding the:

- Achievement of the organisation’s objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

The standards for “proper practice” in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013. The Chief Internal Auditor undertakes an annual self assessment against these standards.

In addition, the standard and quality of our service is scrutinised in four ways:

- Scrutiny by the Audit Committee
- Review by External Audit
- Customer feedback
- External assessments five yearly

APPENDIX 4

1.2 The purpose of this strategy is to outline:

- i) A Vision Statement for the Horsham D.C Internal Audit Team
- ii) How the Internal Audit Service supports the Council's Strategic Objectives
- iii) The Council's Strategic Objectives
- iv) General Internal Audit Objectives
- v) Specific Internal Audit Objectives for the term of this strategy
- vi) The audit planning process
- vii) Reporting protocols
- viii) Resource requirements, training and skills
- ix) Performance management and quality assurance
- x) Audit Objectives for 2017/18

1.3 Our aim is to help the Council meet the high standards of service delivery, conduct and governance its stakeholders expect by examining, evaluating and reporting on the internal control environment.

2.0 Vision Statement

2.1 The ultimate aim is to become a 'Centre of Excellence' for the provision of risk, assurance and consultancy services. The Internal Audit team is a professional unit which aims to support the future success of the Council. The team will provide independent challenge; respond positively to a changing environment; offer sound advice to senior managers and Members on strategic, governance, risk and control issues; and 'add value' at every opportunity. Internal Audit work spans across all areas of the Council, and the Internal Audit team is well placed to take an overview of the organisation and is often the first to be consulted when fraud is suspected, control weaknesses are identified or value for money issues arise.

3.0 Council's Strategic Objectives

3.1 Through the work it undertakes, Internal Audit will support the Council's Corporate Plan Priorities for 2016/19:

- **Communities ~ Support our Communities**
- **Efficiency ~ Great Value Services**
- **Economy ~ Improve and Support the Local Economy**
- **Environment ~ Manage our Natural and Built Environment**

The Internal Audit Service at Horsham assists in the achievement of these objectives by providing a high quality audit service that gives management and Members reasonable assurance that the Council's control environment is effective, and acts as an agent for change by making recommendations for continual improvement". We aim to be flexible and pragmatic and to deliver our service in collaboration with management to suit organisational needs. Through a risk based approach we will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk. Within the team we will provide a work environment that is both supportive and challenging to facilitate the development and retention of staff.

APPENDIX 4

4.0 General Internal Audit Objectives

4.1 The general objectives of the Horsham District Council Internal Audit Service are as follows:

- Delivery of the annual internal audit plan.
- Assist senior management in strengthening the Council's governance framework, including risk management.
- Provide sufficient flexibility within the annual audit plan to enable the audit function to provide an immediate response to current issues and the changing needs and priorities of the organisation.
- Help to ensure agreed actions arising from audit assignments are implemented.
- Provide an annual assurance statement by forming and evidencing an independent opinion on the organisation's risk management, internal control environment and governance arrangements based upon the results of audit work completed during the year.
- Whilst the Internal Audit section's primary role is to review, appraise and report on the adequacy of controls, it will also undertake other non-assurance work to "add value" to the organisation (including risk management, project assurance, advisory services and fraud-related work).
- Commitment to comply with the mandatory Public Sector Internal Auditing Standards which came into effect on 1st April 2013.
- Commitment to training and professional development.
- Continue to achieve a high standard in all key performance indicators for the service.
- Maximise the use of technology, including the use of computer audit software tools such as IDEA (Interactive Data Extraction & Analysis).
- Work in partnership with the Council's external auditors to ensure that audit work is coordinated and to avoid duplication of effort.
- Continue to explore partnership working opportunities. Income generation opportunities are also being sought to support the Council's Commissioning objectives.

5.0 Specific Internal Audit Objectives for 2015 to 2018

5.1 Specific objectives for 2015/16 to 2017/18 are as follows:

- i) Reduce the number of internal audit paper files by 90%.
- ii) Develop audit control matrices for at least 80% of the audits included in the Strategic Internal Audit plan.
- iii) Switch to a three year audit plan or expand the service.

