

## 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 25 January 2016 at 10:00am**

**Present:**

Councillors M Chartier (Chair), N Enever, I Linington and T Rowell

**Officers Present:**

M Frost, Committee Officer

C Knight, Assistant Director of Corporate Resources

C Cullen, Lawyer

D Heath, Head of Audit, Fraud and Procurement

S Jump, Head of Finance

**Also Present:**

J Etherington, Audit Manager, Public Sector Assurance, BDO

Janine Combrink, Public Sector Assurance, BDO

Minutes	Action
<p><b>32 Minutes</b></p> <p>The Minutes of the meeting held on 30 November 2015 were approved as a correct record and signed by the Chair.</p>	
<p><b>33 Apologies for Absence</b></p> <p>Apologies for absence had been received from Councillors A Loraine, S Gauntlett and R Robertson.</p>	
<p><b>34 Contract Procedure Rules</b></p> <p>The Committee received Report No 15/16, relating to a revised set of contract procedure rules for the Council.</p> <p>The Assistant Director of Corporate Resources reported that local authority procurement was an evolving area which was subject to scrutiny and challenge. The current contract procedure rules were approved in 2009 and needed to be fully revised to ensure they reflected current law, best</p>	

practice and the environment in which the Council was operating. It was important to have a standard set of contract procedure rules for Eastbourne Borough Council and Lewes District Council as part of shared services.

Paragraph 2.4.1 of Appendix 1 referred to waivers and when they could be appropriately used in relation to the contract procedure rules. The Assistant Director of Corporate Resources advised the Committee that waivers were quite often used where the tender was for a very small amount and where it became increasingly difficult to obtain three different tenders.

The Assistant Director of Corporate Resources clarified that, the revised contract procedure rules would require that any contract opportunities where Construction Line had been used and which were valued between £30,000 - £4 million would need to be advertised publicly. Construction Line was the UK's leading procurement and supply chain management service that collects, assesses and monitors standards company

The Committee noted the following changes to the document:

- that, at paragraph 5.4 on page 16 of the Report, the sentence should refer to "organisation" and not "Council".
- Paragraph 12.2 on page 22 was amended so that it is clear that the provision covers both variations and/or extensions.

Resolved:

- 34.1** That the revised contract procedure rules (with the minor amendments contained in this Minute above) and as set out in Appendix 1 of Report No 15/16 be noted; and
- 34.2** That it be recommended to full Council to approve the contract procedure rules as set out in Report No 15/16, subject to the minor amendments.

**35 Interim Report on the Council's Systems of Internal Control 2015/2016**

The Committee received Report No 16/16, relating to the Internal Audit Work of the Audit, Fraud and Procurement Service, on the adequacy and effectiveness of the Council's systems of internal control during the first nine 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 Internal Audit and the Council's external auditors BDO, including the Council's work on risk management. Within the first nine months of 2015/2016 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 4.13 on page 40 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 2015. The Head of Audit, Fraud and Procurement highlighted table 1 under paragraph 4.2 of the Report which showed that a total of 479 audit days had been undertaken compared to the 504 planned.

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 that this would generate a saving of approximately £8,400 per annum. This joint working would deliver progress on shared services between the two Councils.

The Head of Audit, Fraud and Procurement also reported that one of the Senior Auditors at Lewes District Council had taken retirement and left the Council on 19 November 2015. The Head of Audit, Fraud and Procurement explained to the Committee that filling the vacancy which had been approved by the Corporate Management Team was a priority. He also confirmed that interviews were being held in late January and the Committee would be updated if an appointment was made. The Head of Audit, Fraud and Procurement advised the Committee that the summary report on the work to test the Council's subsidy claim for benefits for 2013/14 had finally been issued. The priority work to test the Council's subsidy claim for Benefits for 2014/15 had been underway since late June 2015. Initial results were passed to BDO for evaluation, and BDO had confirmed that significant extra testing would be required to determine the impact of the errors noted in processing some Housing Benefit applications. The timetabled date for BDO to have signed off and submitted the audited claim was at the end of November 2015, but that date was not met because of the extra work that had been required. The claim was expected to be submitted by mid February 2016. The Head of Audit, Fraud and Procurement also explained that the large amount of testing involved in the process had caused similar delays at other Councils in East Sussex.

