

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, 20 March 2017** at 10.00am

Present:

Councillor M Chartier (Chair)
Councillors S Catlin, S Gauntlett, A Loraine and T Rowell

Officers Present:

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

Also Present:

J Combrinck, Engagement Lead, BDO
L Trevett, Project Manager, BDO

Minutes

40 Committee Membership 2016/2017

To note the appointments of Councillors A Loraine and J Peterson on the Audit and Standards Committee membership for the remainder of the current municipal year.

41 Minutes

The Minutes of the meeting held on 16 January 2017 were approved as a correct record and signed by the Chair.

42 Apologies for Absence

Apologies for absence had been received from Councillors N Enever and J Peterson.

43 Interim Report on the Council's Systems of Internal Control 2016/2017

The Committee received Report No 59/17 which informed councillors of the adequacy and effectiveness of the Council's systems of internal control during the first ten months of 2016/2017 and which summarised the work on

Action

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, and which had been updated in April 2016.

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 ten 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 under paragraph 4.9 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 554 audit days had been undertaken compared to 528 planned. He advised that the variance of 26 days had largely been due to more of his involvement in more direct audit work than had been originally envisaged.

Paragraphs 4.5 to 4.13 summarised the work undertaken by Internal Audit during the reporting period. Final reports had been issued for the audit of Ethics, Newhaven Business Centre, Insurance, and for the priority audit of Business Continuity Planning. In response to a councillor's query on where to locate final reports, the Head of Audit, Fraud and Procurement explained that a detailed summary for every final report issued had been, or would be, set out within an appendix to this Report (that was presented to each meeting of the Committee and was therefore available to view on the Council's website).

Section 7 of the Report set out the results of the review of the 2016/17 Audit Plan. The Head of Audit, Fraud and Procurement had advised within the Report that all significant aspects of the annual audit plan would be covered. The exceptions to that were outlined under paragraph 7.3.

Section 8 of the Report outlined the main developments in combatting fraud and corruption since the start of 2016/17, as undertaken by the Council's Investigations Team.

In relation to risk management, the Head of Audit, Fraud and Procurement explained that the Head of Finance had outlined the financial constraints affecting the General Fund and Housing Revenue Account, as detailed under paragraphs 11 to 13.

Resolved:

- 43.1** That it be noted that the overall standards of internal control during the first ten months of 2016/17, as shown in Section 3 of the Interim Report No 59/17, were satisfactory.

The Committee considered Report No 60/17 which presented the Annual Audit Plan for 2017/18, as shown under Appendix 1.

The remit of the Audit and Standards Committee included a duty to agree and Annual Audit Plan and a three-year Strategic Audit Plan, and to keep both Plans under review.

The Head of Audit, Fraud and Procurement highlighted the planning assumptions that had been taken into account when preparing the Annual Audit Plan, as detailed under Section 4 of the Report.

The Head of Audit, Fraud and Procurement drew to the Committee's attention that the Annual Plan included a number of joint audits to be carried out at both authorities by Internal Audit staff at Eastbourne Borough Council and Lewes District Council working together. Those audits were listed under paragraph 7.7 of the Report.

Resolved:

- 44.1** That the Annual Audit Plan for 2017/18, as set out in Appendix 1 of Report No 60/17, be agreed; and
- 44.2** That it be noted that the Audit Plan recognises the specific circumstances arising from the Joint Transformation Programme, via which Lewes District Council will integrate its staff and services with Eastbourne Borough Council, as shown under Section 2 of Report No 60/17.

45 Treasury Management

The Committee considered Report No 61/17 which presented details of recent Treasury Management activity between 1 January 2017 and 28 February 2017.

The Council's approved Treasury Strategy Statement required the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and to make observations to Cabinet as appropriate.

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

- The table, under paragraph 1.3, showed the fixed term deposits held at 28 February 2017 and identified the long-term credit rating of each counterparty at the date of investment.
- Paragraph 1.7 detailed the Treasury Bills (T-Bills) held by the Council at 28 February 2017 and the activity of the T-Bills during the reporting period. It was the Council's intention to hold T-Bills until maturity. The Head of Finance informed the Committee that the Council was unlikely to purchase more T-Bills in the near future.
- The chart, under paragraph 1.10, summarised the Council's investment position over the reporting period. It showed the total

sums invested each day as Fixed Term deposits, T-Bills, amounts held in Deposit accounts, Money Market Funds and Tradeable Investments.

- No temporary borrowing had been undertaken and there had been no change in the total value of the Council's long term borrowing in the reporting period, which remained at £56.673m. The Head of Finance updated the Committee that it was likely the Council would borrow money temporarily in the coming weeks due to the acquisition by the Council of property in Lewes. He explained that the borrowing would be short-term, and at a low interest rate thus incurring no significant additional costs to the Council.

Resolved:

45.1 That it be confirmed to Cabinet that Treasury Management activity between 1 January 2017 and 28 February 2017 had been in accordance with the approved Treasury Strategy for that period; and

45.2 That Report No 61/17 be noted.

46 Audit for the year ending 31 March 2017

The Committee considered Report No 62/17 from BDO, the Council's external auditor, which detailed the key issues relevant to the audit of the financial statements and use of resources of the Council for the year ending 31 March 2017.

Ms Janine Combrinck, Engagement Lead, BDO highlighted the following key points of the Report:

- The contact details and key responsibilities of BDO's team members appointed to carry out the external work for the Council were set out on page 2 of the Report.
- The timetable, on page 3 of the Report, identified the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.
- The proposed materiality and triviality thresholds (as defined in Appendix 1) were set out on page 5 of the Report. BDO intended to report all trivialities above £28,000.
- BDO's proposed fees, excluding VAT, for the year ending 31 March 2017 were shown on page 15 of the Report.

In response to a councillor's request, Ms Combrinck would ensure that references to '*Northern Street*' within the Report be amended to read '*North Street*'.

Resolved:

46.1 That Report No 62/17 be noted.

Deputy
Chief
Executive

47 Date of Next MeetingResolved:

- 47.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday, 19 June 2017 at 10.00am in the Ditchling Room, Southover House, Southover Road, Lewes be noted.

**All to
note**

The meeting ended at 10.45am.

M Chartier
Chair