APPENDIX 4

- iv) Identify and attend appropriate contract / commissioning training seminars / courses.
- v) Commit to achieving full compliance with the Public Sector Internal Audit Standards.
- vi) Provision of training to improve auditor's aptitude in the use of computer audit assisted techniques.

[Update on progress as at 2/2/17:](#)

- 1) Achieved
- 2) Ongoing
- 3) The Council's Cabinet has decided to support the proposed reduction of audit time to 400 chargeable days. Future audit plans will be limited to medium and high risk areas only, and therefore there will no longer be a requirement to cover all areas of the Council every four years.
- 4) Ongoing.
- 5) Ongoing. An external review was planned for 2016/17, but this has been put on hold due to the decision to join Orbis (a partnership which is being formed between Surrey County Council, East Sussex County Council and Brighton & Hove City Council).
- 6) On the job training.

6.0 Audit Planning Process

6.1 Internal Audit work will be adequately planned, controlled and recorded to identify key risk areas, establish audit priorities and ensure the effective use of audit resources.

- **Strategic Audit Plan**

The Strategic Audit Plan is reviewed annually. Internal Audit has, in the past, worked to a four year strategic plan and a risk assessment methodology is used to help establish priorities and resource allocations. However, as mentioned in paragraph 5.1 above, this is about to change. The Chief Internal Auditor will continue to hold a list of all the auditable areas, but decisions on which areas to include in the annual plan will be determined by the perceived level of risk.

- **Annual Audit Plan**

The annual audit plan is derived from the four year strategic plan using a risk based approach. The following key financial systems will be audited annually as they are material to the production of the Authority's accounts

- Asset Management
- Business Rates
- Cash Receipting & Bank Reconciliation
- Council Tax
- Creditors
- Debtors
- Housing Benefits
- Payroll
- Treasury Management

The Council's External Auditors may place reliance upon the work of Internal Audit to avoid duplication of effort.

APPENDIX 4

In addition, the Internal Audit Service will undertake review work in a number of other high risk areas:

- Business Continuity
- Computer Audit
- Contracts
- IT/Data Governance
- Ethics, Values & Behaviours
- Purchase Cards

There are currently 61 additional service and operational areas. The starting point for developing the annual audit plan is to review the Corporate and Departmental Risk Registers, identifying high level risks. The Chief Internal Auditor consults with the Senior Leadership Team and service managers as part of the annual audit planning process which includes a discussion about risk management and emerging risks which could impact on departmental objectives and core processes. Emerging risks could include significant local or national issues which may result in a one-off review, or alternatively may need to be incorporated into the strategic audit plan. The annual audit plan is approved by the Audit Committee.

A contingency allocation is routinely built into the internal audit plan to enable the audit team to respond quickly to changes in priorities. Any displacement of a previously planned review by unplanned work will be clearly justified. In the event that a planned audit is replaced by consultancy work or value for money work (anticipated to be in excess of five days), prior authorisation will be obtained from the Chair of the Audit Committee.

7.0 Reporting

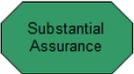
7.1 Assignment Reporting

All formal internal audit assignments will result in a formal report. The primary purpose of the audit report is to provide an independent and objective opinion to management on the framework of internal control, risk management and governance in operation and to stimulate improvement.

The level of opinion provided in the formal audit report will be based on the following definitions:

APPENDIX 4

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 level of risk is considered to be minimal.</p>
	<p><u>System of Control:</u> 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> 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>

Where possible, the formal audit report will be issued electronically within 15 days of the final meeting at which action and timescales for implementation are agreed. The formal audit report will be addressed to the responsible Service Manager and their line Director. All reports will be copied to the Section 151 Officer and the Chief Executive.

7.2 Quarterly Reports

The Chief Internal Auditor will submit quarterly reports to the Senior Leadership Team and the Audit Committee to summarise the main findings from audit assignments and remedial action agreed. An audit opinion for each audit assignment will also be given.

7.3 Follow ups

Action plans detailing agreed actions will form an integral part of each audit report, together with timescales for completion and responsible officers. Service Managers (or Directors) are accountable for any actions agreed within the action plans and are responsible for ensuring actions are properly implemented within the agreed timescales.

