

Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Yarrow Room, Lewes Town Hall, High Street, Lewes** on **Monday 28 September 2015** at 10:00am

Present:

Councillor M Chartier (Chair)

Councillors N Enever, B Giles, I Linington, A Loraine and T Rowell

Officers Present:

R Brittle, Committee Officer

A Osborne, Director of Corporate Services

D Heath, Head of Audit, Fraud and Procurement

S Jump, Head of Finance

B Bird, Principal Accountant

Also Present:

R Grant, Partner, Public Sector Assurance, BDO

J Etherington, Audit Manager, Public Sector Assurance, BDO, BDO

Minutes	Action
<p>14 Minutes</p> <p>The Minutes of the meeting held on 22 June 2015 were approved as a correct record and signed by the Chair.</p>	
<p>15 Urgent Items</p> <p>The Chair had agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972 that the BDO's Final Report to the Audit and Standards Committee for Audit for the year ended 31 March 2015 be considered as a matter of urgency in order that the Committee could make its decision based on the most recent information which was available.</p>	
<p>16 Interim Report on the Council's Systems of Internal Control 2015/2016</p> <p>The Committee received Report No 125/15, which related to the Internal Audit Work of the Audit, Fraud and Procurement Department, on the</p>	

adequacy and effectiveness of the Council's systems of internal control during the first five months of 2015/2016 and to summarise 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 for 2014/2015 was based on the work of the Internal Audit and the Council's external auditors BDO, including the Council's work on risk management. Within the first five months of 2015 there had been no event which caused a change in that opinion and there had been no instances of internal control issues which had created significant risks for Council activities or services.

Paragraphs 4.1 to 4.12 of the Report summarised the work undertaken by Internal Audit during the reporting period compared to the annual period that had been agreed by the Audit and Standards Committee at its meeting in March 2015. The Head of Audit, Fraud and Procurement highlighted table one under paragraph 4.2 of the Report which showed that a total of 278 audit days had been undertaken compared to the 275 planned. The variance of three days was highlighted as not significant.

The Head of Audit, Fraud and Procurement informed the Committee that the Principal Audit Manager had taken flexible retirement. This meant that his working days were reduced from five days a week to three days a week. This led to a reduction of 20 planned audit days for the period up to the end of March 2016. He also confirmed that the Internal Audit Manager at Eastbourne Borough Council had agreed to work one day a week at Lewes District Council. It had been estimated this would generate a saving of approximately £8,000 per annum.

The Chair of the Committee expressed his appreciation and gratitude for the work that the Principal Audit Manager had produced.

Resolved:

- 16.1** That the overall standards of Internal Control deemed satisfactory, as set out in paragraph 3 of the Interim Report on the Council's Systems of Internal Control 2015/2016 (Report No. 125/15), be noted;

17 Annual Governance Statement 2015

The Committee considered Report No 126/15 which sought approval of the draft Annual Governance Statement 2015, as set out in 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.

The Head of Audit, Fraud and Procurement made reference to paragraph 3.1 of the Report which 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 Committee raised the query as to whether the issues highlighted in BDO's report relating to the Annual Governance Statement had been dealt with. The Head of Audit, Fraud and Procurement confirmed that they had and distributed a new version of the Draft Annual Governance Statement with amendments (a copy of which is contained in the Minute book).

Resolved:

- 17.1** That the amended version of the Draft Annual Governance Statement 2015, a copy of which was circulated at the meeting and is contained in the Minute book, be approved.

18 Internal Audit Benchmarking 2014/2015

The Committee received Report No 127/15 which informed members that Lewes District Council had been one of the seven local authorities to take part in the benchmarking study organised by the Sussex Audit Group.

The Head of Audit, Fraud and Procurement highlighted the key results, as set out in paragraph 3.5 of the Report, which included Lewes District Council being considered as having among the most experienced Internal Audit staff. He continued that from the results it could be concluded that Lewes District Council was adequately resourced and achieved satisfactory standards.

The Committee then discussed the data in Appendix A of the Report which presented the Sussex Audit Group Benchmarking Results 2014/2015 it was noted that other Local Authorities had been anonymised and the Chair put forward his congratulations for all the positive outcomes of the

benchmarking study.

Resolved:

18.1 That the results of the Internal Audit Benchmarking study 2014/2015 (Report No 127/15) be noted.

19 Annual Report on the Council's Work to Combat Fraud and Corruption 2014/2015

The Committee received Report No 128/15 which informed Councillors of the adequacy and effectiveness of the Council's systems to combat fraud and corruption.

