



Lewes District Council

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Audit Committee

Minutes of a meeting of the **Audit Committee** held in the **Garden Room, Lewes House, 32 High Street, Lewes** on **Monday, 25 June 2012** at 3.30pm

Present:

Councillor I Eiloart (Chair)

Councillors M P Chartier, J Stockdale and B M Warren

Officers Present:

A Blanshard, Committee Officer

D Heath, Head of Audit and Performance

S Jump, Head of Finance

Also Present:

J Combrinck, Director, PKF Accountants & Business Advisers

S Frith, Senior Manager, PKF Accountants & Business Advisers

Minutes

Action

1 Minutes

The Minutes of the meeting held on 19 March 2012 were approved as a correct record and signed by the Chair.

2 Strategic Partnership Governance

The Committee considered Report No 107/12 relating to the results of the annual review of strategic partnerships for 2011/12. The Report showed that the annual review of strategic partnerships was working effectively as part of the arrangements for governance of partnerships at the Council.

As background to the Report, the Head of Audit and Performance explained that in April 2008, Cabinet had approved the Guidance for Partnership Working and confirmed the seven partnerships to which the full Guidance applied. Section 5 of the Guidance required that the strategic partnerships were reviewed annually for continuing relevance to the Council.

Appendix A of the Report set out the Lead Officer responses to the annual review questions in relation to each partnership. The Committee noted that

the Lead Officer responses gave a good analysis of the partnerships' achievements but that the purposes of the partnerships were not clear from the responses. The Head of Audit and Performance explained that this information was available on the Council's Intranet, but that he would include details of the memberships and Lead Authorities in future reports.

The Committee also noted the partnerships whose funding was uncertain beyond 2012/13, and suggested that Lead Officers could be asked to report back to the Committee on the matter of funding when action needed to be taken in the future. The Head of Audit and Performance explained that the purpose of the report was to ensure effective governance arrangements in the form of the annual review had taken place.

Resolved:

- 2.1 That the Head of Audit and Performance be requested to include details of Partnership Members and Lead Authorities in future annual reviews;
- 2.2 That Report No 107/12 be noted.

HAP

3 Lewes District Council – Code of Corporate Governance Update

The Committee considered Report No 108/12 relating to the update of the Council's Code of Corporate Governance and progress on issues to be addressed. The Head of Audit and Performance drew the Committee's attention to the six core principles of the Code, as set out in Section 3.2. These were:

- Focusing on the purpose of the Council and the outcomes for the community, and creating and implementing a vision for the local area.
- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management.
- Developing the capacity and capability of councillors and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

He advised that an extract of the Code was set out in Appendix A of the Report.

The Committee were taken through the Review of the Local Code which showed that the Council continued to have satisfactory arrangements in place for corporate governance and that these were embodied in a range of documents and systems at the Council. A small number of updates made to the Code to reflect developments in the Council's governance arrangements. The updated Code could be viewed on the Council's website.

Details of the progress made against the issues to be addressed in the Code, identified in June 2011, were set out in Appendix B of the Report. The Committee discussed the progress of the report on Democratic Conversation in Lewes District undertaken by the Corporate Head of Communities and Enterprise in relation to the effectiveness of councillor and officer capability. The Head of Audit and Performance advised that, in May 2012, Cabinet had received a report on the outcome of the consultation on the Democratic Conversation and a proposed action plan and budget for 2012/13. Approval of this action plan and report would inform the development of community engagement in the District.

Resolved:

3.1 That Report No 108/12 be noted.

4 Annual Report on Internal Audit Performance and Effectiveness 2011/12

The Committee received Report No 109/12 relating to the Internal Audit work of the Audit and Performance Division for 2011/12 and the outcome of the review of the effectiveness of Internal Audit for 2011/12.

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

The Head of Audit and Performance explained that the table under paragraph 4.3 showed that for 2011/12 a total of 785 audit days have been undertaken compared to the budget of 753 days. It was noted that the variance was not material and was largely due to administration and training being less than had been anticipated when setting up the annual plan. The extent and detail of the audit coverage had been sufficient to enable the Head of Audit and Performance to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment.