The Chief Internal Auditor will request progress reports from management, including evidence of actions taken where appropriate, within a timeframe that reflects delivery dates for agreed actions. The Chief Internal Auditor will consider management responses and, where appropriate, evidence submitted, and exercise judgment as to whether any further action (e.g. a follow up review) is required.

APPENDIX 4

Agreed actions relating to high and medium risks that have not been implemented within agreed timescales are reported quarterly to the Audit Committee.

7.4 Annual Audit Opinion

The Chief Internal Auditor will prepare an annual report for the Senior Leadership Team and the Audit Committee to include:

- An opinion on the overall adequacy and effectiveness of the framework of governance, risk management and internal control.
- Any issues which are considered to be particularly relevant to the Annual Governance Statement.
- Comments on compliance with the Public Sector Internal Audit Standards.
- Feedback on performance against targets.

8.0 Resource Requirements, Training & Skills

8.1 The annual audit plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Audit Committee will be advised where, for whatever reason, Internal Audit is unable to complete the audit plan.

8.2 The effectiveness of the Internal Audit section depends on the quality, training and experience of staff. In order to deliver the Audit Strategy and Annual Audit Plan, appropriate resources and skills will be required.

8.3 At Horsham, Internal Audit work is undertaken by an in-house team of three full-time employees and one part-time employee providing the equivalent of 3.6 full time staff. Internal audit staff will be appropriately qualified and have suitable audit experience. Following the recent decision by Cabinet to reduce the number of audit chargeable days to 400 days, it is likely that team resources will be reduced to 2.1 from 1st April 2018.

8.4 Partnership working was undertaken during 2015/16 and 2016/17 in order to reduce duplication of Internal Audit work on CenSus Council Tax, and further partnership working will be undertaken in 2017/18.

The Internal Audit service also provided resources to Crawley B.C. during 2015/16 to help them to deliver their audit plan. A new Service Level Agreement has been drafted for 2017/18 in order to generate additional income for the Council.

8.5 Training needs of individual auditors are identified using a competency matrix which is utilised to identify technical, professional, interpersonal and organisational competencies. This forms the basis of a skills register which records levels of competency achieved by each auditor together with a summary of training needs. As part of the annual appraisal process, personal development plans will be prepared for all audit staff following a skills gap analysis. Training needs are evaluated on an ongoing basis in response to the changing demands placed upon the Internal Audit section resulting from emerging local and national issues.

APPENDIX 4

9.0 Performance Management & Quality Assurance

9.1 Internal Audit will deliver a quality service that demonstrably adds to the improvement of the organisation's risk management, control and governance arrangements. Quality will be assured by adherence to audit processes that are subject to continuous review. The Chief Internal Auditor will undertake a review of working papers prior to the issue of each audit report.

9.2 A suite of performance indicators has been designed, and performance against these indicators will be reported to the Senior Leadership Team and Members as part of the Annual Audit Report. The targets set out below will be reviewed at the end of each financial year and revised as appropriate.

Code	Indicator	Target
A01	Percentage of agreed action items implemented.	100%
A02	Percentage of audits on the annual audit plan completed within the year.	85%
A03	Management Satisfaction (very satisfied or satisfied) with Audit Service.	95%
A08	External Audit reliance on Internal Audit work achieved.	Yes
A09	Percentage of final reports issued within 15 days of completion of the final meeting to agree action and timescales.	85%
A10	Percentage of key financial system audits on annual audit plan completed within the year.	100%
A11	Percentage of points arising documents reviewed and issued within 15 days of being sent to the Chief Internal Auditor.	80%

9.3 The Chief Internal Auditor is committed to achieving full compliance with the mandatory Public Sector Internal Audit Standards 2013. This includes ensuring that auditors are regularly reminded of their ethical responsibilities.

10.0 Audit Objectives for 2017/18

- i) Achievement of the audit plan for 2017/18 (and other performance indicators ~ see 9.2 above).
- ii) Continue to create control matrices when undertaking audit assignments to improve future efficiency.

