



Lewes District Council

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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, 2 December 2013** at 3.30pm

The meeting was preceded by a training session, at 2.45pm, for members of the Audit and Standards Committee and appointed substitute councillors entitled 'Audit Committees – Practical Guidance for Local Authorities (ii)', which was led by the Head of Audit and Performance.

Present:

Councillor I Eiloart (Chair)

Councillors R E Allen, M P Chartier, S J Gauntlett, E C Merry, E E J Russell and C Sugarman

Officers Present:

Z Downton, Committee Officer

D Heath, Head of Audit and Performance

S Jump, Head of Finance

Also Present:

S Frith, BDO

Minutes

Action

25 Minutes

The Minutes of the meeting held on 23 September 2013 were approved as a correct record and signed by the Chair.

26 Apologies for Absence/Declarations of Substitute Councillors

Councillor Allen declared that he was substituting for Councillor J V Harris who had sent an apology for absence.

27 Interim Report on the Council's Systems of Internal Control 2013/14

The Committee received Report No 196/13 relating to the Internal Audit work of the Audit and Performance department for the first five months of 2013/14 and on the adequacy and effectiveness of the Council's systems of internal control.

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 highlighted table 1, under paragraph 4.2 of the Report, which showed that a total of 450 audit days had been undertaken compared to 456 planned. He advised that the variance of six days was not significant at that stage, and it was estimated that the audit days would be close to plan by the year end.

Paragraphs 4.3 to 4.13 summarised the main functional areas reviewed and the key audits undertaken during 2013/14 to date. An update on the priority Internal Audit work undertaken with BDO (the Council's external auditors) to test the Council's subsidy claims for Benefits and Non Domestic Rates for 2012/2013 was set out under paragraph 4.4 of the Report.

The key findings from BDO's audit of 2012/2013, the results of which had helped form the opinion on the Council's internal control environment, were summarised under paragraph 8.2.

Appendix A of the Report set out a statement of Internal Audit work and key issues, specifically relating to the audit report on the review of current Health and Safety arrangements that was undertaken at the request of the Chief Executive in response to a safety inspection carried out by Unison branch officers and dealt with issues arising from the refurbishment works at the Council offices at Southover House, Lewes. The Head of Audit and Performance explained that in future, Health and Safety arrangements would be incorporated as part of the programme of audits in the Strategic Audit Plan. The Committee noted that the Council's Employment Committee received statistics on accidents reported in the workplace, and that the Council's Joint Health and Safety Forum had recently been re-instated.

Resolved:

27.1 That it be noted that the overall standards of internal control during the first seven months of 2013/14, as shown in Section 3 of the Interim Report No 196/13, were satisfactory.

28 Internal Audit Benchmarking 2012/13

The Committee received Report No 197/13 which informed councillors of the comparative performance of internal audit departments in local authorities in Sussex for 2012/2013.

The remit of the Audit and Standards Committee included a duty to review whether the internal audit function was adequately resourced and was able to discharge its function effectively.

The Internal Audit Section at the Council was a member of the Sussex Audit Group (SAG), which was established to enable internal audit functions within public bodies across Sussex to share best practice. SAG had conducted a benchmarking exercise to compare internal audit performance across a range of Performance Indicators (PIs) and other measures.

The Council's PIs and the SAG benchmarking results for 2012/2013 were set out in the table at Appendix A of the Report, together with the Council's

results for 2011/2012.

The Head of Audit and Performance highlighted, under paragraph 3.5 of the Report, the key results from the benchmarking study, namely that:

- The Internal Audit staff at the Council were among the most experienced;
- The cost per chargeable day (£264.57) at the Council was the third lowest and below the average for the group as a whole because the Council's Internal Audit Section generated the highest number of productive days (729);
- The Council's Internal Audit Section had the second lowest number of days (246) and the lowest proportion (25%) of time for non-audit activities; and
- The cost of providing the audit service at the Council was £192,869, a reduction of £7,093 (3.5%) from the 2011/2012 exercise.

The Committee commented that the results indicated that the Council had an efficient and effective Internal Audit Section.

Resolved:

28.1 That the benchmarking results from the participating authorities in Sussex, and the conclusion that the internal audit function at Lewes District Council is adequately resourced and is achieving satisfactory standards of output and efficiency, as set out in Section 3 of Report No 197/13, be noted; and

28.2 That Report No 197/13 be noted.

29 Treasury Management

The Committee considered Report No 198/13 which set out details of recent Treasury Management activity together with the 2013/2014 Mid-year Report.

The Council's approved Treasury Strategy Statement required the 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:

- It was confirmed, under paragraph 2.8, that in September 2013 the Council had received a fourth distribution from the Landsbanki Islands hf winding-up board, as expected, with a value (following conversion of € and \$ amounts into £) of £52,000. That brought the total amount received to date to approximately £552,000.

- Section 3 explained that the Mid-year Treasury Management Report 2013/2014, as set out in Appendix 1, covered the period from 1 April 2013 to 30 September 2013. In summary, the Mid-year Report confirmed that the key elements of the approved Treasury and Investment Strategy had been complied with during the first half of the year.
- Section 4 outlined the current position with the Co-operative Bank, the Council's banker. Following announcement of its recapitalisation plan, the Co-operative Bank had further announced on 5 November 2013 that it would stop providing banking services to local authorities, when current contracts came to an end on 31 March 2015. Those local authorities in East Sussex who held contracts with the Co-operative Bank (four in total) were exploring the option of engaging in a joint tender exercise to appoint a common bank with effect from 1 April 2015 at the latest (the Co-operative Bank had indicated that it would not seek to hold any authority over its existing contractual term).
- The tables, as shown under paragraphs 4.4 and 4.5, set out the long-term and short-term credit ratings of banks which were active in the corporate market, and also the balance on the current account with the Co-operative Bank at intervals during each day of October 2013, as requested by the Committee at its meeting in September 2013.

Resolved:

- 29.1** That it be confirmed to Cabinet that Treasury Management activity between 1 September 2013 and 31 October 2013 had been in accordance with the approved Treasury Strategy for that period;
- 29.2** That the Mid-year Treasury Management Report 2013/2014, as set out in Appendix 1 of Report No 198/13, be noted; and
- 29.3** That Report No 198/13 be noted.

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30 Annual Audit Letter 2012/13

The Committee considered Report No 199/13 which summarised the key issues arising from the work carried out by BDO, the Council's independent external auditors, during 2012/2013.

Mr Frith, BDO, highlighted the key findings set out within the Annual Audit Letter 2012/13, namely that:

- BDO's audit of the Council's financial statements for the period ending 31 March 2013 was completed by 30 September 2013, in line with the statutory deadline;
- BDO had issued an unqualified value for money conclusion on 27 September 2013; and
- BDO was satisfied that the Annual Governance Statement (AGS)

was not inconsistent or misleading with other information it was aware of from the audit of the financial statements. BDO was also satisfied that the AGS complied with guidance issued by the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) on “Delivering Good Governance in Local Government”.

Mr Frith explained that work on the Grant Claims for 2012/13 had been completed and the associated report would be presented to the Committee at its meeting in January 2014.

On behalf of the Committee, the Chair expressed thanks to Mr Frith and also to the Head of Finance and his team for all their work during the year.

Resolved:

30.1 That Report No 199/13 be noted.

31 Date of Next Meeting

Resolved:

31.1 That the next scheduled meeting of the Audit and Standards Committee to be held on Monday 27 January 2014 at 3.30pm in the Telscombe Room, Southover House, Southover Road, Lewes be noted.

**All to
note**

The meeting ended at 4.20pm.

I Eiloart
Chair