

**Agenda Item No: 8**

**Report 73/15**

**Report Title: Annual Report on the work of the Audit and Standards Committee 2014/15**

**Report To: Audit and Standards Committee Date: 22 June 2015**

**Ward(s) Affected: All**

**Report By: Chair of the Audit and Standards Committee**

**Contact**

**Name: Cllr Mike Chartier**  
**Title: Chair of the Audit and Standards Committee**  
**Email: michael.chartier@lewes.gov.uk**  
**Tel no: 01273 472019**

**Purpose of Report:**

**To present to Councillors the annual report on the work of the Audit and Standards Committee, which summarises activity in this key area of corporate governance and provides assurance that the oversight of governance, risk and internal control is operating effectively?**

**Chair's Recommendation(s):**

- 1** To receive and consider the report.
- 2** To endorse the conclusions on the effectiveness of Internal Audit (see paragraph 16).
- 3** To endorse the opinion on the Council's Internal Control Environment, Assurance Framework, and Risk Management Framework (see paragraphs 17 and 18).
- 4** To note that the Committee has discharged all of the duties outlined and complied with the Terms of Reference in all respects (see paragraph 19).
- 5** To thank former Councillor Ian Eiloart for his work as Chair of the Committee since May 2009 (see paragraph 7).

**Reasons for Recommendations**

- 1** At its meeting on 19 March 2009, the Committee resolved that the Chair should produce an annual report. The Council's external auditors PKF (now BDO) had recommended this approach as one of a series of best practice developments arising from the Use of Resources assessment for 2007/08.

## **Annual Report on the work of the Audit and Standards Committee 2014/15**

### **Background**

- 2** The Audit Committee was established in 2001 to provide independent assurance as to the adequacy of the Council's arrangements for internal control, risk management and corporate governance. A key role for the Committee has been the monitoring of the plans, work and effectiveness of the Council's Internal Audit service.
- 3** In 2012, the Audit Committee was merged with the Standards Committee to form the Audit and Standards Committee. This report covers the work of the Audit and Standards Committee in the five meetings of the Committee that were held during the financial year 2014/15.
- 4** The Committee conforms to best practice set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities, and operates in accordance with the Remit of the Audit and Standards Committee which is shown in Part 11, Section 4 of the Council's Constitution.
- 5** The Council adopted the CIPFA Code of Practice on Treasury Management. In December 2009, CIPFA updated the Code of Practice with one of the key changes being an emphasis on the need for every local authority to nominate a body to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Cabinet decided that this scrutiny role should be performed by the Audit Committee, and the Audit and Standards Committee now receives regular reports on treasury management.

### **Membership of the Committee**

- 6** The Audit and Standards Committee comprises seven Councillors, with the quorum set at four. Up to three additional co-opted non voting Town/Parish members may participate in Standards, but not Audit, matters. The Chair of the Audit and Standards Committee is elected from the Council's minority group.
- 7** During 2014/15, the Chair of the Committee was Councillor Ian Eiloart, except on the two occasions when Councillors Chartier and Gauntlett were elected as Chair. Councillor Eiloart did not stand for re-election in May 2015, and Councillor Mike Chartier has been elected as Chair of the Committee from that time.
- 8** During 2014/15, Councillors Eiloart, Chartier, Allen, Gauntlett and Gardiner from the minority group served on the Committee. Councillors Nicholson, Harris, Russell, and Sugarman from the majority group served on the Committee.
- 9** The Committee maintains a pool of Members who have expressed willingness to serve as substitutes by any member of the Council who is not a member of Cabinet may do so.
- 10** To be effective it is important that members of the Audit and Standards Committee have a broad understanding of the financial risk, control and governance issues facing the Council. To this end the Council provides

Committee members with general induction training and guidance on specific topics based on a Training Needs Self-Assessment.

### **Meetings of the Committee**

- 11 The Committee normally meets five times per year. During 2014/15, Committee meetings were held on 23 June 2014, 22 September 2014, 1 December 2014, 26 January 2015 and 16 March 2015.
- 12 The Committee meeting on 16 March 2015 was not quorate. Therefore, the recommendations made in the minutes were those of the three Councillors who were present for that part of the meeting, namely Eiloart, Gauntlett and Nicholson. The Committee meeting scheduled for 22 June 2015 will decide on how to progress these recommendations.
- 13 Each Committee meeting is attended by the Head of Audit, Fraud and Procurement and the Head of Finance, with other Council officers attending as appropriate to report of financial or control issues. An Audit Partner and/or an Audit Manager from the Council's external auditors BDO attend most meetings. Each meeting of the Committee is also attended by a Committee Officer to record the meetings and outcomes.
- 14 At each meeting the Committee receives an Interim Report on the Council's Systems of Internal Control, with the June meeting also receiving the annual report on internal control for the financial year ending the preceding March. At each June meeting there is also an annual report on Internal Audit Performance and Effectiveness. The January meeting receives the Annual Treasury Management Statement and Investment strategy report. Other reports are presented to cover regular items in the financial and control cycle, or to deal with specific current issues. Reports to the Committee for the five meetings in 2014/15 are detailed at Appendix A.
- 15 During 2014/15, the Committee received 28 reports; this is slightly up on the number of reports in 2013/14.

