

Audit & Governance Committee

MEMBERS: Councillor UNGAR (Chairman), Councillors Mrs MATTOCK (Deputy Chairman), COOKE, LIDDIARD, TESTER and WARNER (as substitute for EDE).

(Apologies for absence were reported from Councillors Ede, Harris and Mrs Heaps).

12 Minutes.

The minutes of the meeting held on 26 September 2012 were submitted and approved and the Chairman was authorised to sign them as a correct record.

13 Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests under the Code of Conduct.

None were received.

14 Annual Audit Letter 2011/12.

The Committee considered the report of PKF regarding the Annual Audit Letter which set out the key findings of audit work for 2011/12. The report summarised the results of the audit work in respect of the Council's financial statements, financial resilience and the arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mr R Grant from PKF was in attendance to present the key findings and to respond to Members' questions.

The Council had managed its finances well and had put in place suitable arrangements to secure economy, efficiency and effectiveness in its use of resources with specific reference to the 'DRIVE' programme amongst others. As a result of this, an unqualified value for money had been issued.

The Council had progressed important initiatives during the year to assist in achieving its objectives of a Prosperous Economy, Quality Environment, Thriving Communities and a Sustainable Performance. These had included an over £4 million investment to install solar panels on Council houses and buildings and an investment in a local ICT company designed to provide a wider choice in the broadband market. The Council had invited the Local Government Association to undertake a 'peer challenge' review which occurred in June 2012 and had provided an external view of the organisation and allowed the LGA to assess the Council's plans and identify challenges and opportunities for the area.

The Covalent Performance Management system had allowed the Council to publish its performance towards agreed targets transparently and identify appropriate action for out of line performance. As at 31 March 2012 almost all Council targets had been achieved and Mr Grant highlighted the notable targets that had been achieved including positive staff satisfaction levels and key income targets for council tax and business rates.

Through planned reductions in expenditure and the achievement of efficiency savings, the Council had met its expenditure plans and established a balanced financial position.

Mr Grant advised that the contents of the Annual Audit Letter were extremely positive and he thanked officers for their co-operation and assistance given throughout the audit process.

The Committee discussed the Council's asset management strategy in relation to the Annual Governance Statement 2011/12.

In a response to a question on whether challenges in tourism and leisure budgets had been the product of increased income targets, the Chief Finance Officer indicated this had not been the case and whilst the services benchmarked very favourably with council similar facilities nationally, the downturn had affected ticket sales and pricing sensitivity. However the Council was well placed to manage such uncertainty through its comprehensive approach to financial planning and resource allocation. The Committee was advised that the Council would continue to focus on recession hit areas such as the Tourism and Leisure budget in the near future.

Mr Grant advised the Committee that this would be his last meeting as it is a requirement that authorities change external auditors every 5 years. The Committee and the Chief Finance Officer expressed their thanks to Mr Grant for his work with the Council that had contributed to the positive results indicated in the report.

RESOLVED: (1) That the Annual Audit Letter for 2011/12 be noted.

15 Internal Audit Report to 30th September 2012.

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the first quarter of the financial year 2012/13.

Audit work carried out to date against the audit plan for 2012/13 was set out in appendix A. A list of all audit reports issued in final from the 1st April to 30th September and the level of assurance attained were detailed in the report. The Internal Audit Manager informed the Committee that this was a significant improvement over previous quarters.

A brief explanation for a number of outstanding high and medium priority recommendations from audits were set out in appendix B. The comments made by the Corporate Management Team following consideration of outstanding high risks were set out in appendix C. Following a question from

the Committee on the subject of cash recollections, the Internal Audit Manager stated that it was expected that all outstanding issues would be resolved in the near future.

In response to a request by the Committee at its last meeting, the Internal Audit Manager had provided further information on all the audit reports issued this financial year along with any issues highlighted in the reviews which informed the assurance level given and these were set out in appendix D.

The Committee considered the list of frauds over £10k which was reported to both internal and external audit on a quarterly basis. As part of the work carried out to inform the Annual Governance Statement, Heads of Service are now directly asked to report any Frauds over £10K other than benefit frauds. The Internal Audit Manager clarified that the Council is not always able to reclaim the overpayment indicated.

RESOLVED: That the report be noted.

16 Risk Management.

The Committee considered the report of the Internal Audit Manager regarding an update on progress in respect of the Strategic Risk Register which had been reviewed by the Corporate Management Team on 13 September 2012.

