



Lewes District Council

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Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Garden Room, Lewes House, 32 High Street, Lewes** on **Monday, 3 December 2012** at 3.30pm

Present:

Councillor I Eiloart (Chair)

Councillors M P Chartier, P L Franklin, C S Lambert and E E J Russell

Officers Present:

A Blanshard, Committee Officer

D Heath, Head of Audit and Performance

S Jump, Head of Finance

Also Present:

R Bint, Partner, PKF Accountants & Business Advisers

S Frith, Senior Manager, PKF Accountants & Business Advisers

Minutes

Action

20 Minutes

The Minutes of the meeting held on 27 September 2012 were approved as a correct record and signed by the Chair.

21 Apologies for Absence/Declaration of Substitute Members

An apology for absence had been received from Councillor J Harris.

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

The Committee received Report No 200/12 which informed councillors on the adequacy and effectiveness of the Council's systems of internal control during the first seven months of 2012/13, and summarised the work on which that opinion was based.

The Internal Audit function at the Council operated in accordance with the Code of Practice for Internal Audit published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Head of Audit and Performance highlighted table 1, under paragraph 4.2 of the report which showed that a total of 429 audit days had been undertaken compared to 441 planned. He advised that the variance of 12

days had been mainly due to preparations for agile working and moving the department to Southover House. It was anticipated that further time would be required for these activities, but that effort would be made to ensure that audit days were nearer to the budget by year end. The Committee recognised that these factors were out of the Audit department's control.

Paragraphs 4.3 to 4.12 summarised the main functional areas reviewed and the key audits undertaken in 2012/13.

The Head of Audit and Performance highlighted section 4.3 and explained that since the publication of the report, PKF had signed off their testing of the Council's subsidy claim for Benefits for 2011/12.

The Head of Audit and Performance highlighted sections 4.15 to 4.19 regarding risk management. He explained that further to the report that had been presented to Cabinet in November 2012, there was likely to be further real term reductions in funding for local authorities when the Government released details of the Local Government Funding Settlement for 2013/14 and 2014/15 in its Autumn Statement.

Appendix A of the report contained a statement of internal audit work and key issues arising from individual pieces of audit work. This summarised the audit reports on the monitoring of emails coming into the Council.

The Committee referred to section 7.3 regarding PKF's Annual Audit Letter and queried what action had been taken regarding the one area where the control environment could be strengthened. The Head of Finance explained that the process was in a transition period and that when the incoming electronic process was completely in use the issue that PKF had found would be managed much better.

Resolved:

22.1 That it be noted that the overall standards of internal control during the first five months of 2012/13, as shown in Section 3 of the Interim Report No 200/12, were satisfactory.

23 Treasury Management

The Committee considered Report No 201/12 which presented details of recent Treasury Management Activity alongside a mid-year report.

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:

- The table, set out under paragraph 2.3, showed the fixed term deposits held at 31 October 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 2.4, the table showed the fixed term deposits that had matured since 1 September 2012, in maturity date order.
- The table at paragraph 2.5 showed the use of deposit accounts during the period. It was explained to the Committee that, after being temporarily suspended, the Santander Business account had been brought back as available for use as of 1 November 2012. The Council's Treasury Adviser, Arlingclose, supported the use of this bank for deposits of up to 3 months duration. Since the publication of the report, the average interest rate had dropped to 0.50%.
- The chart at paragraph 2.7 summarised the Council's investment position over the period 1 September to 31 October 2012.

The Head of Finance referred the Committee to section 2.8 of the report which detailed the progress of the work of the Landsbanki Winding-up Board. He explained that the Council had received a third payment from the board on 5 October 2012, which meant that they had now received around 50% of the total sum expected.

The Head of Finance then highlighted that, section 2.9 of the report, outlined the status of the Council's borrowing. There had been no temporary borrowing, and the Council had only used its overdraft facility on four occasions, each of which had been predetermined and agreed as part of day to day cash management. The Committee asked if the banking contract incurred a charge and if so, why did the Council pay for an overdraft facility that was so rarely used. The Head of Finance replied that, although there was a minor cost to have the facility, it was judged more sensible to have the facility in place rather than to approach the bank each time there was a possibility of going overdrawn. The Chair requested that the Head of Finance circulate the costs to the Committee following the meeting.

HoF

The Committee then considered the chart at paragraph 4.11 of the Appendix, LDC Mid-year Treasury Management Report 2012/2013, which illustrated the results of investment benchmarking carried out by Arlingclose as at 30 September 2012. A discussion followed regarding the accuracy of this statement as it appeared that 3 councils in particular were scoring better. The Committee wondered if there was any way the Council could find out any more details about these authorities and what they had done differently to Lewes District Council. The Head of Finance agreed to contact Arlingclose and find out any information that he could. He reiterated that this was a benchmarking exercise and that, as such, the results were simply a guide.

HoF

Resolved:

23.1 That it be confirmed to Cabinet that Treasury Management Activity between 1 June 2012 and 31 August 2012 had been in accordance with the approved Treasury Strategies for that period; and

23.2 That Report No 201/12 be noted.

24 Annual Audit Letter 2011/12

The Committee considered Report No 202/12 which summarised the findings of the work carried out by PKF, the Council's external auditor, in respect of the year ending 31 March 2012.

Mr Frith, PKF representative, explained that the letter was a public facing document which was intended to communicate the significant issues identified by PKF, in an accessible format, to key external stakeholders and the public. The Letter would be published on the Audit Commission's website as well as on the Council's website.

The Committee heard that the financial statements gave a true and fair view of the Council's financial affairs, income and expenditure for the year and had been properly prepared.

Mr Frith, explained that PKF had reported a judgmental misstatement which had arisen as the Council's financial statements included Property, Plant and Equipment with a value of £397,000 in excess of that assessed by the District Valuer. This was found to be consistent with previous years.

Mr Frith informed the Committee that the Council's internal controls remained adequate and that PKF were able to rely on the work of Internal Audit. He informed the Committee that steps had been taken to improve internal controls regarding purchase orders but that the same information may appear in next year's report due to the ongoing nature of the work.

Mr Frith, reminded the Committee that the financial position was still difficult, with many external influences including the Government's Autumn Statement. He explained that for many years the Council had sought to achieve value for money and that this process was being enhanced by Programme Nexus, an integrated programme of projects which sought to review and develop the provision of Council services for the future.

Overall, Mr Frith reported that PKF was very positive about the Council. The Committee took the opportunity to congratulate the Officers.

Resolved:

24.1 That the Annual Audit Letter 2011/12 be approved; and

24.2 That Report No 202/12 be noted.

25 Date of Next MeetingResolved:

- 25.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 28 January 2013 at 3.30pm in the Garden Room, Lewes House, 32 High Street, Lewes be noted.

**All to
note**

The meeting ended at 4.13 pm

I Eiloart
Chair