



Audit and Governance Committee

Members of the public are welcome to attend and listen to the discussion of items in the "open" part of the meeting. Please see notes at end of agenda concerning public rights to speak and ask questions.



The Audit and Governance meets in the Court Room of the Town Hall which is located on the ground floor. Entrance is via the main door or access ramp at the front of the Town Hall. Parking bays for blue badge holders are available in front of the Town Hall and in the car park at the rear of the Town Hall.



An induction loop operates to enhance sound for deaf people who use a hearing aid or loop listener.

If you require further information or assistance please contact the Local Democracy team – contact details at end of this agenda.

This agenda and accompanying reports are published on the Council's website in PDF format which means you can use the "read out loud" facility of Adobe Acrobat Reader.

Please ask if you would like this agenda and/or any of the reports in an alternative format.

MEMBERS: Councillor Ungar (Chairman); Councillor Mattock (Deputy-Chairman); Councillors Cooke, Ede, Harris, Heaps, Taylor and Tester

Agenda

- 1 Minutes of the meeting held on 12 March 2014 - Previously circulated.**
- 2 Apologies for absence.**
- 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 (please see note at end of agenda).**
- 4 Questions by members of the public.**

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 Update: Members and Standards. (Pages 1 - 2)

Report of Monitoring Officer.

8 Update: The Regulation of Investigatory Powers Act (RIPA) and related legislation. (Pages 3 - 4)

Report of Monitoring Officer.

9 Arrangements in Place for Exercising Delegations to Officers. (Pages 5 - 8)

Report of Monitoring Officer.

10 Protecting the Public Purse Fraud Briefing 2013.

Verbal Report of External Auditors BDO.

11 Internal Audit Report to 31st March 2014. (Pages 9 - 30)

Report of Internal Audit Manager.

12 Annual Governance Statement. (Pages 31 - 54)

Report of Internal Audit Manager.

13 Annual Accounts 2013/14. (Pages 55 - 64)

Report of Financial Services Manager.

Inspection of Background Papers – Please see contact details listed in each report.

Councillor Right of Address - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

Public Right of Address – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at the address listed below. The request may be made by letter, fax or e-mail. For further details on the rules about speaking at meetings please contact Local Democracy.

Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation). If a member has a DPI he/she may not make representations first.

Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

Local Democracy, 1 Grove Road, Eastbourne, BN21 4TW
Tel: (01323) 415021/5023 Minicom: (01323) 415111, Fax: (01323) 410322
E Mail: localdemocracy@eastbourne.gov.uk
Website at www.eastbourne.gov.uk

For general Council enquiries, please telephone (01323) 410000 or E-mail: enquiries@eastbourne.gov.uk

This page is intentionally left blank

Agenda Item 7

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 June 2014
Subject:	Members and Standards: an update
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To assist the Audit and Governance Committee in fulfilling its obligations in relation to member standards.
Recommendations:	That the Committee note the following: <ul style="list-style-type: none">• The information supplied to it regarding complaints against members• Other relevant information including an update on Standards-related matters
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

1.1 Members will recall their longstanding invitation to the Monitoring Officer to provide quarterly updates on Standards-related matters.

2.0 Complaints

2.1 No new formal complaints against members have been received in during this quarter. As none remain outstanding from previous quarters, no complaints await determination at time of writing.

3.1 Dispensations

3.2 No dispensations have been applied for or issued since the last quarterly Report.

4.1 Member training

4.1 No dedicated in-house training on Standards-related issues has taken place during this quarter.

5.0 Update on Standards related matters

5.1 At the time of the last quarterly report, members were appraised of such matters as the views expressed by some commentators on the current standards regime in local authorities and the watching brief imposed by the Committee on Standards in Public Life. The only new developments at time of writing concern developments involving other individual authorities and where relevant, these will inform the next round of training on standards delivered to all members.