APPENDIX 4

- iii) Undertake audit work for Crawley Borough Council during 2017/18.
- iv) Continue to provide assistance to the Director of Corporate Resources in helping to improve the risk management process and application.
- v) Encourage service managers to incorporate high and medium risks identified during audit assignments into their departmental risk registers.
- vi) Continued training programme for team members, including computer assisted audit techniques.
- vii) Work towards vision of becoming a 'Centre of Excellence' for the provision of audit and risk services.
- viii) Prepare for integration with the Orbis Partnership from 1st April 2018.

Paul Miller
Chief Internal Auditor
1st March 2017

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APPENDIX 5

Audit Plan 2017/18

Key Financial Systems

Ernst & Young Key Financial Controls (ISA)	2
Cash & Bank	16
Council Tax (CenSus Partnership)	23
Creditors	16
Debtors	15
Housing Benefits (CenSus Partnership)	0
N.N.D.R. (CenSus Partnership)	20
Payroll	6
Treasury Management	6
Total	104

Annual Audit Work

Contracts	15
Follow ups	12
Computer Audit ~ Mobile Devices	15
General Data Protection Regulations (New Legislation)	11
Governance ~ the Council's Forward Plan	9
Ethics, Culture & Behaviours (C/F)	14
Total	76

Service Audits

Use of Consultants (C/F)	9
Casual Workers (including the new IR35 Regulations)	13
Parking Enforcement	15
Commercial Rents	16
Community Link / Alarm	11
Taxi Licenses	13
Specific Security follow up (non-Parkside buildings)	6
Total	83

Corporate (Non-Audit Assignment)

Annual Governance Statement	2
NFI	4
Corporate Governance Group	2
Audit Advice / Consultancy	5
External Auditors (Meetings / Liaison)	2
Project Review Group	5
Committee Representation	12
Total	32

Projects

Rural Car Parks ~ Annual Charging (New Process)	9
FIS Replacement	29
Cloud Computing	13
Total	51

Management Time

Audit Plan / Charter etc	15
Corporate Meetings	5
Total	20

Contingency & Emerging Risks

Proactive Fraud Work / Special investigations	16
Contingency for Emerging Risks	18
Total	34

APPENDIX 5

Summary	2017/18
Key Financial Systems	104
Annual Audit Work	76
Service Audits	83
Corporate (Non-Audit Assignment)	32
Projects	51
Management Time	20
Contingency ~ Emerging risks / organisational change	34
Total	<u>400</u>

Report to Audit Committee

22nd March 2017

By the Director of Corporate Resources

INFORMATION REPORT

Not exempt



Local Code of Corporate Governance

Executive Summary

Horsham District Council is committed to achieving good corporate governance. The Local Code of Corporate Governance describes how Horsham District Council intends to achieve this in an open and explicit way. The document sets out the framework within which the Council conducts its business and affairs.

Horsham's Local Code of Governance has been developed in accordance with and is consistent with the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework" (2016 Edition).

Recommendations

That the Committee is recommended:

- i) To approve the Local Code of Corporate Governance.

Reasons for Recommendations

- i) As part of good governance, it is important that the Local Code of Corporate Governance is approved by Members of the Audit Committee.

Background Papers: Revised CIPFA Guidance.

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 and Background

- 1.1 Every council operates a governance framework. The governance framework is an interrelated system that brings together legislative requirements, governance principles and management processes. The Framework will ensure that resources are directed in accordance with agreed policy and according to priorities. It will also ensure that there is sound and inclusive decision-making, and that there is clear accountability for the use of those resources in order to achieve effective outcomes for service users and communities.

2 Relevant Council Policy

The Audit Committee is responsible for approving the Local Code of Corporate Governance and Annual Governance Statement in accordance with the Committee's terms of reference.

3 Details

3.1 Governance

Governance is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner. This comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which they account to, engage with and where appropriate, lead the community. Good Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The term 'Local Code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist.

3.2 The Framework

Delivering Good Governance in Local Government is based on a framework of core principles and sub-principles so that the intended outcomes are achieved while acting in the Public Interest at all times.

3.3 Core Principles of Good Governance

The core principles are detailed below, and further information is detailed in Appendix A. Principles A and B permeate the implementation of principles C to G.