The Head of Audit, Fraud and Procurement informed the Committee that Internal audit had been co-ordinating the Council's response to the 2014/15 data matching exercise. The base data was forwarded to the Audit Commission in October 2014 and the first reported matches for Lewes District Council were received on 29 January 2015. The work had included

analysis of the matches to weed out those matches that were a result of error or coincidence, and then the examination of the remaining matches were to assess the likelihood of fraud. 804 matches had been actioned and this had risen to 873 at the date of the Audit and Standards Committee. There had been no instances of fraud found, although the exercise had identified 42 benefit overpayments resulting from error, with a total value of approximately £15,700.

The Head of Audit, Fraud and Procurement reported that the main operational priority for the Investigations Team had been on countering tenancy fraud, with the development of case referral arrangements with officers in Housing Services. Four abandoned properties had been returned to the housing stock as a result of successful investigations.

Paragraph 7 of the Report referred to Non Domestic Rate (NDR) Fraud which was seen as a development priority for the Internal Audit Team. In June 2015 the team attended training on counter fraud work for NDR. The team had been working with officers in the Revenues Team to set up a method to target areas of possible non-payment off business rates. Visits to an industrial estate in Lewes District identified nine business premises not recorded for NDR and not paying business rates. The Head of Audit, Fraud and Procurement reassured the Committee that NDR fraud was a priority for the team, but that the law meant you did not have to inform the Council that you had set up a business. It was the Council's responsibility to find out this information.

Appendix A of the Report related to a statement of internal audit work and key issues. The Head of Audit, Fraud and Procurement reported that, from the audit work carried out during the review, Internal Audit had obtained substantial assurance that there were effective procedures and controls covering the health and safety function at the Council.

#### Resolved:

- 35.1** That it be noted that the overall standards of Internal Control were deemed satisfactory, as set out in paragraph 3 of the Interim Report on the Council's Systems of Internal Control 2015/2016 (Report No. 16/16).

## **36 Treasury Management**

The Committee received Report No17/15 which set out details of treasury transactions between 1 November 2015 and 31 December 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 of the Report listed the fixed term deposits held at 31 December 2015 and identified the long term credit rating for each counterparty at the date of investment.
- The table set out under paragraph 2.4 of the Report showed the fixed term deposits which have matured since 1 November 2015.
- The chart under paragraph 2.8 summarised the Council's investment position over the reporting period. It showed the total sums invested each day as Fixed Term Deposits, T-Bills and amounts held in Deposit accounts or Money Market Funds.

### Resolved

**36.1** That it be confirmed to Cabinet that Treasury Management Activity between 1 November 2015 to 31 December 2015 had been in accordance with the approved Treasury Strategy for that period; and

**36.2** That Report No 17/16 be noted.

## **37 Annual Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/19**

The Committee considered Report No 18/16 which set out the draft Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019. The Council had adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet approved an updated Annual Treasury Management Strategy Statement before the start of each financial year. The Audit and Standards Committee reviewed and commented on the draft strategy before being considered and approved by Cabinet.

The Head of Finance highlighted the table at paragraph 6.6 of the Report which compared the Capital Financing Requirement with the amount the Council held in balances and reserves as well as working capital. The figures in the table assumed that the current loan portfolio would remain unchanged across the period. The Head of Finance advised that the next date when the terms and rate of loan repayments would be reviewed was April 2016. The Council may replace some loans with new loans or repay loans without replacement. Any debt rescheduling activity would be confirmed with the Cabinet Member for Finance and reported to Cabinet. The Audit and Standards Committee would be kept informed.

The Committee discussed Shared Services and how finances would be

managed between Lewes District Council and Eastbourne Borough Council. The Head of Finance advised the Committee that the two Councils currently used different Treasury Advisers which, as part of the development of shared services, would need to be considered in more detail.

Resolved:

- 37.1** That Report No 18/16 be noted; and
- 37.2** That it be confirmed to Cabinet that the draft Treasury Management Strategy Statement and Investment Strategy 2016/2017 to 2018/2019 was approved by the Audit and Standards Committee.

**38 Date of the Next Meeting**

Resolved:

- 38.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 14 March 2016 at 10am in the Telscombe Room, Southover House, Lewes be noted.

The meeting ended at 12:35am

M Chartier

Chair