

## **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, 16 March 2015** at 3.30pm

**Present:**

Councillor I Eiloart (Chair)  
Councillors S J Gauntlett and I A Nicholson

**Officers Present:**

M Frost, Committee Officer  
D Heath, Head of Audit, Fraud and Procurement  
S Jump, Head of Finance

**Also Present:**

R Grant, BDO

### **Minutes**

***The meeting was inquorate and, therefore, the recommendations made in Minutes 42 to 48 are those of the Councillors who were present for that part of the meeting namely Councillors Eiloart, Gauntlett and Nicholson.***

#### **40 Minutes**

The Minutes of the meeting held on 26 January 2015 were approved as a correct record and signed by the Chair.

#### **41 Apologies for Absence/Declarations of Substitute Councillors**

Apologies for absence had been received from Councillor M P Chartier and Councillor J V Harris.

#### **42 Treasury Management Report**

The Committee considered Report No 41/15 which presented details of recent Treasury Management activity between 1 January 2015 and 28 February 2015.

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 28 February 2015 and identified the long-term and short-term credit rating of each counterparty at the date of investment. It was noted that credit ratings were only one of the criteria that was taken into account when determining whether a potential counterparty was suitable.
- 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 2.4.
- The Council's main account with the Co-operative Bank was closed on 26 February 2015 and the Council had transferred its day to day banking business to Lloyds Bank PLC.

The Committee discussed the level of reserves the Council holds in case of emergencies and the representative from BDO confirmed that as a general rule, most Councils placed 5% of their gross expenditure in reserves for emergencies, but that Councils must assess their own risk and need.

The Councillors on the Audit and Standards Committee who were present

Resolved:

- 42.1** That it be confirmed to Cabinet that Treasury Management Activity between 1 January and 28 February 2015 has been in accordance with the approved Treasury Strategy for that period; and
- 42.2** That the contents of Report No 41/15 be noted.

**43** Interim Report on the Council's Systems of Internal Control 2014-2015

The Committee considered Report No 42/15 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 eleven months of 2014/15 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, Fraud and Procurement'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.

Paragraph 7.6 provided an update on the successful funding bid submitted by a sub-group of six authorities within the East Sussex Fraud Officers Group (ESFOG). DCLG awarded the group £365,000 for the development of a “Hub” approach to coordinating new anti-fraud initiatives across East Sussex. The Hub would be managed by officers at Eastbourne Borough Council with input from ESFOG partners.

The Committee asked for clarification about the Audit of Ethics referred to in paragraph 4.9 of the Report. The Head of Audit, Fraud and Procurement explained that it was a requirement of the Public Sector Internal Auditing Standards (PSIAS) that such a review be undertaken annually. Furthermore, that Ethics was part of the Council’s overall governance arrangements and was an area of focus within the Constitution which included the Code of Conduct for members of the Council.

In response to Councillors questions, the Head of Audit Fraud and Procurement gave assurances concerning the referrals of suspected fraud in respect of the Council Tax Reduction Scheme. The Investigations Team had continued to receive referrals of suspected fraud and 50 cases were underway for investigation. The focus of the investigations was to look for discrepancies in the information provided by Lewes residents within their applications.

The Head of Audit, Fraud and Procurement confirmed that at the Council meeting in February 2015, a total savings target for the period 2015/16 to 2019/20 had been agreed of £2,615,000. The key source of savings would come from structural change rather than incremental change, and the Council had agreed an investment of £2.25 million in new technology and consultancy services which would help achieve this, as detailed in paragraph 8.4 of the Report.

The Councillors on the Audit and Standards Committee who were present

Resolved:

- 43.1** That it be noted that the overall standards of internal control were satisfactory during the first eleven months of 2014/15.

**44** Strategic Audit Plan 2015-18 Report

The Committee considered Report No 43/15 which presented details of the Strategic Audit Plan for the three years period 2015/16 to 2017/18.

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 applied since 1 April

2013.

In preparing the Strategic Audit Plan, the Head of Audit , Fraud and Procurement 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, Fraud and Procurement highlighted that during 2014/15, Internal Audit had worked with BDO in carrying out testing of the Benefits subsidy grant claim for the previous year of account.

The main focus of the planning process was on the first year of the Strategic Audit Plan, which provided the Annual Audit Plan for 2015/16. The Strategic Audit Plan was reviewed each year so that it could reflect the changing risks and priorities for the Council.

The Committee noted that a new subject of Disaster Recovery had been included in the Plan to enable specific review of key areas of business risk.

In response to questions from Members regarding an audit of electoral systems, the Head of Audit, Fraud and Procurement confirmed that that there would be an additional audit of electoral registration and elections in 2015/16.

The Head of Audit, Fraud and Procurement explained that Internal Audit would review the Audit Plan for 2015/16 after nine months to assess whether any significant changes were necessary in response to the ongoing restructuring of the Council.

The Councillors on the Audit and Standards Committee who were present

Resolved:

- 44.1** That the Annual Audit Plan for 2015/16, as shown at Appendix 1 of Report No 43/15 be agreed;
- 44.2** That the three year Strategic Audit Plan for 2015/16 to 2017/18, as shown at Appendix 2 of Report No 43/15, be agreed; and
- 44.3** That the Annual Audit Plan and the Strategic Audit Plan reflects the transfer of the Investigations Team to Internal Audit that took place on November 2014.

**45** Lewes District Council Grant Claim Report 2013-2014

The Committee received Report No 44/15 which summarised the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014, work that had been undertaken by

BDO, the Council's external auditor.

Mr Grant 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 Benefit Subsidy claim had resulted in BDO finding classification errors. Mr Grant reported that due to the extent of errors found in both the initial sample and the additional testing completed, BDO had recommended that the Council completed a review of the processes for administering benefit to ensure the accuracy of data recorded in the benefits system.

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

The Councillors on the Audit and Standards Committee who were present

Resolved:

**45.1** That Report No 44/15 be noted.

**46** Lewes DC Audit Plan Year Ending 3 March 2015

The Committee considered Report No 45/15 which provided an Executive Summary of the Audit Plan for the year ending 31 March 2015.

The Councillors on Audit and Standards Committee who were present

Resolved

**46.1** That Report No 45/15 be noted.

**47** Lewes DC Planning Letter March 2015

The Committee considered Report No 46/15 which set out the proposed fees and programme of work for? for the 2015/16 financial year. The Commission completed an audit procurement exercise in April 2014 which enabled it to further reduce fees for the two years 2015/16 and 2016/17. This had allowed the Commission to reduce fees by 25%, resulting in combined code and certification fee savings of £17,854 for the Council.

The Councillors on Audit and Standards Committee who were present

Resolved

**47.1** That Report No 46/15 be noted.

**48** Date of Next MeetingResolved:

48.1 That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 22 June 2015 at 3:30p.m. in the Telscombe Room, Southover House, Southover Road, Lewes be noted.

The meeting ended at 5:10pm

I Eiloart

Chair