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.4 **Commitment and Review**

Horsham District Council is committed to deliver good governance and Appendix A represents the Council's current arrangements. Each year we will review our performance, highlight what we have done and detail any further improvements needed for the forthcoming year. The outcome of the review will be reflected in the Annual Governance Statement.

3.5 **Responsibilities**

Elected Members are collectively responsible for the Governance of the Council. The full Council's responsibilities include:

- Agreeing the Council's Constitution, comprising the key governance documents including the executive arrangements and making changes to reflect best practice.
- Agreeing the policy framework including key strategies and agreeing the budget.
- Appointing chief officers.
- Appointing committees responsible for overview and scrutiny functions, audit and regulatory matters and also for appointing Members to them.

The Cabinet is responsible for:

- Proposing the policy framework and key strategies.
- Proposing the budget.
- Ensuring implementation of the policy framework and key strategies.

Our annual governance review will be initiated by the Director of Corporate Resources and will include discussions with the Senior Leadership Team, the Monitoring Officer and members of the Audit Committee.

The Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of the Members and senior officers of the Council.

3.6 The **Local Code of Corporate Governance** is attached as Appendix A.

3.7 The Council's **Assurance Framework** is detailed in Appendix B. This document details the three lines of defence responsibilities, and supporting documentation.

4 Next Steps

- 4.1 The Committee is asked to approve the Local Code of Corporate Governance.
- 4.2 The Local Code of Corporate Governance will be used as the framework for the Annual Governance Statement.

5 Outcome of Consultations

- 5.1 Key officers have been consulted when compiling the Local Code of Corporate Governance, including the Senior Leadership Team; Monitoring Officer; Head of Community & Culture; Head of Finance; Human Resources and Organisational Development Manager; Commissioning & Performance Manager; and the Project Assurance Manager.

6 Other Courses of Action Considered but Rejected

- 6.1 None.

7 Resource Consequences

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

8 Legal Consequences

- 8.1 The Local Code of Corporate Governance will be used as the basis for the Annual Governance Statement. The preparation of the Annual Governance Statement is necessary to meet the statutory requirements set out in Regulation 6(1)(a) of the Accounts and Audit Regulations 2015.

9 Risk Assessment

- 9.1 There are no risks associated with this report.

10 Other Considerations

- 10.1 This report has no effect on Crime & Disorder; Human Rights; Equality & Diversity or Sustainability.

HORSHAM DISTRICT COUNCIL LOCAL CODE OF CORPORATE GOVERNANCE

Corporate Governance comprises the systems, processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

The Council's behaviours and actions that demonstrate good governance are set out in response to the CIPFA core principles.

A: Integrity; Ethical Values: the Rule of Law

- Member and Officer Codes of Conduct are included in the Constitution setting out the values and behaviours that the Council requires Members and officers to adopt.
- Rules of Procedure govern the expected conduct at meetings of the Council and its committees.
- The Anti-fraud and Corruption Policy is designed to encourage and promote the prevention and detection of fraud.
- Member and Officer Registers of Interests, Gifts and Hospitality safeguard both Members and officers against conflicts of interest.
- The Whistleblowing Policy ensures anyone with a concern can have confidence that it will be dealt with appropriately.
- There are core competencies for officers and a performance appraisal process monitors officer behaviours.
- The Standards Committee considers complaints or allegations made against Councillors, as required by the Localism Act 2011.
- In accordance with 'Working Together to Safeguard Children 2015' and 'The Care Act 2014', we recognise the need to ensure the welfare of all individuals when they come into contact with services provided by the Council.



B: Openness; engaging with institutional stakeholders; engaging with individual citizens and service users.

- The Constitution sets out how the Council operates, how decisions are made and the procedures and codes of conduct that are followed.
- The Scrutiny and Overview Committee reviews the Council's decision making processes and monitors the internal and external delivery of services.
- The Audit Committee is independent of Cabinet and Scrutiny functions. It receives reports on the work of External and Internal Audit and Risk Management.
- The formation of a new Governance Committee has been agreed which will meet to review the Council's Constitution when the need arises.
- The Council supports local communities that 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 recognises that supporting and engaging communities is a shared agenda with many partners including West Sussex County Council, the Police, Health and sports Services and the community and voluntary sector. Working together we are all committed to ensuring Horsham District remains a great area to live and work.
- Senior management communicates with staff by means of regular 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.
- Consultation takes place with Parish Councils and other Voluntary and Community groups throughout the District to ensure effective provision of community engagement activities. These groups help the Council to assess the priorities of different sections of the community that have different needs.

