

## Audit and Standards Committee

**Minutes** of a meeting of the **Audit and Standards Committee** held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Monday, 22 September 2014** at 3.30pm

**Present:**

Councillor I Eiloart (Chair)  
 Councillors M P Chartier, S J Gauntlett, J V Harris, I A Nicholson, E E J Russell and C Sugarman

**Officers Present:**

B Bird, Temporary Principal Accountant - Projects  
 Z Downton, Committee Officer  
 D Heath, Head of Audit and Performance  
 S Jump, Head of Finance  
 C Knight, Assistant Director of Corporate Services (Minutes 13 to 14)

**Also Present:**

R Bint, BDO  
 S Frith, BDO

### Minutes

	Minutes	Action
<b>13</b>	<p><b>Minutes</b></p> <p>The Minutes of the meeting held on 23 June 2014 were approved as a correct record and signed by the Chair of that meeting, Councillor Gauntlett.</p> <p>The Chair wished to record his thanks to Councillors M P Chartier, P F Gardiner, S J Gauntlett and J Stockdale who had either substituted for him or chaired the last two meetings of the Audit and Standards Committee in his absence.</p>	
<b>14</b>	<p><b>Annual Report on the establishment and maintenance of a Register of Interests 2014/2015</b></p> <p>The Committee received Report No 126/14 which confirmed that the Register of Interests was being maintained in accordance with the Council's Constitution.</p> <p>Section 29 of the Localism Act 2011 required the Council's Monitoring Officer to establish and maintain a register of interests of members and any co-opted members of the District Council. That section made clear that the Monitoring Officer must similarly establish and maintain a register of interests for each Town and Parish Council within the District. The Monitoring Officer was responsible for ensuring that the registers were</p>	

available for public inspection and that they were published on the authority's website.

The Assistant Director of Corporate Services explained that the annual Report would be used to confirm to councillors that the systems in place were operating as they should, and to provide the opportunity to update the Committee on Standards matters, such as complaints.

She highlighted, under paragraph 2.7 of the Report, that the Localism Act 2011 defined certain interests as being 'disclosable pecuniary interests'. Section 34 of the Localism Act 2011 made it a criminal offence for a member or co-opted member to fail, without reasonable excuse, to comply with requirements under the Act to register or declare disclosable pecuniary interests, or take part in discussions or to vote at meetings without registering his or her interest or disclosing its existence at the meeting.

The Council's Committee section issued each councillor with a form on which to register their interests for each municipal year. The Assistant Director of Corporate Services reminded councillors to return their form when requested by the Committee section.

The Council had a responsibility to deal with Standards matters for both Lewes District Council and Town and Parish Councils within the District. Information on the number of complaints received by the Council, the number of complaints progressed, Standards Panels held and the number of complaints per Council was set out under the Appendix to the Report.

Resolved:

**14.1** That Report No 126/14 be noted.

**15 Interim Report on the Council's Systems of Internal Control 2014/2015**

The Committee received Report No 127/14 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 five months of 2014/2015 and which summarised the work on which that 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 five 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 had been agreed by the Audit and Standards Committee at its meeting in March

2014. The Head of Audit and Performance highlighted table 1, under paragraph 4.2 of the Report, which showed that a total of 298 audit days had been undertaken compared to 268 planned. He advised that the variance of 30 days was largely due to the investigation being carried out by him, as shown under paragraph 4.10. It was estimated that the audit days would be closer to plan by the year end.

Appendix A of the Report set out a statement of Internal Audit work and key issues, specifically relating to three audit reports on Planning and Development Control – South Downs National Park Agreement, Key Financial Systems 2013/14 and Safeguarding.

The Committee discussed the audit report on Key Financial Systems 2013/14 in relation to the purchase system and the sample testing undertaken. The Head of Audit and Performance explained that Internal Audit had identified an internal control weakness, although the audit had not identified any significant control issues that would have an impact on the Council's main accounts. As part of its audit, BDO, the Council's external auditor, had concluded that testing of controls in relation to the purchase system had found instances where purchase orders placed were either in excess of officers' formal authorisation limits, or had been placed by officers who were not on the authorised signatory list. The Committee expressed concern that the sample size of orders tested was not sufficient. The Head of Audit and Performance indicated that they were within the sampling parameters used by Internal Audit. The Committee noted that BDO was awaiting the Management's response to its conclusions and recommendations made regarding the Council's purchase system.

