

Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Telscombe Room, Southover House, Southover Road, Lewes** on **Monday, 17 March 2014** at 3.30pm

Present:

Councillor M P Chartier (Chair on election)
 Councillors S J Gauntlett, J V Harris, J M Harrison-Hicks, E C Merry, E E J Russell and J Stockdale

Officers Present:

Z Downton, Committee Officer
 D Heath, Head of Audit and Performance
 S Jump, Head of Finance

Also Present:

S Frith, BDO

Minutes

40 Election of Chair

Resolved:

40.1 That Councillor Chartier be elected Chair of the Committee for the duration of this meeting.

41 Minutes

The Minutes of the meeting held on 27 January 2014 were approved as a correct record and signed by the Chair.

42 Apologies for Absence/Declarations of Substitute Councillors

Councillor Stockdale declared that he was substituting for Councillor I Eiloart who had sent an apology for absence. Councillor Harrison-Hicks declared that she was substituting for Councillor C Sugarman who had sent an apology for absence.

43 Interim Report on the Council's Systems of Internal Control 2013/2014

The Committee received Report No 47/14 relating to the Internal Audit work of the Audit and Performance department, on the adequacy and effectiveness of the Council's systems of internal control during the first eleven months of 2013/2014 and to summarise the work on which that

Action

opinion was based.

The Internal Audit function at the Council operated in accordance with the common set of Public Sector Internal Audit Standards (PSIAS) that applied from 1 April 2013.

The Head of Audit and Performance's satisfactory opinion on the overall standards of internal control was based on the work of Internal Audit and the Council's external auditors, BDO, and the Council's work on risk management. In the eleven months since the start of the financial year there had been nothing to cause that opinion to change and there had been no instances in which internal control issues had created significant risks for Council activities or services.

Section 4 of the Report summarised the work undertaken by Internal Audit during the reporting period, compared to the annual plan that was agreed by the Audit and Standards Committee in March 2013. The Head of Audit and Performance highlighted table 1, under paragraph 4.2, which showed that a total of 686 audit days had been undertaken compared to 709 planned. He advised that the variance of 23 days was largely because of time spent by a team member in supporting the team's move to the Council's new IT systems and the departure of a part-time member of the Internal Audit team. He explained that it was unlikely that the audit days would be close to plan by the year end.

Paragraphs 4.19 and 4.20 provided an update on national reporting of fraud and corruption. The results of a national survey, which all local authorities were required to complete, had been published in an Audit Commission annual report on fraud and corruption in local government called 'Protecting the Public Purse'. The Head of Audit and Performance also reiterated his thanks to the Head of Finance and Finance Team staff for their vigilance which had prevented an attempted fraud against the Council in November 2013, as detailed under paragraph 4.22.

Appendix A of the Report set out a statement of Internal Audit work and key issues, specifically relating to the audit reports on EMAS (Eco-Management and Audit Scheme): Legal Compliance, Electoral Registration and Elections, Housing Benefit Subsidy Claim 2012/2013 and BACS (Bank Automated Clearing System) Payments and Receipts.

The Committee raised queries concerning the Council's decision to discontinue with its EMAS accreditation and sought assurance regarding the timescale for implementation of a new system to monitor the Council's compliance with environmental legislation. The Head of Audit and Performance responded that updates would be included in future reports to the Committee when information on the new corporate environmental management structure and how it would operate was available.

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Resolved:

- 43.1** That it be noted that the overall standards of internal control during the first eleven months of 2013/14, as shown in Section 3 of the Interim Report No 47/14, were satisfactory.

44 Strategic Audit Plan

The Committee considered Report No 48/14 which presented details of the Strategic Audit Plan for the three year period 2014/15 to 2016/17.

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

The main focus of the planning process was on the first year of the Strategic Audit Plan, as set out under Appendix 2 of the Report, which provided the Annual Audit Plan for 2014/2015, as set out under Appendix 1.

In preparing the Strategic Audit Plan, the Head of Audit and Performance had taken account of the adequacy and outcomes of the Council's risk management, corporate governance and other assurance processes. The Strategic Audit Plan had been drawn up on the basis of several strategic planning assumptions, as listed under Section 4 of the Report.

Section 5 detailed the relationship between Internal Audit and BDO, the Council's external auditor. The Head of Audit and Performance highlighted the revised external audit standards as a result of changes to legislation. For the Managed Audit of 2013/14 which was currently underway and thereafter, Internal Audit would determine the scope and content of the work on key financial systems that would be required to obtain the necessary assurance for the purposes of the Annual Governance Statement (AGS). Internal Audit and BDO would continue to work closely with each other.

