

Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Monday, 28 November 2016** at 10.00am

The meeting was followed by a training session for members of the Audit and Standards Committee on 'The role of Internal Audit and Fraud at Lewes District Council' and 'The role of external audit' which was led by the Head of Audit, Fraud and Procurement and Janine Combrinck, BDO.

Present:

Councillor M Chartier (Chair)
Councillors S Catlin, N Enever, S Gauntlett and I Linington

Officers Present:

Z Downton, Committee Officer
D Heath, Head of Audit, Fraud and Procurement
S Jump, Head of Finance

Also Present:

J Combrinck, BDO (Minute No's 29 – 32)

Minutes

	Minutes	Action
26	<p>Minutes</p> <p>The Minutes of the meeting held on 26 September 2016 were approved as a correct record and signed by the Chair.</p>	
27	<p>Apologies for Absence</p> <p>Apologies for absence had been received from Councillor R Robertson and Councillor T Rowell.</p>	
28	<p>Interim Report on the Council's Systems of Internal Control 2016/2017</p> <p>The Committee received Report No 155/16 which informed councillors on the adequacy and effectiveness of the Council's systems of internal control during the first seven months of 2016/2017 and which summarised the work on which that opinion was based.</p> <p>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, and which had been updated in April 2016. The impact of</p>	

the new standards published in April 2016 had been reported to the September 2016 meeting of the Audit and Standards Committee.

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 seven 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. Prompt corrective action had been taken to address issues noted during an internal audit of the Council's Right to Buy (RTB) processes, as detailed further under paragraph 4.8 of the Report.

The Head of Audit, Fraud and Procurement highlighted table 1, under paragraph 4.2 of the Report, which showed that a total of 403 audit days had been undertaken compared to 372 planned. He advised that the variance of 31 days had largely been due to more of his involvement in direct audit work than had been originally envisaged.

Paragraphs 4.4 to 4.11 summarised the work undertaken by Internal Audit during the reporting period. Under the audit of RTB processes (paragraph 4.8) the Head of Audit, Fraud and Procurement updated the Committee that the estimated loss to the Council as a result of discounting errors in completed and ongoing RTB sales from 2012/13 to 2015/16 had been reduced from approximately £100,000 to £88,000. The reduction in loss followed investigations by the Internal Audit team that had led to immediate action to correct the prices of ongoing sales.

Internal Audit had issued a final report in respect of its work on the annual testing of the major financial systems in order to gain assurance on the adequacy of internal controls. The Head of Audit, Fraud and Procurement advised that this was a significant task and progress was ahead at this stage in comparison with this time last year.

The work of the Council's Investigations Team was detailed under section 7 of the Report. The Team's main focus in 2016/2017 had been in continuing to address tenancy issues. The Head of Audit, Fraud and Procurement advised the Committee that as part of that work, two properties had been returned to the Council's housing stock and thirteen suspected cases of abandonment or subletting were being investigated or were undergoing pre-investigation review. The Committee responded that the return of any housing stock to its proper use was welcomed.

In response to a councillor's query on the audit of Cemeteries, the Head of Audit, Fraud and Procurement advised that the audit of Cemeteries would involve health and safety matters to assess whether burial processes were being undertaken in a proper, decent and respectful way. This audit would also look at the numbers of future grave plots available in the Lewes District.

Resolved:

28.1 That it be noted that the overall standards of internal control during

the first seven months of 2016/17, as shown in Section 3 of the Interim Report No 155/16, were satisfactory.

29 Treasury Management

The Committee considered Report No 156/16 which presented details of recent Treasury Management activity between 1 September 2016 and 31 October 2016 and the Mid-year Treasury Management Report 2016/2017.

The Council's approved Treasury Strategy Statement required the Audit and Standards 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 2016/2017, as set out under the Appendix on pages 18 – 31 of the Report.