Resolved:

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|-------------|---|-------|
| <b>15.1</b> | That the Audit and Standards Committee's recommendation to Management that further sampling of orders is required in relation to the testing of the Council's purchase system, be noted;  | DF/HF |
| <b>15.2</b> | That the Management's response to BDO's conclusion from its audit work on the Council's testing of controls in relation to the purchase system, as shown on page 195 of the Agenda papers, be presented to the next meeting of the Audit and Standards Committee; and | DF/HF |
| <b>15.3</b> | That it be noted that the overall standards of internal control during the first five months of 2014/15, as shown in Section 3 of the Interim Report No 127/14, were satisfactory.  |       |

**16 Annual Report on the Council's work to combat Fraud and Corruption 2013/14**

The Committee received Report No 128/14 which related to the adequacy and effectiveness of the Council's systems to combat fraud and corruption during 2013/14.

The remit of the Audit and Standards Committee included the duties to keep under review the probity and effectiveness of internal controls, and to monitor Council policies on Anti-Fraud and Corruption and Whistleblowing.

The Head of Audit and Performance explained, under Section 3 of the Report, that the Council had established a framework of appropriate strategies and policies in order to maintain a strong anti-fraud and corruption culture. Those included an Anti-Fraud and Corruption Strategy, Counter Fraud Strategy and Prosecution Policy (for Housing Benefit and Council Tax Reduction), Anti-Money laundering Policy, Anti-Bribery Policy, and Councillor and Officer Codes of Conduct. Those strategies and policies were regularly reviewed and updated, where appropriate.

Section 4 of the Report detailed the structures that were in place within the Council to counter fraud and corruption. The Head of Audit and Performance highlighted, under paragraph 4.2, that there had been some uncertainty over the future of the Benefit Fraud Investigations Team, as it had been due to become part of the national Single Fraud Investigation Service within the Department for Work and Pensions. In order to retain a strong anti-fraud service at the Council, the Corporate Management Team had approved the Investigations Team becoming part of the Audit and Performance Division, ensuring that the resource remained within the Council.

Resolved:

- 16.1** That Report No 128/14 be received, and it be noted that measures are in place to prevent fraud and corruption, as set out in Section 3 on page 24 of the Report;
- 16.2** That the measures to report and investigate suspected cases of fraud and corruption, as set out in Sections 4 and 6 on pages 24 and 25 of Report No 128/14, be noted;
- 16.3** That the Council's involvement in national, regional and local counter fraud networks, as set out in Section 5 on page 25 of Report No 128/14, be noted; and
- 16.4** That the Council's zero tolerance to fraud and corruption be reaffirmed.

## **17 Internal Audit Benchmarking 2013/14**

The Committee received Report No 129/14 which informed councillors of the comparative performance of internal audit departments in local authorities in Sussex for 2013/14.

The remit of the Audit and Standards Committee included a duty to review whether the internal audit function was adequately resourced and was able to discharge its function effectively.

Appendix A of the Report set out the results of the Sussex Audit Group Benchmarking Results 2013/14. Seven members of the Group, which comprised fifteen internal audit functions from local authorities and a local university, had taken part in the benchmarking exercise.

Paragraph 3.6 of the Report set out that the conclusion that could be drawn from the benchmarking study was that the Internal Audit function at the

Council was adequately resourced and was achieving satisfactory standards of output and efficiency.

Resolved:

- 17.1** That the benchmarking results from the participating authorities in Sussex, as set out on pages 31 and 32 in Appendix A of Report No 129/14, be noted.
- 17.2** That the conclusion that the internal audit function at the Council is adequately resourced and is achieving satisfactory standards of output and efficiency, as set out on pages 29 and 30 in Section 3 of Report No 129/14, be noted.

**18 Annual Governance Statement 2014**

The Committee considered Report No 130/14 which sought approval of the draft Annual Governance Statement 2014, as set out at Appendix A of the Report.

The Council was required to prepare an Annual Governance Statement (AGS) each year in accordance with the statutory requirement set out in the Accounts and Audit Regulations, the most recent reference being Regulation 4(3) of the Accounts and Audit Regulations 2011. The AGS covered the whole control framework of the Council rather than those controls which simply had a financial aspect.

Section 3 of the Report set out the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) framework which defined the form and content of the AGS. The information required included:

- Scope of responsibility;
- The purpose of the governance framework;
- The governance framework;
- The review of effectiveness; and
- Significant governance issues.

The Head of Audit and Performance explained that most of the content of AGS had been presented to the Committee throughout the year as part of the regular reports on the work of Internal Audit, and the annual report on the systems of internal control which included an opinion on the internal control environment, as set out within the AGS on page 39 of the Agenda papers.

Resolved:

- 18.1** That the Annual Governance Statement 2014, as set out on pages 36 - 43 in Appendix A of Report No 130/14, be approved.