Paragraphs 4.6 to 4.16 of the Report summarised the main functional areas reviewed in 2011/12 and the key audits that had been undertaken and completed.

Sections 5 to 10 detailed the outcome of the review of effectiveness, including the results of customer satisfaction surveys. Appendix A outlined the performance indicators for Internal Audit including the results for 2012/13.

The results of the review for 2011/12 meant that the Head of Audit and Performance was able to confirm that the Internal Audit function continued to meet best practice standards including compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Resolved:

- 4.1** That it be noted that the Internal Audit coverage in 2011/12 has been sufficient to enable the Head of Audit and Performance to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment, as shown in Section 3.1 of Report No 109/12; and
- 4.2** That the satisfactory outcome of the review of the effectiveness of Internal Audit for 2011/12, as shown in Section 3.3 of Report No 109/12, be noted.

5 Annual Report on the Council's Systems of Internal Control 2011/12

The Committee considered Report No 110/12 relating to the adequacy and effectiveness of the Council's systems of internal control for 2011/12.

The Head of Audit and Performance explained that the satisfactory opinion on the overall standards of Internal Audit, as set out in Section 3 of the Report, was based on the work of Internal Audit, other internal reviews and external assurance bodies, and the Council's work on risk management. Whilst recommendations have been made to improve procedures and controls in some areas, there were no instances in which internal control problems created significant risks for Council activities or services.

The Council was subject to a rolling programme of external inspections and audits, and the recent results were summarised in Section 8 of the Report.

Resolved:

- 5.1** That the annual report of the Head of Audit and Performance, Report No 110/12, be noted;
- 5.2** That it be noted that the overall standards of internal control had been satisfactory during 2011/12, as set out in Section 3 of Report No 110/12;
- 5.3** That it be noted that the satisfactory opinion on internal control be taken forward into the Council's Annual Governance Statement 2011/12 to be published with the Statement of Accounts 2011/12 and to be presented to the September 2012 meeting of the Audit Committee; and
- 5.4** That the overall standards of the Council's systems of internal control be reported to Cabinet.

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6 Interim Report on the Council's Systems of Internal Control 2012/13

The Committee received Report No 111/12 relating to the Internal Audit work of the Audit and Performance Division for the first two months of 2012/13 and on the adequacy and effectiveness of the Council's systems of internal control

The Head of Audit and Performance highlighted table 1, under paragraph 4.2 of the Report, which showed that a total of 132 audit days had been undertaken compared to 122 planned. He advised that the variance of 10 days was not significant at that stage, and it was estimated that the audit days would be at or close to plan by the year end.

Paragraphs 4.3 to 4.9 summarised the main functional areas reviewed and the key audits undertaken in 2011/12.

Paragraph 5.3 showed that the Head of Audit and Performance had reviewed with Corporate Management Team the impact on the control environment caused by the planned programme of savings of gross expenditure required by the Government. He had obtained assurance that there had been no adverse effect on the operation of controls. The Committee expressed concern that there might be some loss of local knowledge and experience as a result of the savings programme where experienced staff had left. The Head of Audit and Performance explained that the exercise will be ongoing whilst the Council had in place the programme of savings.

Appendix A of the Report contained a statement of internal audit work and key issues arising from individual pieces of audit work. A log of significant outstanding recommendations, as at May 2012, was set out in Appendix B which referred to the audit work relating to the Agresso Security system. The Committee asked for details of the four recommendations that had not yet been actioned. The Head of Finance responded that the first of these was the completion of a formal Service Level Agreement. The three remaining recommendations were regarding the updating of Agresso User identities at Hastings and Rother District Councils' with Lewes District Council's IT department, the agreement of Systems Administrators at each authority, and to specify a regime for reviewing access logs. The Head of Finance explained that these last three recommendations were now being dealt with by a new Agresso Systems Administrators User Group. The Committee commented that, as a result of the actions of the new User Group, it appeared that the Council was satisfying the requirements of the recommendations. The Head of Audit and Performance explained that a Service Level Agreement still be needed to be agreed to fully satisfy all the recommendations. The Committee asked that the Head of Audit and Performance review the three remaining recommendations and establish whether they could now be written off.