The Head of Audit and Performance explained that Internal Audit would review the Audit Plan for 2014/15 after six months to assess whether any significant changes were necessary in response to the ongoing restructuring of the Council. A report on the results of that review would be presented to the September 2014 meeting of the Committee.

Resolved:

- 44.1 That the Annual Audit Plan for 2014/15, as shown at Appendix 1 of Report No 48/14 be agreed;
- 44.2 That the three year Strategic Audit Plan for 2014/15 to 2016/17, as shown at Appendix 2 of Report No 48/14 be agreed; and
- 44.3 That the Annual Audit Plan and Strategic Audit Plan reflects the ongoing restructuring of the Council, as set out under Section 6 of Report No 48/14, and the reduced staffing within the Internal Audit team, as set out under Section 8 of the Report, be noted.

45 Treasury Management

The Committee considered Report No 49/14 which presented details of recent Treasury Management activity between 1 January 2014 and 28

February 2014.

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 under paragraph 2.3 showed the fixed term deposits held at 28 February 2014 and identified the long-term and short-term credit rating of each counterparty at the date of investment. The fixed term deposits which had matured during the reporting period were set out in the table under paragraph 2.4, in maturity date order.
- In addition to the fixed term deposits, the Council had made use of deposit accounts in the period covered by the Report, as detailed under paragraph 2.5. The average amount held in those deposit accounts averaged £4,590,328 generating interest of approximately £2,500.
- In accordance with the Cabinet decisions, on 30 January 2014 the Council sold its claim against the insolvent estate of Landsbanki Islands hf (LBI), as detailed under paragraph 2.8. The sale meant that the Council had recovered 96% of the amount that was originally deposited with LBI. The sale of the claim represented a clean break and the Council was no longer a creditor of LBI.
- Details of the amounts held in the two Money Market Fund accounts used by the Council were shown under Paragraph 2.6.
- The table set out in paragraph 2.7 showed the Treasury Bills held at 28 February 2014 and activity during the reporting period.
- There had been no change to the Council's long term borrowing in the reporting period, as set out in paragraph 2.10, which remained at £56.673m. During the reporting period the Council had an average overdrawn balance of £0.191m on its Co-operative Bank current account.

Resolved:

- 45.1** That it be confirmed to Cabinet that Treasury Management activity between 1 January 2014 and 28 February 2014 had been in accordance with the approved Treasury Strategy for that period; and
- 45.2** That Report No 49/14 be noted.

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46 LDC Grant Claims and Returns Certification 2012/13

The Committee received Report No 50/14 which summarised the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2013, work that had been undertaken by

BDO, the Council's external auditor.

Mr Frith explained that there were three grant claims which BDO were required to provide an opinion on. The certification of both the National Non-Domestic Rates return and the Pooling of Housing Capital Receipts return were completed satisfactorily and submitted as unqualified and without amendment. However, certification work carried out on the Housing and Council Tax Benefit Subsidy claim had resulted in BDO issuing a qualified opinion due to errors identified. Mr Frith explained further that BDO was required to report errors of any value, including miscalculations of a few pence.

The detailed findings and impact on the Housing and Council Tax Benefit Subsidy claim was set out on pages 2 and 3 of the Report. In conclusion, the Department for Work and Pensions (DWP) had amended its assessment of the impact on the claim and which confirmed that there would be a deduction of approximately £4,000 from the next settlement to the Council.

Mr Frith highlighted that the errors identified had created substantial extra work for Internal Audit in terms of additional testing, however that had resulted in a much reduced financial deduction as the work was carried out in-house.

BDO's recommendations and action plan to the Council, following its certification work, were set out in Appendices I and II of the Report.

Resolved:

46.1 That Report No 50/14 be noted.

47 2013/2014 Audit Plan

The Committee received a verbal update from Mr Frith, BDO, in relation to BDO's 2013/2014 Audit Plan. Mr Frith explained that ordinarily the Council's Audit Plan and BDO's equivalent report would be presented at the same meeting, but due to staffing circumstances at BDO their report had unavoidably been delayed. He advised that, as soon as the 2013/2014 Audit Plan was complete, he would arrange with the Committee Officer for it to be sent to Audit and Standards Committee members and appointed substitute members in advance of the next scheduled meeting in June 2014.

CO to
note

48 Vote of thanks

Resolved:

48.1 That a vote of thanks be accorded to Mr Frith, BDO, the Head of Audit and Performance and the Committee Officer for their input and work throughout the 2013/2014 municipal year.

49 Date of Next MeetingResolved:

- 49.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 23 June 2014 at 3.30pm in the Telscombe Room, Southover House, Southover Road, Lewes be noted.

**All to
note**

The meeting ended at 4.10pm.

M P Chartier
Chair