

Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Monday, 19 June 2017** at 10.00am

Present:

Councillor M Chartier (Chair)

Councillors S Catlin, S Gauntlett and R O'Keeffe MBE (Minutes 5 to 14)

Officers Present:

Z Downton, Committee Officer

D Heath, Head of Audit and Counter Fraud

S Jump, Head of Finance

Also Present:

L Trevett, Project Manager, BDO

Minutes

		Action
1	<p>Minute Silence</p> <p>Members of the Committee observed a minute silence in honour of Councillor Paul Gander who had passed away on 7 June 2017 and in respect of the victims of the recent terrorist attacks in London and the London tower block fire.</p>	
2	<p>Committee Membership 2017/2018</p> <p>To note the appointment of Councillor Ruth O'Keeffe on the Audit and Standards Committee membership for the 2017/2018 municipal year.</p>	
3	<p>Minutes</p> <p>The Minutes of the meeting held on 20 March 2017 were approved as a correct record and signed by the Chair.</p>	
4	<p>Apologies for Absence</p> <p>Apologies for absence had been received from Councillors N Enever, A Loraine and T Rowell.</p>	

5 Annual Report on Internal Audit Performance and Effectiveness 2016/17

The Committee received Report No 80/17 which informed councillors of the Internal Audit work of the Audit and Performance Division for 2016/17, and on the outcome of the review of the effectiveness of Internal Audit for 2016/17.

It was the Audit and Standards Committee's duty to consider the annual report of the Head of Audit and Counter Fraud, and to keep the work of Internal Audit under review to ensure that it was discharging its functions effectively.

The work carried out by Internal Audit during 2016/17 was outlined in Section 4 of the Report. The audit coverage had been sufficient to enable the Head of Audit and Counter Fraud to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment. This opinion was included in the Annual Report on the Council's Systems of Internal Control 2016/17 that was presented separately to this meeting of the Committee.

The Head of Audit and Counter Fraud highlighted table 1, under paragraph 4.3 of the Report, which showed that for 2016/17 a total of 649 audit days had been undertaken compared to the budget of 636 days planned.

Paragraphs 4.8 to 4.20 summarised the main functional areas reviewed during the reporting period and the key audits undertaken and completed. The follow up work of audit recommendations for 2016/17 had shown 100% implementation of those recommendations for which it had been possible to confirm management action.

Sections 5 to 10 detailed the outcome of the review of effectiveness, including external and internal assessment arrangements, and results of customer satisfaction surveys. Appendix A outlined the Performance Indicators for Internal Audit including the results for 2015/16, 2016/17 and the targets for 2017/18.

Resolved:

- 5.1** That it be noted that the Internal Audit coverage in 2016/17 has been sufficient to enable the Head of Audit and Counter Fraud to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment, as set out under paragraph 3.1 of Report No 80/17; and
- 5.2** That the satisfactory outcome of the review of effectiveness of Internal Audit for 2016/17, as set out under paragraph 3.3 of Report No 80/17, be noted.

6 Annual Report on the Council's Systems of Internal Control 2016/17

The Committee considered Report No 81/17 which informed councillors on the adequacy and effectiveness of the Council's systems of internal control

for 2016/17.

The remit of the Audit and Standards Committee included a duty to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk. There was a further duty to consider the annual report by the Head of Audit and Counter Fraud, and to report annually to the Cabinet on the adequacy and effectiveness of internal controls within the Council.

The Head of Audit and Counter Fraud's satisfactory opinion on the overall standards of internal control was based on the work of Internal Audit, other internal reviews and external assurance bodies, and the Council's work on risk management. The Head of Audit and Counter Fraud explained that this opinion would be taken forward into the Council's Annual Governance Statement and to Cabinet.

The Report outlined the work on which the opinion of the Head of Audit and Counter Fraud was based, including high level summaries. The external review processes and their results, as shown under Section 8 of the Report, had helped to inform the opinion on the internal control environment.

Resolved:

- 6.1 That the annual report by the Head of Audit and Counter Fraud, Report No 81/17, be noted;
- 6.2 That it be noted that the overall standards of internal control were satisfactory during 2016/17, as shown under Section 3 of Report No 81/17;
- 6.3 That it be noted that the satisfactory opinion on internal control is taken forward into the draft Annual Governance Statement 2017 that is presented separately to this meeting of the Audit and Standards Committee, and that the approved Annual Governance Statement is to be included with the Statement of Accounts 2016/17 that will be published in September 2017, as detailed under Section 7 of Report No 81/17; and
- 6.4 That the opinion on the Council's systems of internal control be reported to Cabinet.

HACF

7 Annual Report on the Council's work to combat Fraud and Corruption 2016/17

The Committee considered Report No 82/17 which informed councillors on the adequacy and effectiveness of the Council's systems to combat fraud and corruption during 2016/17.

