

Wednesday, 25 June 2014  
at 6.00 pm



# Audit and Governance Committee

Present:-

**Members:** Councillor Ungar (Chairman) Councillors Mattock, Cooke, Heaps, Taylor and Tester

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## **1 Minutes of the meeting held on 12 March 2014.**

The minutes of the meeting held on 12 March 2014 were submitted and approved and the Chairman was authorised to sign them as a correct record.

## **2 Apologies for absence.**

Apologies for absence were reported from Councillors Ede and Harris.

## **3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.**

None were declared.

## **4 Update: Members and Standards.**

The Committee considered the report of the Monitoring Officer in relation to Member Standards. It was noted that no new formal complaints had been received during this quarter and none remained outstanding.

The Committee also noted that no dispensations had been applied or issued and no member training had taken place since the last quarterly report.

At the last meeting, the Committee was informed that the current standards regime was the subject of a degree of commentary. The Monitoring Officer advised that where developments or events of interest had occurred at other individual authorities, these would be referred to in the next training on standards delivered to members.

**RESOLVED:** That the information in relation to complaints against members and the update on Standards related matters be noted.

**5 Update: The Regulation of Investigatory Powers Act (RIPA) and related legislation.**

The Committee considered the report of the Monitoring Officer regarding an update on the Council's usage of its powers under the Regulation of Investigatory Powers Act (RIPA) and related legislation.

The Committee advised that for the period from March 2014 to June 2014 no applications were made under the Act in respect of covert surveillance.

**RESOLVED:** The Committee noted that no application had been made by officers of this authority to engage in activity regulated by the Regulation of Investigatory Powers Act (RIPA) during the quarter leading up to 1 June 2014.

**6 Arrangements in Place for Exercising Delegations to Officers.**

The Committee considered the report of the Monitoring Officer in relation to the arrangements in place for exercising delegation to officers.

Eastbourne Borough Council was currently undergoing a change programme called Future Model in order to improve efficiency and customer service in response to the significant ongoing financial pressures on local authorities. Now in its second phase, Future Model had created new officer roles and flatter structures of accountability which increased the need to ensure that officers fully understood the extent of the powers delegated to them. This was important to ensure that the authorities' actions were not open to challenge.

Full Council delegate a raft of powers to chief and other officers on an annual basis via the Scheme of Delegations to Officers, which is part of the Council's Constitution. The delegations help the authority to discharge its day to day functions effectively and with clarity.

The Scheme of Delegations was last revised and approved at Annual Council on 7 May 2014 to reflect a change to the Council's senior management team's responsibilities which occurred as part of phase 1 of the Future Model.

In addition, the Deputy Chief Executive maintained a central register of sub-delegations and the current list of sub-delegations was available on the Council's Intranet to Members and Officers. Officers regularly update the list of sub-delegations to reflect the delegations in force at any given time.

In response to a question from Councillor Taylor, the Monitoring Officer clarified that the sub-delegations given to officers reflected those officers' duties and responsibilities. They inhered throughout the Council's structure and varied depending on the different services such as Customer First.

The Committee sought assurance that those officers who held delegated powers were aware of the extent of their powers. Councillor Mattock

addressed the Committee and assured that the number of officers she dealt with on a regular basis were aware of the powers that they have.

Councillor Cooke enquired about the timescale for reviewing the Scheme of Delegation document to see if it might be made more user-friendly to view. The Monitoring Officer responded that major reviews of the document would be made annually at Annual Council in May, although minor updates may on occasion occur during the year. The Monitoring Officer referenced the complexity of the delegations which need to be in place to ensure the effective running of the organisation and stated that the scheme needed to reflect that accurately. She acknowledged that it would assist in ensuring clarity if it were possible to create a representation of the Scheme of Delegations in diagram form and agreed to take these comments on-board when the next major review was carried out.

The Committee requested that the Delegations to Officers be part of the Member Development Plan for the forthcoming year and Staff Induction for new members of staff to ensure maximum awareness.

**RESOLVED: (1)** That the report be noted.

**(2)** That the Delegations to Officers be part of both the Member Development Plan for the forthcoming year and Staff Inductions for new officers.

## **7 Protecting the Public Purse Fraud Briefing 2013.**

The Committee received a verbal report from the Council's external auditors BDO on the recent "Protecting the Public Purse Fraud Briefing 2013."

The Committee had received a verbal presentation from Mr Lloyd Thomas, representing BDO prior to the meeting in private, given the sensitivity of the data and the potential for misuse of the information by fraudsters.

The Committee asked Mr Lloyd Thomas whether there were any controls that the Council had not put in place to address fraud. He responded that the Council needed stronger counter fraud measures to tackle corporate fraud and advised that there was money to be made by the Council by strengthening these measures.

In response to a question from the Committee, the Chief Finance Officer informed them that from 1 November 2014, the Government's Single Fraud Investigation Service would be implemented and there was an option for the Council's fraud team to move employment to the Department for Work and Pensions (DWP). The fraud team's effort and success had been recognised by the Council's Corporate Management Team and a business case was being put together as part of the Service and Financial Planning process that recommended the Council retain its fraud team and create funding through recovery for future years. The final decision would be made by Members.