6.0 Consultation

6.1 There has been no consultation.

7.0 Resource Implications

7.1 None.

8.0 Financial

8.1 None.

9.0 Staffing

9.1 None.

10.0 Conclusion

10.1 Authorities must have in place arrangements to monitor member conduct and to promote effective decision-making. It also a requirement that steps be taken to promote high standards of conduct. This report aims to assist this Committee in discharging its responsibilities in this regard.

Victoria Simpson

LAWYER TO THE COUNCIL AND MONITORING OFFICER

Appendices:

None

Background Papers:

Previous reports and minutes of the Committee and Panel.

Articles in the Local Government Lawyer

ACSeS bulletins

Agenda Item 8

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 June 2014
Subject:	The Regulation of Investigatory Powers Act and related legislation: update on the authority's usage of its powers
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To assist the Audit and Governance Committee in monitoring the authority's usage of its powers under the Regulation of Investigatory Powers Act
Recommendations:	That the Committee note that no applications were made by officers of this authority to engage in activity regulated by the Regulation of Investigatory Powers Act during the quarter leading up to 1 June 2014.
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

1.1 Members will recall that the Audit and Governance Committee has agreed to receive quarterly reports on the authority's usage of its powers to conduct covert surveillance and to access communications data pursuant to the Regulation of Investigatory Powers Act.

2.0 Usage of the powers available to Eastbourne Borough Council to conduct covert surveillance under the Regulation of Investigatory Powers Act

2.1 The quarterly returns compiled for the period 1/03/2014 to 1/06/2014 include the following data:

RIPA applications for the use or conduct of a CHIS:

Nil applications by either EBC or by partner organisations with which the authority is working on relevant matters.

RIPA applications for authorised surveillance:

Nil applications made by either EBC or by partner organisations with which the authority is working on relevant matters.

RIPA applications for communications data use and acquisition:

Nil applications made by either EBC or by partner organisations with which the authority is working on relevant matters.

2.2 The Committee will note that the returns for this quarter are consistent with EBC's infrequent recourse to the powers available to it under RIPA in recent years.

3.0 Consultation

3.1 None.

4.0 Resource Implications

4.1 None.

5.0 Financial

5.1 None.

6.1 Staffing

6.2 None.

7.0 Conclusion

7.1 This report updates the Committee on the authority's arrangements for the usage of its powers to conduct covert surveillance and to access communications data when circumstances merit. The report helps this Committee ensure that the authority applies a robust approach which balances its enforcement responsibilities with the requirement to act at all times in a proportionate and human rights-compliant way.

Victoria Simpson
LAWYER TO THE COUNCIL AND MONITORING OFFICER

Appendices

None

Background Papers:

Previous reports and minutes of this Committee and of Cabinet.

Articles in the Local Government Lawyer

Resources available from the Officer of the Surveillance Commissioner and from the Interception of Communications Commissioner

Agenda Item 9

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 June 2014
Subject:	Arrangements in place for exercising delegations to officers
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To assist the Audit and Governance Committee in fulfilling its obligation to oversee effective governance arrangements.
Recommendations:	That the Committee note the information supplied here regarding the structures maintained at this authority for ensuring that a) information is published regarding the powers delegated to officers and that b) the officers to whom those powers are sub-delegated are aware where their authority comes from and the limits of that authority.
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

- 1.1 Members are familiar with the change programme initiated at Eastbourne Borough Council in order to improve efficiency and customer service in response to the significant ongoing financial pressures on local authorities. One of the effects of Future Model, which is now in phase two, has been to create new officer roles such as the posts within Customer First. This has also created flatter structures of accountability.
- 1.2 In a context of change, the need to ensure that officers understand the extent of the powers delegated to them and the limits on their exercise of those powers is paramount. This is important to ensure that the authority's actions are not open to challenge.
- 1.3 The need to ensure transparency of decision-making so far as stakeholders are concerned is also of relevance.

2.0 Legal Context

- 2.1 Local authorities are creatures of statute and are invested by law with certain powers. The means by which authorities may exercise those powers is governed by part II of the Local Government Act 2000 and the regulations made under it. This legislation provides for the discharge of a local authority's functions by the executive body – at this authority, Cabinet - unless those functions are specified as functions that are not to be the responsibility of the authority's executive.

