

Audit & Governance Committee

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

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

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

Councillor Ede declared a DPI in minute 6 – Sussex Police and Crime Panel as an employee of Sussex Police and withdrew from the room whilst this item was considered.

2 Internal Audit Report to 30th June 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 as at 30th June and the level of assurance attained were detailed in the report.

In response to a request by the Committee, the Internal Audit Manager agreed to provide on request further information on areas for improvement given following the issue of an audit report.

Work on the core financial audits for the external auditors had now been completed and the audit team activities would now focus on other audit reviews within the plan and to progress any outstanding follow ups.

In response to a question with regard to the audit plan, the Internal Audit Manager clarified that planned days had been set aside at the start of the audit plan to complete the work which could vary from the number of actual days recorded to complete an audit and that it was possible that the work could be carried over to the next financial year.

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. It was reported that previous high and medium priority recommendations relating to procurement had been consolidated into one action plan and that Cabinet

would be considering a report on the future of the Council's procurement function.

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 reported that with regard to risk management, a full review of the Strategic Risk Register would take place in September and the results would be reported to the next meeting of this Committee.

Work to promote and embed risk management within the Council was ongoing with operational and departmental risk registers uploaded onto Covalent and a new site licence had been acquired to allowed managers to update their risk registers directly and an automated process to send reminders to review risks ensure consistent monitoring and updating across the Council.

The Internal Audit Manager reported on the Draft Local Audit Bill which had been published by the Department for Communities and Local Government for consultation which had ended on 31 August 2012. The Bill had been formulated around the four key principles of localism and decentralisation, transparency, lower audit fees and high standards of auditing. It proposed to disband the Audit Commission and enable public bodies to appoint their own external auditors. The provisions of the Bill were set out in the report and it had suggested that the new regime would come into existence over a period of ten years with savings at the end of this period estimated at around £164 million per year. In response to a question as to where the anticipated savings would be realised, the Internal Audit Manager reported that the bill was currently at the draft stage and its progress towards Royal Assent and any changes would be reported to future meetings of this Committee.

RESOLVED: (1) That the report be noted.

(2) That the requirements of the Draft Local Audit Bill be noted.

3 Update – Aids & Adaptations System.

The Internal Audit Manager gave an overview of the Aids and Adaptations System at Eastbourne Homes.

An internal audit review of the Aids and Adaptations system administered by Eastbourne Homes had resulted in an inadequate assurance level. Issues had been raised with the method of filing information as it appeared that several different systems were being used and this could allow for fraud or errors being made. The recommendation was for Eastbourne Homes and the Council to work together to resolve the issues.

Jo Ellis, Chief Executive of Eastbourne Homes Ltd addressed the Committee. She expressed her disappointment at the results identified in the audit but said that Eastbourne Homes had learnt from the audit and had taken

significant steps to improve their system by working through the recommendations proposed by the Internal Audit Manager.

Eastbourne Homes had reviewed its procurement process and submitted the document to the Internal Audit Manager for review.

Eastbourne Homes Ltd had also been talking to and visiting its customers to identify any issues which had led to a telephone survey that had resulted in no issues being discovered. An inspection had also been undertaken on a sample of chosen properties and again no issues of concern had been raised.

The Committee was also advised that improvements had been made to the current IT systems and filing system with all information now stored in one location.

In a response to a question about how the new financial regulations would be monitored, the Committee was informed that the internal audit process conducted by the Internal Audit Manager would be part of this process and monitoring would also be conducted by Eastbourne Homes' Financial and Corporate Services and Audit Committee.

NOTED

4 Annual Governance Report 2011/12.

The Committee considered the report of the External Auditors PKF regarding the Annual Governance Report which detailed the key elements of the systems and processes of the Council's governance arrangements.

Mr Andrew Lynas was in attendance to present the report and respond to Members' questions. The report was presented in accordance with the Audit Commission's Code of Audit Practice which required PKF to communicate key findings of their audit of the accounts and use of resources prior to issuing an opinion on the accounting statements and value for money conclusion.