The Chief Finance Officer also advised that from November 2014, the fraud team would be moving away from housing benefit and working on wider fraud potential under a risk management basis programme.

The Committee thanked Mr Lloyd-Thomas for his presentation.

**NOTED.**

**8 Internal Audit Report to 31st March 2014.**

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the fourth quarter of the financial year 2013/14.

Audit work carried out to date against the audit plan for 2013/14 was set out in appendix A. The Internal Audit Manager made reference to the main points from the appendix which included annual audits for BDO, work on benefits, grant claims, a review of void management, land charges and searches, no consultancy work and five planned reviews that were postponed. Further main points from appendix A were detailed in the report.

A list of all final audit reports issued from 1 April 2013 to 31 March 2014 and the level of assurance attained were detailed in the report. The Committee was advised that during this quarter, one review had been issued with an assurance level of inadequate which was Tenancy management. The Internal Audit Manager reassured the Committee that work had already begun on putting the required controls in place and as a result the assurance level should improve by the time of the next meeting.

Further information on reports issued in final during the year with an assurance level below excellent was set out in Appendix B, with any issues highlighted in the reviews which informed the assurance level given.

A brief explanation for a number of outstanding high and medium priority recommendations from audits, reasons why they had not been implemented along with the month when the next follow up date was due were set out in appendix C. The comments made by the Corporate Management Team following consideration of outstanding high risks were set out in appendix D. The only outstanding high risk remained Catering which had arisen as a result of the Council taking back the Catering function in-house and inheriting poor controls as a result. While the structure had not yet been fully realised, the Internal Audit Manager reassured the Committee that the recommendations listed in Appendix D were being actioned.

The Committee was advised that one fraud over £10K had been reported in the last quarter which meant that only two frauds had been reported this financial year.

The Fraud Investigations Manager reported that there had been a total of six cases over £10K but four of these had been classed as customer error. This was an indication that the team were working well to spot frauds earlier and claims suspended promptly when discrepancies were found, to help minimise overpayments.

In total the Benefits team had identified £465,332.56 in overpayments and £443,360.00 in weekly incorrect benefit. They had also administered £12,864.20 in sixteen administrative penalties, eight Formal Cautions to customers and 13 prosecutions.

The Internal Audit Manager advised that the work referred to in the report had been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment, in addition to other ad hoc work undertaken by the auditors. It was the opinion of the Internal Audit Manager that internal controls across the authority were generally found to be sound.

The Corporate Management Team had discussed potential governance issues to be reported in the Annual Governance Statement. The results of these discussions were reported in the Annual Governance Statement report.

The Committee was advised that the Public Sector Internal Audit Standards came into effect from 1<sup>st</sup> April 2013 therefore the work of the Internal Audit section was assessed for compliance against these standards. It was found that the Internal Audit function was "generally conforming" to the standards with a 94.85% rating. Areas of partial or no conformance were listed in the table attached to the report, in addition to an explanation and actions to be taken where appropriate. The Committee was advised that progress would continue to be made to address the issues to ensure better compliance and this would be reported to the Committee.

The Committee supported the idea of a comparison in terms of compliance with the standards with neighbouring authorities. The Internal Audit Manager advised that they would discuss benchmarking with Wealden District Council.

The Committee were informed that the Public Sector Internal Audit Standards had requested that the Internal Audit Manager obtain a professional qualification such as CMIIA or CCAB. The Internal Audit Manager advised that she had attended an interview in London that would hopefully obtain the qualification.

Councillor Cooke enquired why Theatre Reconciliations had appeared in Appendix B with an assurance level of inadequate when the Committee had been advised all issues had been resolved. The Internal Audit Manager clarified that Appendix B listed all reports that had been issued in final throughout the year with an assurance level below excellent. The Committee was reassured that all issues with Theatre Reconciliations had been resolved.

The Committee discussed the till discrepancies high risk listed in Appendix D for Catering following a query by Councillor Taylor. The Chief Finance Officer suggested that should deficiencies remain by the time of the next follow up, the Committee would invite the relevant Head of Service to attend the meeting. This was supported by the Committee.

**RESOLVED:** That the report be noted.

## **9 Annual Governance Statement.**

The Committee considered the report of the Internal Audit Manager regarding the Annual Governance Statement which detailed the key elements of the systems and processes of the Council's governance arrangements.

The Annual Governance Statement is a report produced at the end of the year on the control environment of the Council and is a statutory document that accompanies the statutory Statement of Accounts once adopted. The Statement provided a structure in which to consider the Council's governance arrangements and their effectiveness. This ensured that major control issues were identified and action taken to address these issues.

Appendix 1 of the report detailed the framework for gathering the assurances and how that affected the relationship with partners, stakeholders and the community. Following the framework should ensure that the Council meets the six principles of corporate governance.

A timetable for the gathering of assurances to produce the Annual Governance Statement was set out in Appendix 2 of the report.