- 2.2 Powers may be delegated from Cabinet or Council to be exercised either by a Committee (or Sub Committee) made up of members or by individual designated officers. Either way, powers must always be exercised both in accordance with the authority's policies and procedures and also within the terms of any limitations or consultation requirements imposed at the time of the delegation.
- 2.3 Where a delegation is made to an individual Chief Officer, that officer may sub-delegate to other officers, this as long as they do so in accordance with any limitations or consultation requirements which were imposed on their power. The fundamental principle is the same: while the power must be exercised in accordance with the authority's policies and procedures, it must, crucially, have first been delegated appropriately both initially and when cascaded down.

3.0 The Scheme of Delegations to Officers

- 3.1 Full Council delegates to chief and other officers a raft of powers on an annual basis via the Scheme of Delegations to Officers, which is published in the authority's Constitution. These delegations assist the authority in discharging its day to day functions effectively and with clarity. The Scheme reflects the authority's responsibility under S100G of the Local Government Act 1972 to maintain a list open for public inspection of those powers of the council which are exercisable by officers of the council for periods in excess of six months.
- 3.2 The Scheme's inclusion in the Constitution is designed to ensure clarity in the exercise of powers in the functions for which chief officers have responsibility. The full Scheme of Delegation to Officers is available on the authority's website at: [Sch of Dels to Officer May 2014](#)
So too are executive decisions made by officers, a record of which must now be published by the authority in accordance with legislative requirements which form part of the Coalition's transparency agenda.
- 3.3 The Scheme of Delegations was substantively revised and then approved by annual Council on 7 May 2014 as a result of the changes to the senior management team's responsibilities which occurred as part of phase 1 of Future Model. The Scheme was again reviewed and amended on 7 May 2014 to update it in response to legislative change.

4.0 The list of sub-delegations maintained by the Deputy Chief Executive

- 4.1 The sub delegation of powers from Chief Officer level down is necessary to ensure the smooth running of the organisation. Eastbourne Borough Council's Constitution provides that 'A copy of any sub-delegation or its revocation shall be provided to the Deputy Chief Executive within five working days. The Deputy Chief Executive shall maintain a central register of sub-delegations and the current list of sub-delegations shall be shown on the intranet and be available to Members and Officers.'
- 4.2 The list of sub-delegations, even more than the Scheme of Delegations which sits above it, reflects the changing profile of the authority's workforce and the ways in which decisions are made. It is a living document, which is

continually being amended. Officers are regularly reminded to update it. It is available on the authority's internal website here: [list of sub-delegations](#)

5.0 Consultation

5.1 None.

6.0 Resource Implications

6.1 None.

7.0 Financial

7.1 None.

8.0 Staffing

8.1 None.

9.0 Conclusion

9.1 It is essential that officers of the authority are clear about the powers they do and do not hold and the limitations and extent of those powers so that they may act on the authority's behalf in a lawful way.

9.2 It is equally important that all possible steps are taken to ensure that the authority's decision-making occurs within a framework which is transparent to those outside the authority.

9.3 The legal requirement that a list of delegations be published online is met by the Scheme of Delegations to Officers, which forms part of the authority's Constitution and is reviewed annually. The list of sub delegations is also important and this is maintained by the Deputy Chief Executive and again regularly updated.

Victoria Simpson
LAWYER TO THE COUNCIL AND MONITORING OFFICER

Appendices

None.

Background Papers:

Relevant legislation, including that referred to in the body of this Report.

The Scheme of Delegation to Officers, which is published in the Council's Constitution, and the List of Sub Delegations referred to above

This page is intentionally left blank

Agenda Item 11

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 TH JUNE 2014
Subject:	Internal Audit Report to 31 ST March 2014
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	<p>To provide a summary of the activities of Internal Audit for the year 1st April 2013 to 31st March 2014.</p> <p>To document the Internal Audit Manager's opinion of the internal control environment as required for the Annual Governance Statement.</p> <p>To consider compliance with the Public Sector Internal Audit Standards.</p>
Recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2013/14 was agreed by the Audit and Governance Committee in March 2013.

