



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, 26 January 2015** at 3.30pm

Present:

Councillor M P Chartier (Chair on election)
Councillors S J Gauntlett, I A Nicholson and E E J Russell

Officers Present:

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

Also Present:

R Bint, BDO
R Grant, BDO
J Etherington, BDO

Minutes

Action

30 Election of Chair of the Committee for this meeting

Resolved:

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

31 Welcome and Changes to BDO Representatives

The Chair welcomed everyone to the meeting. R Bint, BDO (the Council's external auditors), explained that this meeting would be his last and he expressed thanks to officers and members of the Committee for their courtesy and co-operation over the years. He explained that Robert Grant would be the BDO representative at future Audit and Standards Committee meetings. The Chair thanked Mr Bint for his work and contribution to the Committee.

32 Minutes

The Minutes of the meeting held on 1 December 2014 were approved as a correct record and signed by the Chair.

33 Apologies for Absence/Declarations of Substitute Councillors

Apologies for absence had been received from Councillors I Eiloart, J V Harris and C Sugarman.

34 Urgent Item

The Chair advised that it had been agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972, that Report No 14/15 entitled 'Annual Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018' be considered as a matter of urgency in order that the Committee could take its decisions based on the most up to date information.

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

The Committee received Report No 11/15 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 nine 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 nine 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 523 audit days had been undertaken compared to 491 planned. He advised that the variance of 32 days was largely due to the investigation being carried out by him, as shown under paragraph 4.13, 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 4.13 summarised the main functional areas reviewed and the key audits undertaken during 2014/15 to date. In response to a councillor's question, the Head of Audit and Performance gave assurance to the Committee that the Internal Audit team had sufficient resources and flexibility to undertake unplanned investigations and audit work, such as that carried out at the request of the Chief Executive on the relationship between the Council and Seaford and District Constitutional Club in respect of possible development opportunities at the site, as detailed under paragraph 4.13.

The Head of Audit and Performance drew the Committee's attention to section 7 of the Report and the results of the planned review of the Council's Audit Plan for 2014/15 to assess whether any significant changes

were necessary in response to the ongoing restructuring of the Council. The Head of Audit and Performance planned several adaptations to the programme of work in the Audit Plan for 2014/15, as detailed under paragraph 7.2.

Paragraphs 8.6 to 8.9 outlined the work of the Council's Investigations Team, details of which were to be presented regularly to the Committee at future meetings as part of the Systems of Internal Control reporting. The Committee noted that as part of its work, six suspected cases of tenancy fraud had been referred to the team and were being investigated.

The Head of Audit and Performance highlighted, under paragraph 9.4, that he had reviewed with the Council's Corporate Management Team 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 explained that the exercise would be ongoing whilst the programme of savings continued.

Resolved:

- 35.1** That it be noted that the overall standards of internal control during the first nine months of 2014/15, as shown in Section 3 of the Interim Report No 11/15, were satisfactory; and
- 35.2** That the results of the planned review of the Audit Plan 2014/2015, as shown in Section 7 of Interim Report No 11/15, be noted.

36 Lewes District Council – Code of Corporate Governance Update

The Committee considered Report No 12/15 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.

Each financial year the Head of Audit and Performance, in consultation with key officers, reviewed the Code to ensure that it remained robust and reflected the arrangements at the Council, and identified any issues that needed to be further developed. The Code had six core principles, as detailed under paragraph 3.2 of the Report.

Appendix A provided an extract of the Code to illustrate the structure of the document. Appendix B showed the progress that had been made against the issues to be addressed in the Code that had been identified in July 2013.

In response to a councillor's question, the Head of Audit and Performance explained that he would raise with the appropriate manager the suggestion to include awareness of the Code as part of the new councillor's induction and training programme after the May 2015 local elections.

HAP/
ADCS

Resolved:

36.1 The Report No 12/15 be noted.

37 Treasury Management Activity

The Committee considered Report No 13/15 which presented details of recent Treasury Management activity between 1 November 2014 and 31 December 2014.

The Council's approved Treasury Strategy Statement required the Audit and Standards Committee to review details of Treasury transactions against the 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 31 December 2014 and identified the long-term and short-term credit rating of each counterparty at the date of investment.
- The table, under paragraph 2.4, showed the fixed term deposits which had matured since 1 November 2014, in maturity date order.
- Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council were shown under paragraphs 2.6 and 2.8. The approved Investment Strategy allowed a maximum investment of £1m in each fund, and at no time during the reporting period had that limit been exceeded.
- The table, under paragraphs 2.7 and 2.8, detailed the Treasury Bills (T-Bills) held at 31 December 2014 and activity in the reporting period. It was the Council's intention to hold T-Bills until maturity date.
- The chart under paragraph 2.8 summarised the Council's investment position over the reporting period. It showed that the total sums invested each day as either Fixed Term Deposits, T-Bills and amounts held in Deposit accounts or MMFs.

Resolved:

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

37.2 That the contents of Report No 13/15 be noted.

38 Annual Treasury Management Strategy Statement and Investment Strategy 2015/2016 to 2017/2018

The Committee received Report No 14/15 which presented the draft Treasury Management Strategy Statement and Investment Strategy

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2015/2016 to 2017/2018.

In accordance with CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice, the Cabinet approved an updated Annual Treasury Strategy Statement before the start of each financial year. That included an Investment Strategy for the year ahead as well as 'Prudential Indicators' which were required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code). It was appropriate for the Audit and Standards Committee to review and comment on the draft Strategy before it was approved by Cabinet as part of the overall budget cycle, rather than to carry out this function after the Strategy had been formally adopted.

The draft Strategy Statement was set out at Appendix 1 and had been prepared with the support of Arlingclose, the Council's Treasury advisers. The Head of Finance drew the Committee's attention to three key changes to the current Investment Strategy, as detailed under section 3 of the Report, and which related to the current minimum credit rating for investments, unsecured bank deposits, and counterparty types and limits for 2015/2016. The proposals would be considered by Cabinet at its meeting in February 2015.

Resolved:

38.1 That the draft Treasury Management Statement and Investment Strategy 2015/2016 to 2017/2018 be noted; and

38.2 That Report No 14/15 be noted.

39 Date of Next Meeting

Resolved:

39.1 That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 16 March 2015 at 3.30pm in the Ditchling Room, Southover House, Southover Road, Lewes be noted.

All to note

The meeting ended at 4.15pm.

M P Chartier
Chair