### **Statement of the Audit and Standards Committee's opinion on the effectiveness of Internal Audit**

- 16 The Audit and Standards Committee has noted the separate report on Internal Audit Performance and Effectiveness. The Committee endorses the conclusions of the report that the Internal Audit service achieves its aims, objectives and expected outcomes, operates in accordance with the Internal Audit strategy that was approved by the Committee, and meets best practice standards including compliance with the Public Sector Internal Audit Standards (PSIAS).

### **Statement of the Audit and Standards Committee's opinion on the Council's Internal Control Environment and Risk Management arrangements**

- 17 As noted above, the Committee receives regular interim and annual reports that include detailed assessments of the Council's internal control environment and the arrangements for risk management and corporate governance. These reports, supported by regular briefings from the Head of Audit, Fraud and

Procurement, enabled the Committee to maintain proper oversight of the arrangements for internal control.

- 18** The Committee endorses the opinion of the Head of Audit, Fraud and Procurement that the overall standards of internal control and risk management are satisfactory. This opinion is based on the work of Internal Audit, external audit and other external assurance bodies, and the Council's work on risk management. The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. Whilst recommendations have been made to improve procedures and controls in some areas, there were no instances in which internal control problems created significant risks for Council activities or services. In most cases managers have addressed the control issues since the respective audits, and within those recommendations not yet implemented there are no issues that create significant risks for the Council.

### **Terms of Reference**

- 19** I have examined the Committee's Terms of Reference. I believe that the Committee has discharged all of the duties outlined and complied with the Terms of Reference in all respects. In addition, the Committee has used its powers to raise questions with officers and representatives of BDO to seek assurance and clarification on matters of control and governance.

### **Audit and Standards Committee Activities for 2015/16**

- 20** It is anticipated that the scope and content of the Committee's activities will remain broadly similar to those in 2014/15.

### **Financial Appraisal**

- 21** There are no additional financial implications from this report.

### **Sustainability Implications**

- 22** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

### **Risk Management Implications**

- 23** If the Audit and Standards Committee does not ensure proper oversight of the adequacy and effectiveness of the Council's systems of internal control there is a risk that key aspects of the Council's control arrangements may not comply with best practice.

### **Equalities Screening**

- 24** This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required.

### **Background Papers**

- 25** None

**Appendices**

**26** Appendix A – Reports presented to the Audit and Standards Committee

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## Appendix A: Reports presented to the Audit and Standards Committee

| Report   | June | Sept | Dec | Jan | March | Source |
|--|------|------|-----|-----|-------|--------|
| Annual Report on Internal Audit Performance and Effectiveness 2013/14                    | xx   |      |     |     |       | HAFP   |
| Annual Report on the Council's Systems of Internal Control 2013/14                       | xx   |      |     |     |       | HAFP   |
| Interim Report on the Council's Systems of Internal Control 2014/15                      | xx   | xx   | xx  | xx  | xx    | HAFP   |
| Strategic Audit Plan 2015 - 2018   |      |      |     |     | xx    | HAFP   |
| Statement of Accounts 2013/14  | xx   | xx   |     |     |       | HF     |
| Treasury Management Report   | xx   | xx   | xx  | xx  | xx    | HF     |
| Annual Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18 |      |      |     | xx  |       | HF     |
| Annual Governance Statement 2014   |      | xx   |     |     |       | HAFP   |
| Code of Corporate Governance Update  |      |      |     | xx  |       | HAFP   |
| Annual report on the establishment and maintenance of a Register of Interests 2014/15    |      | x    |     |     |       | ADCS   |
| BDO Report to the Audit and Standards Committee  |      | xx   |     |     |       | BDO    |
| LDC 2013/14 Audit Plan   | x    |      |     |     |       | BDO    |
| LDC 2014/15 Audit Plan   |      |      |     |     | x     | BDO    |

| Report   | June | Sept | Dec | Jan | March | Source |
|--|------|------|-----|-----|-------|--------|
| LDC Annual Audit Letter  |      |      | xx  |     |       | BDO    |
| LDC Grant Claim Report 2013/14   |      |      |     |     | xx    | BDO    |
| LDC Planning Letter March 2015   |      |      |     |     | x     | BDO    |
| Internal Audit Benchmarking 2013/14  |      | xx   |     |     |       | HAFP   |
| Summary Audit Report – Investigation into the relationship between the Council and Seaford and District Constitutional Club as to possible development opportunities at the site |      |      | x   |     |       | HAFP   |
| Annual Report on the Council's work to combat Fraud and Corruption 2013/14   |      | xx   |     |     |       | HAFP   |

**Key**

HAFP – Head of Audit, Fraud and Performance

HF – Head of Finance

ADCS – Assistant Director of Corporate Services

BDO – Council's external auditors BDO

xx – report was received at meetings in both 2014/15 and 2013/14, even if they were not the corresponding meeting in each year.

x - report was received at a meeting in 2014/15 but was not received during 2013/14