2.0 Review of work in the financial year 2013/14.

- 2.1 A list of all the audit reports issued in final from 1st April 2013 to 31st March 2014 is as follows:

Theatres Reconciliations (Annual 2012/13)	Performing Inadequately
Treasury Management (Annual 2012/13)	Performing Excellently
Council Tax (Annual 2012/13)	Performing Excellently
Information Governance – Records Management	Performing Inadequately
Debtors (Annual 2012/13)	Performing Excellently

Benefits (Annual 2012/13)	Performing Well
IT (Annual 2012/13)	Performing Excellently
Payroll (Annual 2012/13)	Performing Excellently
Project Management Controls	Performing Adequately
Cemeteries and Crematorium	Performing Excellently
Cafi Purchasing	Performing Excellently
Cafi Creditors	Performing Well
Creditors (Annual 2012/13)	Performing Well
Catering	Performing Inadequately
Repairs and Renewals (EHL)	Performing Excellently
Safeguarding	Performing Excellently
Community Grants	Performing Well
Destination Management System	Performing Excellently
Land Charges and Searches	Performing Well
Civica Icon	Performing Adequately
Business Continuity Planning	Performing Excellently
Corporate Equalities	Performing Excellently
HR Management	Performing Well
Corporate Complaints	Performing Adequately
Leaseholders Recharges	Performing Well
Tenancy Management	Performing Inadequately
Community Enforcement	Performing Well

Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 During this quarter one review has been issued with an assurance level of Inadequate. The reasons for this assurance level are documented in Appendix B. All four reviews given an inadequate assurance level during the year are further considered in the covering report to the Annual Governance Statement.

2.3 Appendix A shows the work carried out against the annual plan. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – work has just started on this year’s reviews so the total days shown are a mixture of last year’s work completed in this and the start of work for this year.
- Work on Benefits has gone over the allocated time. This is due to some work which is no longer included in the grant claim but still needs to be tested. This has therefore been included in the annual review. The time allocation for the next financial year has therefore been increased.

- Work on Grant claims has gone over allocated time as extra work was required by the external auditors.
- A review of Void Management had been requested and was included in the annual audit plan. However the Senior Head of Community, in discussion with Eastbourne Homes Ltd, has agreed that this review does not now need to be carried out.
- The review of Land Charges and Searches exceeded the time allocated in the plan. This was due to both the time allocated being inadequate and issues with the level of access given to the auditor to the necessary software to adequately audit the work.
- No consultancy work was carried as planned. Consultancy from Internal Audit is a new concept for the authority and, as yet, there has been little take up of this service. This is being partially addressed in the new year plan by carrying out a few audit reviews that are a mixture of checking controls and consultancy work.
- Five reviews planned were requested to be postponed to the new financial year, most of these being because of work that is ongoing in these areas. All of these will be carried out as part of the new financial year plan.

2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Excellently", with any issues highlighted in the reviews which informed the assurance level given.

2.5 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due.

2.6 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.

2.7 Appendix D was reviewed by CMT and comments from Heads of Service have been included in the final column.

3.0 Frauds over £10k

3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.

3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.

- 3.3 One fraud over £10k was reported in the last quarter of 2013/14 which means that only two frauds over £10k have been reported in the financial year.

Overpayments over £10,000 between 01/04/13 and 31/03/14					
Suspected Fraud	Proven Fraud	Source of Info	Completed	Progress & Outcome	Over payment
LTAHW	Living Together	HBM S	11-Jul-13	Prosecution	£41,030.24
LTAHW	Living Together	HBM S	26-02-14	Prosecution	£20,404.35

- 3.4. The Fraud Investigations Manager stated that there had been a total of six over £10k cases but four of these were classed as customer error. The manager believes this demonstrates that they have successful fraud awareness in place to help identify fraud at an early stage and claims are suspended promptly, when discrepancies are found, to help minimise overpayments.