The Head of Audit and Counter Fraud had reviewed the Council's arrangements for countering fraud and corruption, and compared them to the standards and principles within the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice. The Report outlined the Council's work to counter fraud and corruption in 2016/17, and how that

work had met the Council's responsibilities for ensuring an effective response to those risks.

Section 6 of the Report summarised the results of the Council's counter fraud and corruption work during 2016/17. Of note, the Head of Audit and Counter Fraud highlighted (under Housing Tenancy fraud) that four properties had been returned to the Council's housing stock after the team had proved abandonment by the tenant.

In response to a councillor's query in respect of the success of the key amnesty which the Council had launched in 2016, the Head of Audit and Counter Fraud explained that it had been an effective initiative which raised awareness of tenancy fraud. The Committee recognised how successful it had been and suggested that the key amnesty initiative be carried out on a regular basis. As requested by councillors, the Committee's comments in respect of the key amnesty initiative would be relayed to Cabinet.

HACF

Resolved:

- 7.1 That Report No 82/17 be noted;
- 7.2 That the control measures that are in place to maintain a strong anti-fraud and corruption culture, as shown under Section 3 of Report No 82/17, be noted;
- 7.3 That the structures within the Council that counter fraud and corruption, particularly the arrangements for preventing, detecting and investigating fraud across a range of Council services and activities, as shown under Section 4 of Report No 82/17, be noted;
- 7.4 That the Council's involvement in national, regional and local counter fraud networks, as shown under Section 5 of Report No 82/17, be noted;
- 7.5 That the results of the Council's counter fraud activity during 2016/17, as shown under Section 6 of Report No 82/17, be noted;
- 7.6 That the Council's compliance with the Chartered Institute of Public Finance and Accounting (CIPFA's) Code of Practice on managing the risk of fraud and corruption, as shown under Section 8 of Report No 82/17, be noted; and
- 7.7 That the Council's zero tolerance to fraud and corruption be reaffirmed.

8 Interim Report on the Council's Systems of Internal Control 2017/18

The Committee received Report No 83/17 which informed councillors on the adequacy and effectiveness of the Council's systems of internal control during the first two months of 2017/2018, and which summarised the work on which that opinion was based.

The Annual Report on the Council's Systems of Internal Control for 2016/2017 included the opinion of the Head of Audit and Counter Fraud that

the overall standards of internal control were satisfactory. That opinion was based on the work of Internal Audit and the Council's external auditors, BDO, and the Council's work on risk management. In the two months since the start of the financial year there had been nothing to cause that opinion to change and there had been no instances in which internal control issues had created significant risks for Council activities or services.

The Head of Audit and Counter Fraud highlighted table 1, under paragraph 4.1 of the Report, which showed that a total of 71 audit days had been undertaken compared to 93 planned in the first two months of the year. He advised that the variance of 22 days had arisen mainly from the retirement of the Senior Auditor in January 2017, with the vacancy not yet filled. In addition, the Head of Audit and Counter Fraud had been involved in less audit work during the reporting period than had been originally envisaged.

Paragraphs 4.3 to 4.11 summarised the work undertaken by Internal Audit, compared to the annual plan that had been presented to the Committee at its meeting in March 2017. The Head of Audit and Counter Fraud highlighted two key reviews that were underway in respect of Strategic Procurement, and Eastbourne Borough and Lewes District Councils response to the Prevent and Protect Strategy.

The Head of Audit and Counter Fraud highlighted the audit report on Electoral Registration and Elections, as set out in Appendix A1 of the Report. From the audit work carried out during the review, Internal Audit had obtained full assurance that there was a sound system of internal control covering electoral registration and elections. The particular circumstances of the May 2015 parliamentary elections and the EU Referendum in June 2016 had created stresses for the electoral system nationally and locally. The audit concluded that those stresses were handled effectively with no significant adverse impact on the conduct of the elections managed by the Council.

Resolved:

- 8.1** That it be noted that the overall standards of internal control during the first two months of 2017/18, as shown in Section 3 of the Interim Report No 83/17, were satisfactory.

9 Annual Governance Statement 2017

The Committee considered Report No 84/17 which sought councillors' approval to the draft Annual Governance Statement (AGS) 2017, as set out under Appendix A of the Report.

The Council was required to prepare an AGS each year in accordance with the statutory requirement set out in the Accounts and Audit Regulations, the most recent reference being Regulation 6 (1) of the Accounts and Audit Regulations 2015. The AGS covered the whole control framework of the Council rather than those controls which simply had a financial aspect.

The Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) had issued updated guidance in 2016 on what should be included in the AGS with effect from the

2016/2017 financial year. The Head of Audit and Counter Fraud explained that the updated guidance would enable local authorities to make the AGS less prescriptive. He added that the inclusion of an introduction section would make the purpose and content of the AGS clearer for readers.

Resolved:

- 9.1 That the draft Annual Governance Statement 2017, as shown under Appendix A of Report No 84/17, be approved; and
- 9.2 That it be delegated to officers any final adjustments required to the Annual Governance Statement in the period up to the approval of the Statement of Accounts in September 2017.

