



Lewes District Council

www.lewes.gov.uk

Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Warren Room, Lewes House, 32 High Street, Lewes** on **Monday, 24 June 2013** at 3.30pm

Present:

Councillor I Eiloart (Chair)

Councillors M P Chartier, S J Gauntlett, J V Harris, E E J Russell and C Sugarman

Officers Present:

Z Downton, Committee Officer

D Heath, Head of Audit and Performance

S Jump, Head of Finance

K Kingston, Head of Regeneration & Economic Development

Also Present:

S Frith, BDO

Minutes

Action

1 Minutes

The Minutes of the meeting held on 18 March 2013 were approved as a correct record and signed by the Chair.

2 Variation in the Order of the Agenda

Resolved:

- 2.1** That Agenda Item 8 entitled "Newhaven Enterprise Centre – Occupancy Rates, Arrivals and Waiting Lists" be taken immediately before Agenda Item 6 entitled "Strategic Partnership Governance".

3 Newhaven Enterprise Centre – Occupancy Rates, Arrivals and Waiting Lists

The Committee considered Report No 105/13 which presented information on levels of occupancy, the frequency of new arrivals and the waiting lists of new applicants for the Newhaven Enterprise Centre (NEC).

As background, it was noted that the Committee had requested, at its meeting on 18 March 2013, that a further report be presented summarising the occupancy rates, the rates at which new arrivals had filled any vacancies and the extent of waiting lists of applicants for vacancies.

The Head of Regeneration & Economic Development explained that the NEC offered accommodation and support infrastructure packages for start up businesses, based on a monthly licence. He explained further that the NEC had been at or near full occupancy for most of the time since March 2009. The occupancy position at the end of each quarter since the start of 2008/09 was presented in the Summary of NEC Occupancy as shown in Appendix 1 of the Report.

In response to a councillor's question, the Head of Regeneration & Economic Development explained that there was an annual turnover of 19 businesses, and some of those businesses may have occupied more than one unit. The Committee commented that it seemed therefore that the 5 businesses currently on the waiting list would not have long to wait to move in.

The Committee felt that this was a good example of the Council serving the local business community well and thanks were expressed to the Head of Regeneration & Economic Development for reporting the information to the meeting.

Resolved:

- 3.1 That Report No 105/13 be noted;
- 3.2 That the high occupancy rates at Newhaven Enterprise Centre for the majority of the period since early 2009, as shown under Section 7 and Appendix 1 of Report No 105/13, be noted; and
- 3.3 That the current waiting list arrangements for applications for vacancies at Newhaven Enterprise Centre, as shown under Section 11 of Report No 105/13, be noted.

4 Strategic Partnership Governance

The Committee considered Report No 103/13 which informed councillors of impending changes in the approach to the Strategic Partnership Governance arrangements.

The Head of Audit and Performance highlighted to the Committee that the planned updating of the Council's Guidance for Partnership Working offered the opportunity to include simple and straightforward information on the governance arrangements that were appropriate for the new types of partnerships that were being entered into by the Council.

The Head of Audit and Performance explained that he was currently working on a revised annual review process of strategic partnerships which would be more streamlined and less resource intensive and which would be recommended to the Council's Corporate Management Team. This would also include the updating of the Council's Guidance for Partnership Working and how external partners could use the Council's collaborative software, PAM (Platform for Achieving More). This work was due for completion by the end of the Summer 2013.

Resolved:

4.1 That Report No 103/13 be noted.

5 Lewes District Council – Code of Corporate Governance Update

The Committee considered Report No 104/13 which provided an update of the Council's Code of Corporate Governance and progress on issues to be addressed. This was a requirement to ensure that the Council followed best practice for corporate governance as set out in the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework, and had effective arrangements in place. The Council's Code was reviewed annually.

Appendix B of the Report identified the progress that had been made against the issues to be addressed that were identified in July 2012. The Head of Audit and Performance drew the councillors' attention to the Staff Survey, as set out under Core Principle 3 of Appendix B. The Council's Corporate Management Team had decided to postpone the survey to September 2013 to allow time for staff to go through the office moves first, which was a part of the move towards agile working, before analysis took place. In response to a councillor's question, the Head of Finance explained that it was not the Council's intention to fund any IT or computer equipment for staff who chose to work from home. The Committee noted that the results and analysis of the survey were likely to be presented to the Council's Employment Committee.