- 3.5. In total the team identified £465,332.56 in overpayments and £443,360.00 in weekly incorrect benefit. They have also administered £12,864.20 in administrative penalties (16), administered 8 Formal Cautions to customers and prosecuted 13.

4.0 Annual Governance Statement and Opinion of the Internal Audit Manager

- 4.1 The work referred to in this report has been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment along with other ad hoc work undertaken by the auditors.

- 4.2 It is the opinion of the Internal Audit Manager that internal controls across the authority were generally found to be sound.

- 4.3 CMT were asked to consider potential governance issues to be reported in the Annual Governance Statement. Several areas were put forward for consideration and were discussed by CMT. The results are reported in the Annual Governance Statement report.

5.0 Self Assessment

- 5.1 The Public Sector Internal Audit Standards came into effect from 1st April 2013 and so this year the work of the Internal Audit section is assessed for compliance against these standards.

- 5.2 A checklist for compliance has been completed and it is found that the Internal Audit function is "generally conforming" to the standards. Of the 194 (applicable) points against which conformance is measured the following was found:

94.85% conformance
4.12% partial conformance
1.03% non conformance

5.3 Areas of partial or no conformance are listed in the attached table with explanations and actions to be taken where appropriate. Progress will continue on addressing the issues required to ensure better compliance and this will be reported to the committee.

6.0 Consultation

6.1 Respective Service Managers and Heads of Service as appropriate.

7.0 Resource Implications

7.1 Financial – Delivered within the approved budget for Internal Audit

7.2 Staffing – None directly as a result of this report.

8.0 Other Implications

8.1 None

9.0 Summary of Options

9.1 None

10.0 Recommendation

10.1 That the information in this report be noted and members identify any further information requirements.

Jackie Humphrey
Internal Audit Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

Public Sector Internal Audit Standards - checklist

No/ Partial conformance	Requirement	Reason for partial/non conformance	Actions	Timescale
No	Has the Internal Audit Manager carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	None have been carried out previously and some training is required in order to carry one out correctly.	The Internal Audit Manager, as secretary of the Sussex Audit Group, is currently researching options for training/mentoring on carrying out such an exercise for all the members of the group.	6 months
Partial	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	The Internal Audit team is small with some specialisms. It is therefore not possible to rotate all engagements.	None planned	N/A
Partial	Does the Internal Audit Manager hold a professional qualification, such as CMIIA/CCAB or equivalent?	The Internal Audit Manager holds the PIIA qualification which is the one below CMIIA.	The Internal Audit Manager has applied for the CMIIA qualification by the "Qualified by Experience" route. Closing date end April. Shortlist announced 23 rd May with interviews to be held at the end of June followed by a decision being made.	4 months
Partial	Has the Internal Audit Manager agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	The external assessment has to be carried out within 5 years. One has not yet been undertaken so these requirements will be met but not until the assessment is undertaken.	The Audit and Governance Committee have been informed of the need for an external assessment. The discussions around possible options will be reported to the committee in the end of year report.	Before April 2018
Partial	Has the Internal Audit Manager agreed the scope of the external assessment with	The external assessment has to be carried out within 5 years. One has not yet been	These are being discussed with the Sussex Audit Group since there is no adequate	Before April 2018

	the external assessor or assessment team?	undertaken so these requirements will be met but not until the assessment is undertaken.	information being provided by CIPFA on how these reviews should be undertaken.	
Partial	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process?	The external assessment has to be carried out within 5 years. One has not yet been undertaken so these requirements will be met but not until the assessment is undertaken.	Part of the decision will be made on a cost/benefit basis.	Before April 2018
Partial	How has the Internal Audit Manager used his or her professional judgement to decide whether the assessor or assessment team demonstrate sufficient competence to carry out the external assessment?	The external assessment has to be carried out within 5 years. One has not yet been undertaken so these requirements will be met but not until the assessment is undertaken.	These are being discussed with the Sussex Audit Group since there is no adequate information being provided by CIPFA on how these reviews should be undertaken.	Before April 2018
Partial	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	The external assessment has to be carried out within 5 years. One has not yet been undertaken so these requirements will be met but not until the assessment is undertaken.	Part of the decision will be made on a cost/benefit basis.	Before April 2018
Partial	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud?	This has not been carried out in any formal way but high level risk areas are considered when putting together the annual audit plan.	The authority is currently considering setting up a Corporate Fraud team and this would be part of their remit.	April 2015