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, corruption and whistleblowing. Lewes District Council had a zero tolerance policy in relation to fraud.

The Head of Audit, Fraud and Procurement explained that until 2014 the Fraud Investigation Team had focused solely on benefits fraud. However after the creation of the national Single Fraud Investigation Service (SFIS) within the Department of Work and Pensions, Corporate Management Team (CMT) approved the Fraud Investigation Team becoming part of the Audit, Fraud and Procurement Division from 1 November 2014. This ensured that Lewes District Council maintained a strong anti fraud service. He also informed the Committee that during the municipal year 2014/2015 there had been no reported cases of corruption within Lewes District Council.

With the Fraud Investigation Team placed within Internal Audit, the Head of Audit, Fraud and Procurement confirmed that this had led to a greater degree of coordination of counter fraud work, and had created more opportunities to encourage and focus efforts in the areas of potential risk.

The Council had taken part in the National Fraud Initiative of Data Matching. Internal Audit had been coordinating the Council's response to the National Fraud Initiative. There had been 1568 matches detailed across 56 reports. The Head of Audit, Fraud and Procurement confirmed that 670 matches had been actioned and that no instances of fraud had been identified. He also confirmed that the Council was required to take part in the Data Matching exercise as the Cabinet Office were looking to refine the data produced.

The Committee queried whether the Council's Tender Process was covered by the policies relating to anti fraud. The Head of Audit, Fraud and Procurement confirmed that the Tender Process was and that there were related contract procedure rules in place.

Resolved

- 19.1** That the Annual Report on the Council's work to combat Fraud and Corruption 2014/2015 (Report No 128/15) be noted;
- 19.2** That the Control Measure in place to maintain a strong anti fraud and corruption culture, as set out in paragraph 3 of Report No 128/15, be noted;
- 19.3** That the structures within the Council which counter fraud and corruption, as set out in paragraph 4 of Report No 128/15, be noted;
- 19.4** That the results of the Council's anti fraud activity during 2014/2015, as set out in paragraph 6 of Report No 128/15 be noted; and
- 19.5** That the Council has a zero tolerance to fraud and corruption be noted.

20 Treasury Management

The Committee received Report No 129/15 which presented details of Treasury transactions between 1 June 2015 and 31 August 2015.

The Council's approved Treasury Strategy Statement required the Audit and Standards Committee to review details of treasury transactions and make observations to Cabinet.

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

- The table set out under paragraph 2.3 showed the four fixed term deposits held at 31 August 2015 and identified the long term credit rating of each counterparty.
- The table set out under paragraph 2.4 shows the fixed term deposits which have matured since 1 June 2015.
- As set out under paragraph 2.7, the Treasury Strategy limited the amount of negotiable instruments that could be held by one broker nominee account to £10 million. Therefore it had been proposed to open a nominee account with a second broker. The Cabinet had supported a recommendation on 24 September 2015 to that effect.
- The chart set out under paragraph 2.8 summarised the Council's investment position over the period 1 June 2015 to 31 August 2015.
- Arlingclose, the Council's Treasury Adviser, would hold a briefing on Monday 12 October 2015 for all Members regarding treasury management issues.

Resolved

- 20.1** That the Treasury Management Report (Report No 129/15) be noted; and
- 20.2** That it be confirmed to Cabinet that Treasury Management Activity between 1 June 2015 to 31 August 2015 had been in accordance with the approved Treasury Strategy for that period.

21 BDO's Report to the Audit and Standards Committee

The Director of Corporate Services had to leave the meeting at this point. He informed the Committee that he was content to sign the letter of representation as drafted.

The Committee received BDO's Report relating to the annual audit for the year ended 31 March 2015.

Mr Grant, 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 – 14. 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 2015.
- BDO's audit work on the Council's Use of Resources was detailed on pages 19 – 24.

Resolved

- 21.1** That BDO's Report to the Audit and Standards Committee be noted.

22 Statement of Accounts 2014/2015

The Committee considered Report No 130/15, which contained the Statement of Accounts 2014/2015 for approval, following audit by BDO.

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.

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).

Resolved:

22.1 That the Statement of Accounts 2014/2015, as set out on pages 53-176 in Appendix 2 of Report No 130/15, 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

22.2 That Report No 130/15 be noted.

23 Date of the Next Meeting

Resolved:

That the next meeting of the Audit and Standards Committee that is provisionally scheduled to be held on Monday 30 November 2015 in the Telscombe Room, Southover House, Lewes be noted.

The meeting ended at 11:20am

Councillor M Chartier

Chair