All risks had been reviewed in terms of relevance and the risk score. It was concluded that all were still relevant however a few alterations had been made and these changes were attached to the end of the report.

The Corporate Management Team had considered fraud and data protection risks and although these had been covered by existing risks in the register, specific references to these areas had been added where appropriate. New and future risks were also considered however no new risks needed to be added and only amendments made to the wording of the risks were required. The updated Strategic Risk Register was appended to the report.

The Committee was informed that Operational and Departmental Risk Registers were now held on Covalent allowing managers to access and update their own registers on a quarterly basis.

Councillor Liddiard expressed his thanks to the Corporate Management Team and staff of Eastbourne Borough Council for having a system relating to Risk Management in place and this was unanimously supported by the Committee.

RESOLVED: That the amended Strategic Risk Register as appended to the report be approved.

17 Treasury Management Mid-year Review.

The Committee considered the report of the Chief Finance Officer regarding a mid-year review of the Council's treasury management activity.

The report had been prepared in compliance with CIPFA's revised code of practice on treasury management and provided an economic update for the first six months of the year, a review of the council's treasury management strategy statement and annual investment strategy, its capital expenditure, investment portfolio, borrowing strategy, debt rescheduling and compliance with treasury and prudential limits.

The Committee noted that Section 2.3 of the report had shown that the Sector forecasts for Public Works Loan Board (PWLB) had incorporated the introduction of a PWLB certainty rate in November 2012 which had reduced borrowing rates by 0.20%. The Council had applied for and had been granted a discounted rate for any future borrowing that complied with Prudential Indicators.

The Annual Investment Strategy set out the Council's policies for managing investments with the priority aims to obtain the optimum level of return on investments consistent with the proper levels of security of capital and liquidity. A breakdown of the Council's investment portfolio that had resulted in a 1.55% rate of return was appended to the report.

The strategy which was incorporated within the Treasury Management Strategy Statement had been approved by Cabinet on 8 February 2012. In the context of the considerable uncertainty and volatility in the financial and banking market, both globally and in the United Kingdom, the strategy was still considered fit for purpose in the current economic climate.

The Committee queried how regularly the borrowing rates are monitored. The Senior Accountant informed the Committee that alerts are received twice a day from PWLB in addition to information received from the Sector. The bank rate forecasts had indicated a decrease by 0.25% in December 2012. The Committee expressed their thanks to the Financial Team for their work in monitoring the borrowing rates.

RESOLVED: That the report be noted.

18 Update – Members and Standards

The Committee considered the report of the Monitoring Officer in relation to Member Standards.

The Monitoring Officer gave an overview of the various training sessions that were held in the last quarter of the calendar year. These were an important feature of the member development programme which equips members to execute their role, lawfully, effectively and ethically.

The Monitoring Officer highlighted the training session that took place on 23 October 2012 that had allowed the 3 Independent Members to meet with members and participate in exercises. The Committee were advised that feedback from these courses had been favourable.

The Committee was also advised that during the current financial year to the current time, no new formal member conduct complaints had been received.

At the previous meeting of the Audit and Governance Committee, it was agreed that a working group be formulated, consisting of committee members and an Independent Person. The Monitoring Officer advised that Councillors Cooke and Tester had volunteered to participate in addition to one of the three Independent Members should one need to be convened in the future. The working group would consider a particular Standards-related topic where directed to do so by the Chair and report back to the Audit and Governance Committee.

The Monitoring Officer had considered it useful in the past to provide email briefings to members when Standards-related matters arise of practical relevance to elected members. This had included email advice on obtaining dispensations under the new Standards regime and on Disclosable Pecuniary Interests. It was proposed that the Monitoring Officer continue with this practice to ensure clarity for members as the implementation of the new regime continues.

RESOLVED: That the Committee note the following:

- (1)** The positive feedback received regarding the member training sessions held during the course of this year on the topic of member standards.
- (2)** The data provided with regard to member complaints.
- (3)** The formulation of a working group, made up of committee members and an Independent Person in accordance with the decision made by the Audit and Governance Committee at its previous meeting.
- (4)** The Monitoring Officer's proposal to provide occasional email updates and briefings to all members of the Council on matters relating to the Standards regime.

The meeting closed at 7.07 p.m.

**J Ungar
Chairman**