Mr Lynas thanked the Financial Services Manager and the Internal Audit Manager and their teams for their co-operation and assistance throughout the audit. The Committee were then given an overview of the findings from the audit and a number of issues that had arisen although these had no effect on the Council balances.

A number of recommendations made to improve the effectiveness of financial statements and internal controls operating over specific financial systems were set out in Appendix A of the report and it was noted that all the required actions had been completed or were in the process of being implemented.

Subject to the satisfactory completion of the outstanding work, Mr Lynas confirmed that an unqualified value for money conclusions would be issued.

Councillor Liddiard queried the arrangements put in place for the completion of cash/bank reconciliations at Eastbourne Borough Council's four Theatres and what procedural differences had been put in place. Mr Lynas advised

that a review of the procedure notes had taken place and new procedures had been introduced on 1 April 2012 to help reconcile the cash system.

Mr Lynas praised the £1.3 million saving that had been secured over the last three years due to the overarching project delivery framework provided by the 'DRIVE' efficiency programme. With further savings of £4 million expected by 31 March 2015, the results had been very positive.

Councillor Mattock informed Mr Lynas that section 4.8 of the report should read that the capital investment for the 'Solarbourne' project had been reduced by £8.3 million and not reduced to £8.3 million as the report had suggested.

RESOLVED: That the Annual Governance Statement for 2011/12 as appended to the report be approved.

5 Statement of Accounts 2011/12.

The Financial Services Manager presented the annual accounts for 2011/12. It was reported that only minor presentational changes had been made to the draft accounts approved in June and a revised copy of the statement of accounts were appended to the report.

PKF had indicated that an unqualified audit opinion on the Council's accounting and group accounting statements would be issued before the statutory deadline of 30 September 2012.

An amendment to the Annual Governance Statement approved at the Audit Committee on 27 June 2012 was required to incorporate the group elements of the accounts in respect of Eastbourne Homes Ltd.

The process for the 2011/12 audit and statement of accounts presentation had represented another significant improvement to the previous years in terms of its accuracy and timeliness.

The Committee thanked the Chief Finance Officer, the Financial Services Manager and their teams for their significant work in producing accurate accounts and in achieving closure by the required deadline.

RESOLVED: (1) That the action taken in respect of the non-trivial but not material errors identified by External Audit be agreed.

(2) That the final audited accounts for 2011/12 be approved.

(3) That the changes to the Annual Governance Statement to cover the group information be approved.

(4) That the thanks of this Committee be conveyed to officers in the financial services and audit teams in appreciation of their continued efforts for producing accurate accounts and in achieving closure by the required deadline.

6 Sussex Police and Crime Panel.

The Committee considered the report of the Head of Corporate Development regarding the constitution of the Sussex Police and Crime Panel (PCP), which would come into effect on 1 November 2012.

A Sussex Police and Crime Panel would operate as a joint committee of the constituent authorities in Sussex that would scrutinise the performance of the Police Crime Commissioner following their election on the 15 November 2012.

A Shadow PCP had been in operation since April 2012 to oversee and agree the preparation of the constitutional documents which set out the PCP's terms of references, panel arrangements and rules of procedure. A copy of the constitution was appended to the report and all authorities within the Sussex PCP Panel were required to adopt the arrangements prior to the establishment of the PCP from 1 November 2012.

The Committee was advised that Councillor Ungar had been nominated as the Council's representative to the Panel and Councillor Mrs Bannister as the named substitute member. It was proposed that Council appointments to the Panel be made for a four year term to coincide with the Borough elections.

RESOLVED: (1) That the Police and Crime Panel constitutional documents set out in the appendix to the report be endorsed.

(2) That Councillors Ungar and Mrs Bannister (named substitute) be appointed as the Council's representatives to the Police and Crime Panel to serve until May 2015.

(NB: Councillor Ede declared a DPI in this item and withdrew from the room whilst the item was considered.)

7 Housing & Council Tax Benefit – Risk Based Verification

The Committee considered the report of the Revenues and Benefits Manager regarding the implementation of Risk Based Verification (RBV) in Housing and Council Tax Benefits.

