

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, 1 December 2014** at 3.30pm

Present:

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

Officers Present:

Z Downton, Committee Officer
 D Heath, Head of Audit and Performance
 S Jump, Head of Finance
 C Knight, Assistant Director of Corporate Services (Minutes 25 to 29)

Minutes

	Minutes	Action
23	<p>Minutes</p> <p>The Minutes of the meeting held on 22 September 2014 were approved as a correct record and signed by the Chair.</p>	
24	<p>Apologies for Absence/Declarations of Substitute Councillors</p> <p>Apologies for absence had been received from Councillors J V Harris and E E J Russell.</p>	
25	<p>Lewes District Council Annual Audit Letter 2013/14</p> <p>The Committee received Report No 174/14 which summarised the key issues arising from the work carried out by BDO, the Council's external auditors, during 2013/2014.</p> <p>In response to a councillor's question regarding internal controls, on page 11 of the agenda, the Head of Finance stated that imminent steps would be taken to review and strengthen the Council's purchase order procedures and authorisation processes. As part of that work, he explained that a log would be kept of all orders to enable finance officers to monitor and chase action as and when appropriate. All departments were to be notified of this new procedure. The Head of Finance advised that he would provide an update on this matter at the next meeting of the Audit and Standards Committee.</p> <p>The Committee discussed further the Council's spending authorisation limits and authorised signatory list. The Head of Audit and Performance advised that new data transparency code introduced by the Department for</p>	HF

Communities and Local Government in October 2014 required local authorities to disclose and publish certain information, including spend and procurement information. The Head of Finance explained that the Council would be centralising a system of coordinating and collating such information in order to meet those mandatory regulations.

Resolved:

25.1 That Report No 174/14 be noted.

26 Treasury Management

The Committee considered Report No 175/14 which presented details of recent Treasury Management activity between 1 September 2014 and 31 October 2014 together with a 2014/2015 mid-year report.

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 Committee was also required to review the Mid-year Treasury Management Report, as set out under Appendix 1.

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

- Paragraphs 2.6 and 2.7 summarised the Council's current external loan position. The loan portfolio included a £5m PWLB variable rate loan with a maturity date in March 2022. A review of the Council's position supported the repayment of that loan in February/March 2015.
- Paragraph 2.9 drew attention to Section 5 of the Mid-year report which highlighted a potential new counterparty, namely the Swedish bank, Svenska Handelsbanken.
- The table, under paragraph 3.3, showed the fixed term deposits held at 31 October 2014 and identified the long-term and short-term credit rating of each counterparty at the date of investment.
- The table, under paragraph 3.4, showed the fixed term deposits which had matured since September 2014, in maturity date order.
- In addition to the fixed term deposits, the Council had made use of interest bearing accounts in the reporting period, as shown under paragraph 3.5, with the average amount held being £1,637,000 generating interest of approximately £1,250.
- The table, under paragraph 3.7, showed the Treasury Bills (T-Bills) held at 31 October 2014 and activity in the reporting period. It was the Council's intention to hold T-Bills until maturity.
- Paragraph 3.10 summarised the Council's current banking arrangements, notably that the transfer of the Council's business from the Co-operative Bank to Lloyds Bank had been completed.

The Council was the first among the Sussex district and borough councils, which jointly procured the services of Lloyds Bank, to complete the change. Following a suggestion by the Committee, the Head of Finance advised that he would change the last sentence of paragraph 3.10 to read ‘...will remain open until the end of the *financial* year...’ for clarity purposes.

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The Committee discussed the table under paragraph 2.1 of the Mid-year Treasury Management Report on page 25 of the Agenda, which set out the key elements of the Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17. In response to a councillor’s suggestion, the Head of Finance advised that for this year’s report, and in future reporting, he would amend the title of the middle column heading to ‘Strategy’ and would include additional wording under that column on each row, such as projection, requirement or expectation, to aid understanding of the table.

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Resolved:

26.1 That the Mid-year Treasury Management Report 2014/2015, as set out in Appendix 1 of Report No 175/14, be noted;

26.2 That it be confirmed to Cabinet that Treasury Management activity between 1 September 2014 and 31 October 2014 had been in accordance with the approved Treasury Strategy for that period; and

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26.3 That the contents of Report No 175/14, be noted.

27 Interim Report on the Council’s Systems of Internal Control 2014/2015

The Committee received Report No 176/14 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 seven 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 seven 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 422 audit days had been undertaken compared to 385 planned. He advised that the

variance of 37 days was largely due to the investigation being carried out by him, as shown under paragraph 4.11, which had not been planned at the start of the year. It was estimated that the audit days would be closer to plan by the year end.