The Head of Finance drew the Committee's attention to key points as detailed within the Mid-year Report, including the following:

- Key elements of the Council's agreed Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19 were set out in the table under paragraph 2.1. Further detail on capital expenditure was set out under paragraph 3.5.
- The average rate of return from investments at the end of Quarter 1 and Quarter 2, along with comparative benchmark information, was shown in the table under paragraph 4.9.
- The Council's investment profile, including analysis of fixed term deposits by duration, was detailed under paragraph 4.10.
- Arlingclose had acted as the Council's Treasury Adviser since 2012, an appointment that would come to an end on 30 June 2017. As detailed under section 9, it was envisaged that the Council would carry out a joint procurement exercise with Eastbourne Borough Council as part of the Joint Transformation Programme to appoint Treasury Advisor(s) for future years.

The Head of Finance advised the Committee that since the Mid-year Report had been produced, Cabinet had, at its meeting in November 2016, agreed to the purchase of a freehold site containing four retail units in Lewes. The investment would improve the revenue return for the Council and was to be funded by existing resources.

The Head of Finance highlighted the following points contained within the Treasury Management Report:

- In addition to the fixed term deposits, the Council had made use of interest bearing accounts during the reporting period, as shown under paragraph 3.5, with the average amount held being £1.964m generating interest of approximately £400.
- The table, under paragraph 3.7, showed the Treasury Bills (T-Bills) held at 31 October 2016 and activity in the reporting period. It was

the Council's intention to hold T-Bills until maturity. The Head of Finance explained that the rates of return on T-Bills had reduced significantly and therefore the Council would consider alternative longer-term investments.

- Details of the investments held securely in Custody Accounts in the Council's name were outlined under paragraph 3.11.
- An update on the Council's £5m loan from Barclays Bank plc was provided under paragraph 3.12. It was not considered to be cost-effective to repay the loan now, in comparison with letting the loan run to the maturity date in April 2054.

Resolved:

- 29.1** That the Mid-year Treasury Management Report 2016/2017, as set out in the Appendix to Report No 156/16, be noted;
- 29.2** That it be confirmed to Cabinet that Treasury Management activity between 1 September 2016 and 31 October 2016 had been in accordance with the approved Treasury Strategy for that period; and
- 29.3** That Report No 156/16 be noted.

Deputy
Chief
Executive

30 Annual Audit Letter

The Committee considered Report No 157/16 which summarised the key issues arising from the work carried out by BDO, the Council's external auditors, in respect of the financial year ended 31 March 2016.

Ms Combrinck, BDO, explained that the purpose of the Annual Audit Letter was to communicate the key findings which BDO had identified to stakeholders and members of the public. She informed the Committee that the Report was available on the Council's website and also published on the Public Sector Audit Appointments Limited website.

Resolved:

- 30.1** That Report No 157/16 be noted.

31 Audit for the year ended 31 March 2016

The Committee considered Report No 158/16 which detailed BDO's, the Council's external auditors, key findings arising from its audit for the year ended 31 March 2016.

Ms Combrinck, BDO, advised that the Report included updates to the previous version that had been presented to the Committee at its meeting in September 2016. Ms Combrinck explained that at the time of the last meeting, some issues had needed to be resolved and BDO had made the difficult decision not to sign off the Council's financial statements for the 2015/2016 financial year on the deadline day. Adjustments were subsequently made to the cash-flow statement and the finalised Report was

circulated at the end of October 2016.

The Chair requested that the deadline be met next year, to which Ms Combrinck agreed that that was always the intention. She added that BDO's decision to delay the process this time had not been taken lightly.

The following points were raised and discussed by the Committee in relation to the Report:

- Ms Combrinck confirmed that BDO's recommended improvements to the Council's Annual Governance Statement, as referred to on page 20 of the Report, had been addressed.
- BDO's recommendations that the Audit and Standards Committee puts procedures in place to monitor compliance with the annual declaration process were detailed on page 22 of the Report. The Chair confirmed to the Committee that he had discussed with officers ways to strengthen procedures for the 2016/17 accounts, such as greater input by the Chair of the Committee to avoid having to chase individual councillors.

Resolved:

31.1 That Report No 158/16 be noted.

32 Date of Next Meeting

Resolved:

32.1 That the next scheduled meeting of the Audit and Standards Committee to be held on Monday, 16 January 2017 at 10.00am in the Ditchling Room, Southover House, Southover Road, Lewes be noted.

All to note

The meeting ended at 10.40am.

M Chartier
Chair