10 Annual Report on the work of the Audit and Standards Committee 2016/17

The Committee considered Report No 85/17 which presented to councillors the annual report on the work of the Audit and Standards Committee, which summarised activity in this key area of corporate governance and provided assurance that the oversight of governance, risk and internal control was operating effectively.

The Audit and Standards Committee comprised seven councillors, with the quorum set at four. Up to three additional co-opted non-voting Town/Parish members could participate in Standards, but not Audit, matters. The Chair of the Committee was elected from the Council's minority group.

The Committee normally met five times per year. The Chair of the Committee highlighted the table, under Appendix 1, which detailed the titles of reports which had been presented at each meeting during the 2016/2017 municipal year.

The Committee noted the changes in membership over recent years and discussed the benefit of receiving a refresher training session, to be led by the Head of Audit and Counter Fraud.

Resolved:

- 10.1 That Report No 85/17 be noted;
- 10.2 That the conclusions on the effectiveness of Internal Audit, as shown under paragraph 16 of Report No 85/17, be endorsed;
- 10.3 That the opinion on the Council's Internal Control Environment and Risk Management Framework, as shown under paragraphs 17 and 18 of Report No 85/17, be endorsed;
- 10.4 That it be noted that the Audit and Standards Committee has discharged all of the duties outlined and complied with the Terms of Reference in all respects, as shown under paragraph 19 of Report No 85/17; and
- 10.5 That the Head of Audit and Counter Fraud be requested to arrange

a refresher training session for members of the Audit and Standards Committee, to be held on the date of the next scheduled meeting on Monday, 25 September 2017.

(Cttee Officer to note)

11 Lewes District Council – Fee Letter 2017/18

The Committee received Report No 86/17 from BDO, the Council's external auditor, which set out its proposed fees and programme of work for the 2017/18 financial year.

Resolved:

11.1 That Report No 86/17 be noted.

12 Statement of Accounts 2016/2017

The Committee received Report No 87/17 which provided assurance to councillors that the Council's Statement of Accounts for 2016/2017 had been prepared in accordance with statutory requirements and recommended accounting practice.

The Council's Constitution enabled the Committee to approve the Annual Statement of Accounts. The Accounts and Audit Regulations 2015 required the Deputy Chief Executive to certify by 30 June each year that the Statement of Accounts presented fairly the financial position of the Council, in advance of the external audit of those Accounts taking place.

The Head of Finance drew to the Committee's attention that the Account and Audit Regulations 2015 included a phased timetable for faster closure and publication of the audited accounts in future years. There would be a requirement to publish the 2017/2018 draft accounts by 31 May 2018 and the audited accounts by 31 July 2018. The Head of Finance explained that the shortening of the timetable would present a significant challenge to both the Finance team and the external auditors.

The Head of Finance explained that members of the public had the right to inspect the Council's accounts and supporting documents, which would be published on the Council's website. The period for public inspection would run from Monday 3 July 2017 to Friday 11 August 2017.

Resolved:

12.1 That the action taken to prepare, publish and enable public inspection of the 2016/2017 Statement of Accounts, as set out in Report No 87/17, be noted.

13 Treasury Management

The Committee considered Report No 88/17 which presented details of recent Treasury Management activity between 1 March 2017 and 31 May 2017 and the Annual Treasury Management Report 2016/2017.

The Council's approved Treasury Strategy Statement required the Audit and Standards Committee to review details of Treasury Strategy

transactions against the criteria set out in the Strategy and to make observations to Cabinet as appropriate.

The Head of Finance highlighted the following points contained within the Report:

- The table, under paragraph 2.3, showed the fixed term deposits which had matured in the reporting period. With the exception of the weekend of 13/14 May 2017 (when the balance held at Lloyds Bank exceeded the treasury limit by £190,000 as a result of an unexpected receipts shortly before close of business on 12 May), at no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy.
- The Council's borrowing position was set out under paragraph 2.10. There had been no change in the total value of the Council's long term borrowing in the reporting period, which remained at £56.673m.

The Annual Treasury Management (ATM) Report was shown under Appendix 1. The table on page 1 of the ATM Report (page 79 of the agenda) listed the key elements of the 2016/2017 Strategy and recorded actual performance against each one of them.

Resolved:

- 13.1** That it be confirmed to Cabinet that Treasury Management activity between 1 March 2017 and 31 May 2017 had been in accordance with the approved Treasury Strategies for that period, as set out in Report No 88/17; and
- 13.2** That the Annual Treasury Management Report for 2016/2017, as set out under Appendix 1 of Report No 88/17 and reviewed by the Audit and Standards Committee, be noted.

Deputy
Chief
Executive

14 Date of Next Meeting

Resolved:

- 14.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday, 25 September 2017 at 10.00am in the Ditchling Room, Southover House, Southover Road, Lewes be noted.

**All to
note**

The meeting ended at 11.15am.

M Chartier
Chair