Paragraphs 4.3 to 4.11 summarised the main functional areas reviewed and the key audits undertaken during 2014/15 to date. The Head of Audit and Performance drew the Committee's attention to paragraph 4.4 which provided an update on the work carried out on behalf of BDO to test the Council's subsidy claims for Benefits for 2013/14. The work had identified errors in the processing of claims and, at the request of BDO, had again required significant additional testing to determine the extent and impact of issues noted. That extra testing was currently being completed and undergoing final quality tests by BDO.

Section 7 of the Report provided an update on combatting fraud and corruption. The Committee discussed a matter that could possibly be a scam. The matter was with regard to an apparent letter, produced on Council headed paper, which a councillor had been made aware of at a Tenants of Lewes District (TOLD) group meeting which it was believed asked residents for their bank details. The Head of Audit and Performance advised that he would make further enquiries about this with housing officers and/or through the TOLD group on receiving a copy of the possible scam letter. The Assistant Director of Corporate Services stated that she would raise the wider issue of the potential reputational risks to the Council arising from such scams with the Corporate Management Team.

HAP
ADCS

Resolved:

27.1 That it be noted that the overall standards of internal control during the first seven months of 2014/15, as shown in Section 3 of the Interim Report No 176/14, were satisfactory.

28 Summary Audit Report – Investigation into the relationship between the Council and Seaford and District Constitutional Club as to possible development opportunities at the site

The Committee received Report No 177/14 which informed councillors on the outcome of the investigation carried out by the Head of Audit and Performance regarding the relationship between the Council and Seaford and District Constitutional Club as to possible development opportunities at that site.

The remit of the Audit and Standards Committee included the power to consider the significant findings of Internal Audit investigations and the responses of Chief Officers to those findings.

The Head of Audit and Performance took councillors through the investigation process, findings and recommendations, as set out in the Summary Audit Report under Appendix A. He highlighted important factors in the background to the investigation, such as in the period during which the development opportunities at the Constitutional Club had been considered, there had been significant changes in senior officers and

councillors who had an interest or direct involvement in those matters, as set out in paragraph 2.3 of the Summary Audit Report.

The Head of Audit and Performance explained, as set out under paragraph 3.4 of the Summary Audit Report, that the investigation had found no breaches of the Code of Conduct by councillors. However, the investigation had highlighted the need for both councillors and officers to clearly understand how development proposals should be handled and how relationships with developers should be managed. As such, the Head of Audit and Performance had set out nine recommendations within his Report, all of which had been assigned to a senior Council officer and which had been agreed to be actioned by the relevant officer.

The Head of Audit and Performance drew to the Committee's attention that, in carrying out his investigation, he had taken a balanced and independent view.

In response to a councillor's question, the Head of Audit and Performance confirmed that no executive decision, i.e. by Cabinet, had been taken in relation to development opportunities at the Seaford and District Constitutional Club.

The Committee thanked the Head of Audit and Performance on producing a full and thorough report. A discussion followed surrounding councillor training and the importance of raising awareness of protocols on councillor and officer relationships, not only to new councillors but also to existing councillors whose roles and remits might change mid-term between elections. The Assistant Director of Corporate Services responded that work was currently being undertaken by officers on compiling information packs for potential election candidates and a full induction and training programme for new councillors in light of the forthcoming local elections in May 2015. She advised that a strategy would be put in place to better react to mid-term political and member changes to ensure that councillors were fully trained in their new roles in relation to protocol on councillor and officer relationships and the Council's Code of Conduct for members. She advised that she would liaise with the Head of Democratic Services on the points raised.

ADCS/
Head of
Democratic
Services

The Committee questioned how Recommendation 3, on page 50 of the agenda, which advised that councillors should take care in the language used in emails to avoid the impression that they were placing pressure or undue influence on officers, would be implemented. The Head of Audit and Performance explained that the intention was for the Assistant Director of Corporate Services (ADCS), as the assigned officer, to take the recommendation forward in the form of advice to councillors. Separate guidance would be developed by the ADCS alongside consideration of the existing protocol.

The Committee discussed Recommendations 7 and 9 and welcomed the suggestions for there to be a protocol for meetings between councillors and officers in other than official premises, and guidance that a written summary be made where key advice or actions were agreed between councillors and officers. The Committee felt that such guidance would protect officers and councillors and reduce the risk of misunderstandings or misinterpretations

by either party.

The Head of Audit and Performance explained that his recommendations set out to ensure the future reputation of the Council was maintained.

Resolved:

28.1 That the summary of findings and recommendations by the Head of Audit and Performance, as shown on pages 48 to 52 in Section 3 of the Summary Audit Report under Appendix A of Report No 177/14, be noted.

29 Date of Next Meeting

Resolved:

29.1 That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 25 January 2015 at 3.30pm in the Telscombe Room, Southover House, Southover Road, Lewes be noted.

**All to
note**

The meeting ended at 5.15pm.

I Eiloart
Chair