Resolved:

- 6.1** That it be noted that the overall standards of internal control during the first two months of 2012/13, as shown in Section 3 of the Interim Report No 111/12, were satisfactory.

7 Annual Financial Report 2011/2012

The Committee received Report No 112/12 which provided assurance to the Committee that the Council's Annual Financial Report for 2011/12 had been prepared in accordance with statutory requirements and recommended accounting practice.

The Head of Finance explained that the Council's Constitution enabled the Audit Committee to approve the Annual Statement of Accounts. The Accounts and Audit Regulations 2011 required the Director of Finance to certify by 30 June 2012 that the Statement of Accounts fairly presented the financial position of the Council, in advance of the external audit of those Accounts taking place.

The requirement now, under the Accounts and Audit Regulations 2011 was for the responsible financial officer, the Director of Finance, to certify the Accounts before 30 June 2012, with no approval by councillors at that stage. The external audit would then take place, with a final set of Accounts, including any necessary amendments, being brought to councillors to approve by the final deadline for publication of 30 September 2012. The new Regulations meant that councillors, when approving the Accounts, could be made aware of the findings of the audit and therefore make a better informed decision.

Members of the public would have the right to inspect the Council's accounts and supporting records from 16 July 2012 until 10 August 2012. The Annual Statement of Accounts would be published on the Council's website following the meeting of the Audit Committee.

Resolved:

- 7.1** That the Head of Finance be requested to confirm to members of the Audit Committee when the Annual Statement of Accounts have been published; and
- 7.2** That Report No 112/12 be noted.

HOF

8 Treasury Management

The Committee considered Report No 113/12 which set out details of recent Treasury Management activity and the Annual Treasury Management Report for 2011/12.

The Council's approved Treasury Strategy Statement required the Committee to review details of Treasury transactions against criteria set out

in the Strategy and make observations to Cabinet as appropriate.

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

- Section 2 explained the position of Treasury Management activity during the Report period.
- Paragraph 2.4 highlighted that the Council had been utilising a preferential approach to daily Treasury Management activity in response to continuing deterioration in the Eurozone.
- The table, set out under paragraph 2.5, showed the fixed term deposits held at 31 May 2012 (excluding that with the Icelandic Bank, Landsbanki Islands hf) and identified the long-term and short-term credit rating of each counterparty at the date of investment.
- Under paragraph 2.6, the table showed the fixed term deposits that had matured since 1 March 2012, in maturity date order.
- The chart at paragraph 2.9 summarised the Council's investment position over the period 1 March 2012 to 31 May 2012. The Head of Finance drew the Committee's attention to the figures on 28 March 2012 as this date was when the Council had to buy out of the Government's Housing Subsidy Scheme.
- Paragraph 2.10 explained the status of the Council's investment with Landsbanki Islands hf's winding up board. The Council had currently received approximately 40 per cent of the value of the Council's claim.
- Paragraph 2.11 explained the Council's borrowing from the Public Works Loans Board to finance a majority portion of the Council's payment to the Government required under the nation housing finance reform initiative. This was also shown in the table at paragraph 3.7.

The Committee also reviewed a formal year end summary report prior to it being considered by Council, in accordance with best practice and guidance issued by CIPFA. The Annual Treasury Management Report 2011/2012 was set out at Appendix 1 of the Report.

Resolved:

- 8.1** That it be confirmed to Cabinet that Treasury Management Activity between 1 March 2012 and 31 May 2012 had been in accordance with the approved Treasury Strategies for that period;
- 8.2** That the review of the Annual Treasury Management Report for 2011/12, as set out in Appendix 1 of Report No 113/12, be noted; and

8.3 That Report No 113/12 be noted.

9 Date of Next Meeting

Resolved:

9.1 That the next scheduled meeting of the Audit Committee to be held on Monday 24 September 2012 at 3.30pm in the Warren Room, Lewes House, 32 High Street, Lewes be noted.

**All to
note**

The meeting ended at 4.55pm

I Eiloart
Chair