C: Defining Outcomes; sustainable, economic, social and environmental benefits.

- The Corporate Plan for the period 2016-19 which is published on the Council's website identifies key priorities for the Council.
- Departmental Service Plans have been put in place in order to deliver the objectives of the Corporate Plan.
- The Council ensures objectives are deliverable by producing a Medium Term Financial Strategy and detailed financial budget plans.
- Progress against the Council's aims and objectives is monitored by means of its performance management framework and set of detailed performance management indicators.
- The Council identifies and manages any corporate and departmental risks to achieving its objectives through its risk management process and issues regular reports to senior management and Members.
- Value for money is driven through the Council's Corporate Procurement Code.
- Information relating to Council plans and initiatives is published via its website and the Horsham District news magazine.

D: Determining and planning interventions; optimising achievement of intended outcomes.

- The Medium Term Financial Strategy is updated at least twice a year and takes into account changes in the financial outlook. It is used as a basis for the annual budget setting process in which all Service Managers reconsider their departmental budgets. The Annual Budget and Council Tax rate are approved by full Council before the commencement of each financial year.
- Progress against the budget is reviewed on a monthly basis
- Key performance targets for each service area are set and progress against these is monitored regularly.
- The Council is investigating alternative models of service delivery to improve efficiency whilst meeting the needs of customers.
- The Council is working with Community and Voluntary sector partners to develop projects and deliver efficient and effective services.
- A review of the Council's IT Strategy is taking place to ensure service delivery is supported efficiently and flexibly.
- Benchmarking against others provides information that assists the Council to design services that are fit for purpose by looking at options to improve delivery.

F: Managing risks; managing performance; robust internal control; managing data; strong public financial management.

- Decision making protocols are set out in the Council's Constitution.
- Agendas and minutes of Council/Committee meetings are published on the Council's website and include details of decisions taken.
- The Scrutiny and Overview Committee reviews the Council's decision making processes and monitors the internal and external delivery of services.
- Budget monitoring processes are in place and a summary of the Council's financial position is reported to senior management monthly and to Members quarterly.
- The Council has an established Risk Management Strategy and embedded Risk Management processes. Corporate and Departmental risks are formally reviewed quarterly.
- The Internal Audit Section reports to the Audit Committee. Its work is planned to ensure there are robust systems of internal control in place to mitigate risks and provide assurance to senior management and Members.
- The Audit Committee meets quarterly to review the effectiveness of the control environment and risk management framework.
- A Corporate Governance Group has been introduced to oversee the Council's Governance arrangements.
- A complaints procedure is published on the Council's website. Quarterly monitoring reports are submitted to senior management and Members.
- The Council has a suite of policies covering information and data security and guidance is available for all staff on the Council's Intranet.

E: Developing the capacity of the entity through its leadership and other individuals.