The Department for Work and Pensions (DWP) required authorities that wished to implement Risk Based Verification to have in place a Verification Policy, appended to the report that detailed the risk profiles and verification standards which would apply and the minimum number of claims that would be checked. The Committee was advised that formal adoption of the Policy would be submitted to a future meeting of the Cabinet.

RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims allowing for more intense verification activity to focus on those claims more prone to fraud and error. Currently the Benefits team apply the same level of verification to a claim submitted by a pensioner as to a claimant with a history of benefit fraud.

The new system would utilise complicated software which relies on specialised data analytics and a model which assesses against a number of components based on a million claim assessments to classify the claim into one of three categories, high, medium and low. It was estimated that 55% of claims assessed would be classified low risk, 25% medium and 20% high.

The Revenues and Benefits Manager outlined the various benefits RBV would provide the Council such as reduced costs and processing times, improved customer satisfaction and improved fraud and error detection rates. The Committee welcomed the initiative which would benefit the service provided by the Council to its residents. .

It was proposed that performance using RBV would be monitored on a monthly basis by the Benefits Operational Manager to ensure its effectiveness with a review of the Policy being undertaken annually and reported to this Committee.

The Committee requested that a report be submitted after 6 months following implementation with future reports being submitted on an annual basis.

RESOLVED: (1) That Risk Based Verification be implemented in Housing Benefits and Council Tax Benefits.

(2) That the outcome of the annual review of the Verification Policy be reported to this Committee and that the Revenues and Benefits Manager be requested to present a report after 6 months following implementation of the policy.

8 Member Standards.

The Committee considered the report of the Monitoring Officer regarding fulfilling the obligations in relation to member's standards pursuant to the 2011 Localism Act.

The new Standards regime had incorporated provisions relating to the new category of Disclosable Pecuniary Interests into the Council's Code of Conduct in a form that had been agreed with other authorities in East Sussex. The new regime now required members to disclose not just their own Disclosable Pecuniary Interests and their other interests, but also those of their partner/spouse. The information had been made available on the Council's website.

It was proposed that the Monitoring Officer report back to Audit and Governance on a regular basis on any arising issues and changes to the legislation and related framework to maintain a consistent high standard of member conduct.

The newly formed Audit and Governance Committee incorporated a Standards Panel that would meet on an ad hoc basis when necessary to deal with specific member complaints.

The Monitoring Officer proposed that a working group be established, consisting of two Committee members and one independent person to

consider matters in respect of the new regime and make recommendations to this Committee when necessary.

RESOLVED: (1) That the new regime in relation to standards and this Committee's role in overseeing and promoting high standards of conduct by members be noted.

(2) That regular reports be submitted to this Committee on the new Standards regime and that a working group be set up, comprising of two members of this Committee and one Independent Person, to make recommendations on standards matters as directed by the Chairman in consultation with the Monitoring Officer.

9 Age Concern – Appointment of Board Member.

The Committee considered at the request of Age Concern the appointment of an additional Council representative to its Board. Nominations received were Councillors Carolyn Heaps and Caroline Ansell.

RESOLVED: (By 4 votes to 3 on the casting vote of the Chairman) That Councillor Carolyn Heaps be appointed as a Board Member to Age Concern.

10 Exclusion of the public.

RESOLVED: That the public be excluded from the remainder of the meeting as otherwise there was a likelihood of disclosure to them of exempt information as defined in schedule 12A of the Local Government Act 1972. The relevant paragraph of schedule 12A and descriptions of the exempt information are shown within the open summary of the minutes or beneath the items below.

11 Housing & Council Tax Benefit – Risk Based Verification.

The Committee considered the confidential report of the Revenues and Benefits Manager regarding the implementation of Risk Based Verification (RBV) in Housing and Council Tax Benefits (item 7 refers).

RESOLVED: That the report be noted.

Notes: (1) Exempt information reason 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

(2) The minute was declared open, but the report and discussions thereon remain confidential.

The meeting closed at 7.19 p.m.

**J Ungar
Chairman**