## 19 Treasury Management

The Committee considered Report No 131/14 which presented details of recent Treasury Management activity between 1 June 2014 and 31 August 2014.

The Council's approved Treasury Strategy Statement required the Audit and Standards 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 August 2014 and identified the long-term and short-term credit rating of each counterparty at the date of investment.
- The Council's overall investment position over the period from 1 June 2014 to 31 August 2014 was summarised in the chart set out under paragraph 2.8. It showed the total sums invested each day during the reporting period as either Fixed Term deposits, Treasury Bills, amounts held in Deposit accounts or Money Market Funds.
- As set out under paragraph 2.10, the Council had participated in a procurement exercise with other East Sussex District and Borough Councils to appoint a common bank. That process had followed the decision of the Cooperative Bank to withdraw from the local authority market sector. The Head of Finance further advised that the outcome of the procurement had been the appointment of Lloyds Bank plc as the Council's banker. The transfer of the Council's banking arrangements was currently taking place and it was the intention to close the accounts at the Cooperative Bank by the end of 2014.

### Resolved:

**19.1** That it be confirmed to Cabinet that Treasury Management activity between 1 June 2014 and 31 August 2014 had been in accordance with the approved Treasury Strategy for that period; and

**19.2** That Report No 131/14 be noted.

## 20 Statement of Accounts 2013/2014

The Committee considered Report No 132/14 which presented the Statement of Accounts 2013/2014 for approval, following audit by BDO, the Council's external auditors.

The Accounts and Audit Regulations 2011 required the Director of Finance and councillors to certify and approve an audited set of accounts for publication by no later than 30 September each year.

DF

The Audit and Standards Committee was required to approve the Council's statutory annual Accounts, which included statements of its income and expenditure for the year and its balance sheet at the year end. The requirement stemmed from the Council's Constitution, the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Appendices 1 and 2 of the Report set out an Overview of the Statement of Accounts 2013/14 and the Audited Statement of Accounts 2013/2014 respectively.

The Head of Finance tabled an addendum to correct a number of typographical and other errors that appeared in the version of the Statement of Accounts presented to the meeting, a copy of which is contained in the Minute Book. The Head of Finance explained that those minor amendments had been agreed with BDO and none had had any impact on the Council's true financial position reported in the figures presented for approval. BDO's audit of the Accounts had been substantially completed, and it was noted that they anticipated, subject to satisfactory completion of outstanding work and final amendments, issuing an unqualified true and fair opinion on the financial statements for the year.

The Committee suggested the inclusion of vertical column lines on page 8 of the Accounts in future to make it easier to read. The Committee further requested that an explanatory note be added in future on page 10 of the Accounts, in relation to the 'Other housing services' header, for clarity purposes.

HF

Resolved:

**20.1** That the Statement of Accounts 2013/2014, as set out on pages 56 - 174 in Appendix 2 of Report No 132/14, subject to potential further amendments being required on completion of the audit by BDO (the Council's external auditors), be approved, and be signed by the Chair on behalf of the Audit and Standards Committee; and

DF

**20.2** That Report No 132/14 be noted.

**21 BDO's Report to the Audit and Standards Committee**

The Committee received Report No 133/14 relating to BDO's annual audit for the year ended 31 March 2014.

Mr Frith, BDO, highlighted key points from the Report, as follows:

- BDO's summary of significant audit findings, in relation to Financial Statements, Control Environment, Governance Reporting, Whole of Government Accounts and Use of Resources, was set out on page 1.
- BDO's audit work on the Council's Financial Statements was detailed on pages 5 – 7. Subject to satisfactory completion of the outstanding work, BDO anticipated issuing an unqualified true and

fair opinion on the financial statements for the year ended 31 March 2014.

- BDO's audit work on the Council's Use of Resources was detailed on pages 11 – 14. Mr Frith brought to the Committees' attention that BDO stated that 'The Council maintained healthy levels of earmarked reserves and balances that underpinned the future required savings projections...', as outlined on page 12.
- BDO proposed issuing an unqualified value for money conclusion, as detailed on page 14.

The Committee noted the correction on page 182, under BDO's conclusion on 'PPE – removal of accumulated depreciation balances', which should have read '... although there was *no* impact on the net book value'.

The Chair thanked officers, BDO representatives and councillors for attending the meeting.

Resolved:

**21.1** That Report No 133/14 be noted.

**22 Date of Next Meeting**

Resolved:

**22.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 1 December 2014 at 3.30pm in the Telscombe Room, Southover House, Southover Road, Lewes be noted.

**All to note**

The meeting ended at 5.25pm.

I Eiloart  
Chair