

Audit & Governance Committee

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

(An apology for absence was reported from Councillor Mattock).

19 Minutes.

The minutes of the meeting held on 5 December 2012 were submitted and approved and the Chairman was authorised to sign them as a correct record.

20 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.

21 Urgent Item of Business.

Councillor Tester advised the Committee that the Eastbourne Liberal Democrat Group had been awarded the Council Group of the Year at the Local Government Awards. Councillor Ungar congratulated those who were members of the Group.

NOTED.

22 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 dispensations that had been granted to members that had allowed them to participate in discussions relating to the setting of council tax at the Cabinet meeting on the 6 February and full Council on the 20 February.

The Committee was also advised that although no formal member conduct complaints had been received at the time of writing the report, a complaint had been lodged a few days prior to the meeting and an update on this would be given to the Committee at the next meeting.

At the previous meeting of the Audit and Governance Committee, it was agreed that the Monitoring Officer provide occasional email updates and briefings to members of the Council in relation to the Standards regime. The Monitoring Officer reported that a briefing had been sent to members

advising them of the need to register gifts and hospitality received over £25 in addition to further advice relating to Disclosable Pecuniary Interests (DPI). Members with a DPI are permitted to exercise the rights enjoyed by members of the public and make representations to Committee and/or answer questions before leaving the room.

RESOLVED: That the Committee note the following:

(1) The dispensations granted to members in relation to the setting of Council Tax.

(2) That a formal complaint had been submitted and an update would be given to the Committee at its next meeting.

(3) The Monitoring Officer's advice given to members in relation to gifts and hospitality and participation where they have a Disclosable Pecuniary Interest.

23 Audit Plan 2012/13.

The Committee considered the report of PKF regarding the Audit Plan 2012/13 which set out the audit work proposed in respect of the accounts and review of the Council's arrangements for securing value for money for 2012/13.

Mr Lloyd-Thomas from PKF was in attendance and introduced himself to the Committee having replaced Mr R Grant. He then presented the key findings and responded to Members' questions.

PKF had identified areas of significant risk that impact the audit. Under financial statements, the risks identified included the management override of controls, revenue recognition, housing revenue account reform and revised capital accounting, heritage assets valuations and the Municipal Mutual Insurance repayment provision. For use of resources the risks identified were the managing of future funding shortfalls throughout the medium term financial strategy, investment in infrastructure plans and managing the transfer of waste management services to an external contractor following approval of the Waste Management contract. These were set out in Appendix A of the report.

PKF would provide an opinion on the Council's financial statements and a conclusion on their arrangements to secure economy, efficiency and effectiveness by 30 September 2013.

Mr Lloyd-Thomas advised that there was a 40% saving in the proposed audit fee compared to last year due to the Council's effective procurement strategy.

Following a question from the Committee, Mr Lloyd-Thomas informed them that the heritage assets included the collection of items rather than the buildings itself with the exception being the Redoubt which is classed as a heritage asset.

Councillor Heaps enquired whether the mayoral gold was taken into consideration for heritage assets. The Financial Services Manager informed the Committee that it had been identified through the heritage assets valuation. This was scheduled to be reviewed on 1 April 2013. The Committee was also advised that the Towner collection would be evaluated at the end of this month.

The Committee discussed the issue of whether asset management should be included as an item of significant risk. Mr Lloyd-Thomas advised that he was happy to include it as part of the Audit Plan subject to it not conflicting with the Council's own internal audit.

RESOLVED: That the Annual Audit Plan for 2012/13 be noted.

24 Grants Report 2011/12.

The Committee considered the report of PKF regarding the key findings in respect of the certification of grant claims and returns for the financial year which ended on 31 March 2012.

Mr Lloyd-Thomas from PKF was in attendance and presented the report. PKF had certified four returns on behalf of the Council which included housing and council tax benefit subsidy, national non-domestic rates return, pooled housing capital receipts and the housing subsidy return. The value of claims and other returns certified for the financial year had amounted to over £88 million.

Mr Lloyd-Thomas explained that technical amendments had been made to the Housing and Council Tax benefit subsidy to correct the allocation for tenancy types for non-Housing Revenue Account rent rebates, which had reduced subsidy by £7,223.

The Committee was also advised that PKF were unable to complete testing to confirm that the Council was appropriately writing back uncashed cheques, therefore not claiming subsidy where the payment had been cancelled. This was due to the software used not being able to provide the list of amendments. The Internal Audit Manager advised that the Department for Work and Pensions (DWP) had granted the Council an extension to the deadline date in order for the problem to be resolved. The deadline would now be the end of April 2013.

Mr Lloyd-Thomas reported to the Committee that the overall fees for the year was £20,007 lower than that of the previous year due the disabled facilities grant and housing base data return not requiring an audit in 2011/12.

The Committee was advised that there was nothing in the report that raised major concerns.

RESOLVED: That the Grants Report 2011/12 be noted

25 Internal Audit Report to 31st December 2012.

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the third 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 31st December 2012 and the level of assurance attained were detailed in the report. The Committee was advised that the list demonstrated a continued improvement over last year. It was reported that extra time was taken to work on cash recollection at Eastbourne Theatres following the findings from PKF last year.