Resolved:

5.1 That Report No 104/13 be noted.

6 Interim Report on the Council's Systems of Internal Control 2013/14

The Committee received Report No 106/13 which informed councillors of the adequacy and effectiveness of the Council's systems of internal control during the first two months of 2013/14, and summarised the work on which that opinion was based.

The Internal Audit function at the Council previously operated in accordance with the Code of Practice for Internal Audit published by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA had, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a common set of Public Sector Internal Audit Standards (PSIAS) that applied from 1 April 2013.

Paragraphs 4.3 to 4.11 summarised the main functional areas reviewed and the key audits undertaken by Internal Audit during the first two months of 2013/14. The Head of Audit and Performance drew the councillors' attention to the Environmental Audit under paragraph 4.8. He explained that since the Report had been produced, the Council had received notification that it had passed the Lloyd's Register Quality Assurance verifier's assessment.

Under paragraph 5.3 of the Risk Management section, it was reported that in response to the Government's national deficit reduction plan, the

Corporate Management Team (CMT) had put in place a phased programme to make savings in the Council's budget. The Head of Audit and Performance had reviewed with CMT the impact on the control environment of the savings achieved so far, and had obtained assurance that there had been no adverse effect on the operation of controls. He highlighted to the Committee that this exercise would be ongoing whilst the programme of savings continued.

Appendix A of the Report contained the Statement of Internal Audit work and key issues arising from individual pieces of audit work.

Resolved:

- 6.1** That it be noted that the overall standards of internal control during the first two months of 2013/14, as shown in Section 3 of the Interim Report No 106/13, were satisfactory.

7 Annual Report on Internal Audit Performance and Effectiveness 2012/13

The Committee received Report No 107/13 relating to the Internal Audit work of the Audit and Performance Division for 2012/13 and the outcome of the review of the effectiveness of Internal Audit for 2012/13.

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

The Internal Audit functions at the Council operated in accordance with the auditing guidelines published as a Code of Practice for Internal Audit by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA had adopted a revised common set of Public Sector Internal Audit Standards (PSIAS) that applied from 1 April 2013. Although the PSIAS were now in force and would govern the operation of Internal Audit for 2013/14 and thereafter, the work of Internal Audit in 2012/13 was under the auspices of the previous CIPFA Code of Practice and was being assessed against the previous standards. 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.

The Head of Audit and Performance explained that the table under paragraph 4.3 showed that for 2012/13 a total of 729 audit days had been undertaken compared to the budget of 751 days. It was noted that the variance of 22 days was mainly due to the time spent in getting ready for agile working and the move to Southover House, Lewes on 22 March 2013.

Paragraphs 4.6 to 4.16 of the Report summarised the main functional areas reviewed in 2012/13 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 the review and customer satisfaction surveys. Appendix A of the Report outlined the Performance Indicators for Internal

Audit. It was noted that the Actual 2012/13 figure of 76% indicated that 5 out of 21 recommendations had yet to be implemented. The Head of Audit and Performance explained that this was, in part, due to the work on the Sustainable Procurement Policy which had mostly been done but had yet to be completed. The Head of Audit and Performance advised the Committee that he intended to review the list of Performance Indicators (PI's) to enable further, useful statistics to be brought to the Committee, and that the revised PI's would be in place for the next meeting of the Audit and Standards Committee in September 2013.

HAP

The results of the review for 2012/13, together with the details given in the Annual Report on the Council's systems of Internal Control 2012/13, meant that the Head of Audit and Performance was able to confirm that the Internal Audit service had achieved its aim, objectives and expected outcome, and had operated in accordance with the Internal Audit Strategy as approved by the Audit and Standards Committee.

Resolved:

- 7.1** That it be noted that the Internal Audit coverage in 2012/13 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, as shown in Section 3.1 of Report No 107/13; and
- 7.2** That the satisfactory outcome of the review of the effectiveness of Internal Audit for 2012/13, as shown in Section 3.3 of Report No 107/13, be noted.

8 Annual Report on the Council's Systems of Internal Control 2013/14

The Committee considered Report No 108/13 relating to the adequacy and effectiveness of the Council's systems of internal control for 2012/13.