Appendix 3 showed the Manager's Assurance Statement which included coverage of the Bribery Act, Safeguarding, Regulation of Investigatory Powers Act 2000 (RIPA) and frauds over £10K. The statement was intended to cover the operational, project and partnership responsibilities of the Heads of Service. It could also be used to highlight any concerns and subsequent actions required to improve governance throughout the Council.

Once these statements had been completed by the relevant Heads of Service they are passed through the Chief Executive and Deputy Chief Executive. The comments made on the statements are considered for inclusion in the Annual Governance Statement.

The Internal Audit Manager reported that a review of the layout of the Annual Governance Statement had been carried out during this year incorporating the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) alongside findings and comments made in the document "Improving Council Governance – A Slow Burn", issued by Grant Thornton in 2013.

The new layout aimed to make the information easier to read and understand with the different areas being given fuller descriptions of how the points are dealt with at Eastbourne. The Council's external auditors BDO had also viewed the new layout and responded that the additional information had added contextual information around what the Council does to set priorities, manage performance and assess risk. A new section had also been added which reflected on the significant issues identified in the previous year – Theatre Reconciliations and how these had been addressed.

The governance issues and subsequent action plan had been compiled from a number of sources including reports of internal and external audit, the Corporate Management Team (CMT), Scrutiny and Standards reports,

external review bodies, managers assurance statements, evidence from the Council's Monitoring Officer and review by the Chief Finance Officer, Deputy Chief Executive and Internal Audit Manager.

The Internal Audit Manager advised that completed Managers' Assurance Statements had been returned from all Heads of Service and from Eastbourne Homes Limited. Four of these Managers' Statements mentioned minor concerns over capacity. It was acknowledged that with shrinking economic resources, the capacity profile of the organisation had changed and needed to be considered as part of ongoing and future restructures and changes in service delivery. It was felt that at this stage this did not represent a significant governance issue.

After consultation with the Council's Corporate Management Team, the Internal Audit Manager reported that there was one area of internal governance that met the criteria to report as an issue that required disclosure. The area of significant governance issues was Catering and the issue with control weaknesses, identified when the service was taken back in-house. The Committee had been given assurances that the required controls were being put in place.

Once the Statement had been approved by the Audit and Governance Committee it would be given to the Chief Executive and Leader of the Council to sign before it is published alongside the Statement of Accounts.

Councillor Cooke made reference to the Annual Governance Statement and advised that the section which stated "the committee conforms to the best practice identified in CIPFA (Chartered Institute of Public Finance and Accountancy) was not correct and the Audit and Governance Committee was not fully compliant in terms of membership. Councillor Ungar responded that given the size of the authority, it would be difficult to omit Cabinet and Scrutiny Committee members from sitting on Audit and Governance Committee.

The Chief Finance Officer clarified that the Annual Governance Statement reported on the Council's governance framework for the year ending 31 March 2014. It did however recognise the evolution of Audit and Governance Committee following a recent member briefing and this would be reflected in the final statement. Councillor Ungar requested that Councillor Cooke email his concerns that had been previously raised regarding terms of membership following the Committee and this would be taken on-board and incorporated into the final statement. This was agreed by the Committee.

The Committee thanked the Council's Internal Audit Team for their significant efforts in preparing the Annual Governance Statement.

**RESOLVED: (Unanimous)** That the Annual Governance Statement for 2013/14 as appended to the report be approved subject to the caveat in respect of the Committees membership.

## **10 Annual Accounts 2013/14.**

The Financial Services Manager presented the draft annual accounts for 2013/14.

The Accounts and Audit Regulations 2011 require the Council to formally approve and publish the Statement of Accounts for financial year ending 31 March 2014 by 30 September 2014.

It is the responsibility of the authority's Chief Finance Officer to certify that the accounts represent a true and fair view of the authority's financial position by 30 June in addition to ensuring the preparation of the statement is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

The Statement of Accounts would be considered by Cabinet at its meeting on the 16 July 2014.

The Financial Services Manager reported that there had been no major changes to the Code this year however there were a few changes that had been included in the 2013/14 final accounts preparation. Further details were contained in the report.

The Annual Governance Statement was not reported within the Statement of Accounts but instead sits alongside the statement giving members assurance that the data supporting the figures included in the accounts are based on sound financial systems.

The provisional financial outturn for the general fund, housing revenue account and capital expenditure had been reported to Cabinet at its meeting on 14 May 2014. An analysis of the Council's financial activity for 2013/14 was set out in the Forward of the Statement of Accounts and an overview of the key issues, was attached at appendix 1 to the report.

The draft Statement of Accounts 2013/14 were circulated separately prior to the meeting.

The Council's external auditors BDO LLP are required to report back to the Committee at its September meeting with their independent opinion of the accounts. The Committee was advised that BDO were due to start their work on 7 July 2014. The accounts would be open for public inspection between the 7 July and 1 August 2014.

**RESOLVED:** That the draft annual accounts for 2013/14 be noted.

The meeting closed at 7.13 pm

**Councillor Ungar (Chairman)**