A list of all reports issued in final during the year was set out in Appendix B, with any issues highlighted. The Internal Audit Manager reported that specific attention should be paid to the review of Use of Council Vehicles, which acquired an inadequate level of assurance. It was explained that the level was due to the draft policy omitting important issues such as use, recording journeys, security of keys and carrying out checks on driving licences. The Internal Audit Manager advised that it would not likely be included in the Annual Governance Statement due to the overall risk to the Council being low. Councillor Ungar stated that although the assurance level was inadequate, it demonstrated the benefits of audit and would help raise the standards by identifying these improvements. This was echoed by the Committee.

A brief explanation for a number of outstanding high and medium priority recommendations from audits were set out in appendix C. The comments made by the Corporate Management Team following consideration of outstanding high risks 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. The Internal Audit Manager clarified that the Council was not always able to reclaim the overpayments indicated.

The Committee enquired over several issues on the topic of frauds including whether frauds over £10k had increased, the involvement of the Department of Work and Pensions in informing the Council of frauds, how much of the overpayment was recovered annually and if when a fraud was proved, whether there were any custodial sentences. The Internal Audit Manager advised that she would pass these questions onto the Council's Benefit Fraud Team who would email the Committee following the meeting.

Councillor Liddiard enquired the audit report for Officers Expenses and the reason why it had been given an assurance rating of Performing Adequately. The Internal Audit Manager and Financial Services Manager outlined the issues that had been noted including the authorisation of expenses, purchase orders not being raised at the correct time, expenses coded incorrectly, mileage claims outside the Borough that should be claimed as second class rail fare, inadequate details of journey on mileage claim and a

copy of insurance certificates showing business cover not being provided to Payroll before at the correct time.

RESOLVED: That the report be noted.

26 Draft Internal Audit Plan for 2013/14.

The Committee considered the report of the Internal Audit Manager regarding the draft internal audit plan for 2013/2014.

The internal audit plan for each year begins by calculating the number of audit days that are available. Twelve "managed" audits are required to be undertaken this year to satisfy the external auditors. PKF specifically requested that an additional review of Theatre reconciliations be added to the eleven that were previously carried out.

In addition to the core audits, work is carried out on verifying the National Non-Domestic Rates and Benefits Subsidy Claim. Days are also set aside for unplanned work, special investigations, follow ups, advice and National Fraud Initiative activity.

A risk assessment is carried out on all areas listed in the "Audit Universe", in order for the annual internal audit plan to be produced. The "Audit Universe" is a list of all the areas and systems across the Council which can be audited. The completed risk assessment, appended to the report had been arranged by the level of risk.

The Internal Audit Manager reported that Housing was assessed as a high risk and it had been agreed with the Council's Senior Head of Community, that four separate reviews would be carried out during the financial year.

The Committee was advised that consideration would be given to those systems in the "Audit Universe" and any changes that would be needed to reflect the working practices of the Council's Future Model programme.

The draft plan was taken to the Corporate Management Team meeting on the 12 February 2013 and no further changes were proposed.

Following a question from the Committee, the Internal Audit Manager advised that she would report back to the Committee should any issues arise.

RESOLVED: That the draft internal audit plan for 2013/14 be adopted.

27 Introduction of Public Sector Internal Audit Standards.

The Committee considered the report of the Internal Audit Manager regarding the introduction of public sector internal audit standards and the actions necessary for compliance.

It was announced in May 2011 that the Chartered Institute of Public Finance and Accounting (CIPFA) and the Chartered Institute of Internal Auditor

(CIIA) would work in collaboration to drive the development of the internal auditing profession in the public services.

As a result of this, a unified set of Public Sector Internal Audit Standards (PSIAS), appended to the report had been produced. The standards are based on mandatory elements of the CIIA's International Professional Practices Framework and would apply across both central and local government. The new standards come into force on 1 April 2013.

The Committee was informed that with the Audit Charter and Code of Ethics already in place, the internal audit function already generally conforms to the new standards. The CIIA's own checklist, appended to the report, outlined the areas of the standards where action was required. This included the rotation of staff on assignments and the requirement of an external assessment every 5 years. Other adjustments included additional wording to both the Audit Charter and Code of Ethics to clarify issues and make specific reference to the standards. Updated versions of both were appended to the report.

The Internal Audit Manager reported that the standards did show Public Sector requirements that had not yet been included in CIIA's checklist. The Internal Audit does conform to these with the exception of the professional qualification requirement of the Chief Audit Executive. The Committee was advised that the Internal Audit Manager was PIIA qualified rather than the CMIIA qualified (Advanced Diploma level) but had almost 10 years of audit experience, six that had been in a management position. It is being considered whether the Internal Audit Manager would undertake the relevant further study and examination to obtain the higher qualification.

The Internal Audit Manager advised that she would provide an update on the standards to the Committee next year.

RESOLVED: That the standards be formally adopted and required actions, updated Internal Audit Charter and Code of Ethics be approved.

The meeting closed at 7.00 p.m.

J Ungar
Chairman