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 Report outlined the work on which that opinion was based, including high level summaries of the external review processes and their results.

The Head of Audit and Performance brought to councillors' attention paragraph 6.2 of the Report which explained that a joint statement by the Chief Finance Officer (Section 151) and Monitoring Officer had confirmed that there were no significant governance issues for the Council in 2012/13.

Resolved:

- 8.1** That the Annual Report by the Head of Audit and Performance be noted;

8.2 That it be noted that the overall standards of internal control were satisfactory during 2012/13, as shown in Section 3 of Report No 108/13;

8.3 That it be noted that the satisfactory opinion on internal control be taken forward into the Council's Annual Governance Statement 2012/13 to be published with the Statement of Accounts 2012/13 and to be presented to the September 2013 meeting of the Audit and Standards Committee; and

HAP

8.4 That the overall standards of the Council's systems of internal control be reported to Cabinet.

HAP

9 Treasury Management

The Committee considered Report No 109/13 which presented details of recent Treasury Management activity between 1 March 2013 and 31 May 2013 and the Annual Treasury Management Report for 2012/13.

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 2.4, showed the fixed term deposits held at 31 May 2013 (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 2.7, it was noted that although the credit ratings assigned to the Co-operative Bank plc were recently downgraded, the Council would continue to use it for short term liquidity purposes.
- Details of the amounts held in the two Money Market Fund accounts used by the Council were set out under paragraphs 2.10 and 2.12.
- The Council was now utilising Government Treasury Bills (T-Bills) in order to diversify its range of investments. The table, set out under paragraph 2.11, showed the T-Bills held at 31 May 2013 and activity during the reporting period.
- The chart set out under paragraph 2.12 summarised the Council's investment position over the period 1 March 2013 to 31 May 2013.
- There had been no change to the Council's long term borrowing in the reporting period, which remained at £56.673m, as stated under paragraph 2.13.

Appendix 1 of the Report set out the Council's Annual Treasury Management Report 2012/2013. The table under section 2.1 of the Annual Report listed the key elements of the 2012/2013 Strategy and recorded

actual performance against each one of those elements.

In response to a councillor's question, the Head of Finance explained that the Council had received back half of its deposit with the Icelandic Bank (Landsbanki Islands hf). He explained however, that there was no guarantee on the timescale involved in recovering the rest of the money.

Resolved:

- | | |
|--|---------------------|
| <p>9.1 That the Head of Finance be requested to include a section in future Treasury Management reports with an update on the Council's deposit with Landsbanki Islands hf bank;</p> <p>9.2 That it be confirmed to Cabinet that Treasury Management activity between 1 March 2013 and 31 May 2013 had been in accordance with the approved Treasury Strategies for that period;</p> <p>9.3 That the review of the Annual Treasury Management Report for 2012/13, as set out in Appendix 1 of Report No 109/13, be noted; and</p> <p>9.4 That Report No 109/13 be noted.</p> | <p>HF</p> <p>HF</p> |
|--|---------------------|

10 Annual Financial Report 2012/13

The Committee received Report No 110/13 which sought to provide assurance to the Committee that the Council's Annual Financial Report for 2012/13 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 and Standards Committee to approve the Annual Statement of Accounts. The Accounts and Audit Regulations 2011 required the Director of Finance to certify by 30 June 2013 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 Accounts and Audit Regulations 2011 specified the framework for the approval and auditing of local authority accounting statements. The requirement was for the responsible financial officer (the Director of Finance) to certify the Accounts before 30 June 2013, with no approval by councillors at that stage. The external audit would thereafter take place, with a final set of Accounts, including any necessary amendments, being brought to councillors to approve by 30 September 2013, the final deadline for publication.

Members of the public would have the right to inspect the Council's accounts and supporting records from 8 July 2013 to 2 August 2013. The Annual Financial Report would also be available on the Council's website from 28 June 2013.

Resolved:

10.1 That Report No 110/13 be noted.

11 Date of Next Meeting

Resolved:

11.1 That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 23 September 2013 at 3.30pm in the Warren Room, Lewes House, 32 High Street, Lewes be noted.

**All to
note**

The meeting ended at 4.45pm

I Eiloart
Chair