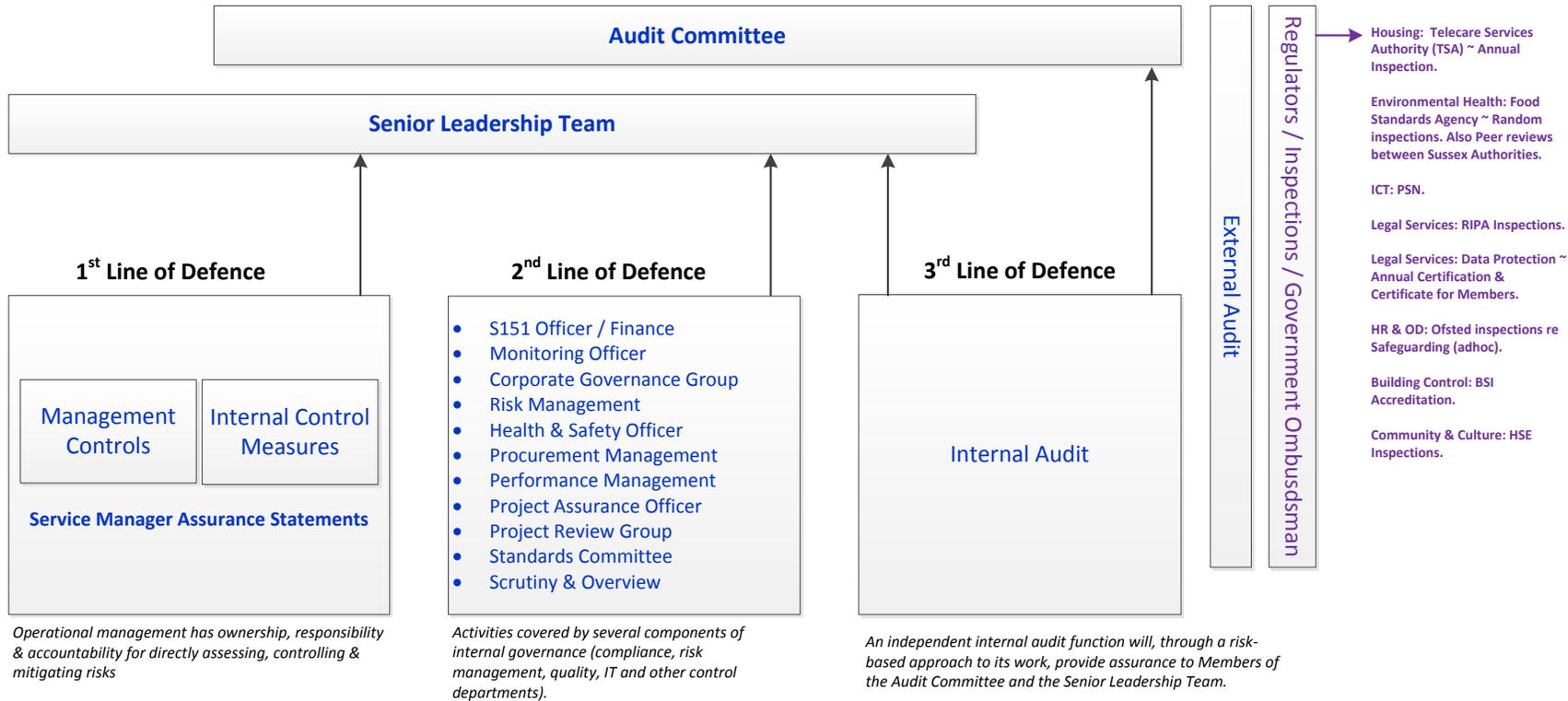
- The Constitution sets out how the Council operates; how decisions are made and which Codes of Conduct are followed. The roles of Members are clearly set out and a Member/Officer protocol is included.
- A Scheme of Delegation has been established that determines the levels at which decisions are taken.
- Detailed regulations (for example Financial Regulations and Contract Standing Orders) have been established which officers must follow when undertaking their roles.
- A performance management framework monitors employees' performance through the annual performance appraisal system and helps to aid workforce planning. The process also identifies an individual's training needs.
- The Standards Committee deals with issues relating to Member performance.
- Partnership agreements are in place for each of the Council's strategic partnerships and Joint Management Boards meet regularly to monitor the agreements.
- A health and wellbeing programme is available to all employees.
- An induction training programme is in place for both Members and employees.
- Regular Managers' conferences enable managers to meet to consider current issues affecting the Council and to work together to identify solutions.

G: Good practice in transparency, reporting and audit to deliver effective accountability.

- All committee agendas, papers and minutes are available to the public on the Council's website (and in hard copy on request from the Council's offices).
- The Council publishes its Audited Annual Accounts and Annual Governance Statement including an action plan for improvement for any areas of concern.
- All external audit reports are published and corrective action is taken to address any issues highlighted as necessary.
- The Council has an effective Internal Audit section which reports to the Audit Committee. The work of Internal Audit is planned to ensure there are robust systems of internal control in place to mitigate risks and provide assurance to Members. Progress to implement agreed recommendations for improvement in control processes is monitored and reported to Members.
- Partnership arrangements are effectively monitored by Partnership Boards.



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

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

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