This page is intentionally left blank

			Planned days	Actual days	Reason for Variance
CORE ANNUAL AUDITS	Benefits	Governance	10	19.9	3.3 c/f from last year
	Cash and Bank	Governance	25	7.2	Draft
	Council Tax	Governance	10	12.3	Completed in early Apl - 1 day c/f from last year
	Creditors	Governance	15	21.3	1.4 c/f from last year - this year's in draft - extra testing required
	Debtors	Governance	15	16.9	Draft
	Housing Rents	Governance	15	16.1	8.2 c/f from last year
	Main Accounting	Governance	10	7.1	
	NNDR	Governance	10	11.5	Completed in early Apl - 1 day c/f from last year
	Payroll	Governance	10	23.4	3.7 c/f from last year - extra testing required
	Treasury Management	Governance	10	1.4	Draft
	IT	Governance	4	8.8	3.6 days c/f from last year - Draft
	Theatres Reconciliation	Governance	5	2.8	12/13 work completed this year
	Claims work		75	106.7	Additional work required by external auditors

Contingency		25	16.1	Extra piece of work requested and completion of audits started in the previous year
NFI		20	4.8	
Special Investigations/advice		40	36.4	
Follow ups re audits carried out in previous year		30	29.4	
Consultancy		25	0.1	

HIGH	Catering	Review	20	20	Completed
	Leaseholders Recharges (EHL)	Review	10	10.1	Completed
	Repairs and Renewals (EHL follow up)	Review	10	2.6	Completed
	Void Management	Review	10	2.3	EHL/Senior Head of Community agreed this would not be carried out
	Tenancy Management	Review	10	8	Completed

REQUESTS	Safeguarding	Review	5	6.1	Completed
	Back up and Storage	Review	5	0.7	New system not yet in place. Will review in New Year will come under contingency as 5 days considered to be plenty.

			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	Business Continuity	Review	15	4	Completed
	Leasing and Licensing	Review	15	0.4	<i>Requested to postpone to next financial year</i>
	Planning System	Computer	10	1	<i>Requested to postpone to next financial year</i>
	Corporate Equality	Review	10	13.3	Completed
	Human Resources	Review	15	8.4	Completed
	Corporate Complaints	Review	10	12.2	Completed
	Events and Attractions	Review	15	17	Draft (Completed early Apl)
	Civica Icon and KPR	Computer/Review	15	20.6	Completed - Icon and Kiosk carried out and issued separately
	Community Enforcement	Review	10	13.1	Completed
	Homelessness/Temporary Accommodation	Review	10	0.1	<i>Requested to postpone as will be dealt with in Phase 2</i>
	Community Grants	Review	10	12	Completed
	Destination Management System	Computer	5	6.3	Completed
	Land Charges and Searches	Review	5	13.3	Completed
	Parks and Gardens	Review	10	4.3	<i>Postponed - to be part of new Open Spaces review in new year.</i>
	Cemeteries and Crematorium	Review	10	12.6	Completed
GIS and LLPG	Computer	5	5.8	Draft	

APPENDIX B

Reasons for original assurance levels given (below Excellent)

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
Theatres Reconciliations	Performing Inadequately	<ul style="list-style-type: none"> • Reconciliations not carried out on a monthly basis. • Variances required investigating. • No evidence retained of checks being made.
Information Governance – Records Management	Performing Inadequately	<ul style="list-style-type: none"> • General lack of awareness and understanding, especially that digital documents must be treated in the same way as hard copies. • Retention and Disposal Schedule not being followed. • Policies and guidance only in draft. • Retention and Disposal Schedule in need of review. • No disposal dates noted on documents – especially in W2. • No documented filing or naming conventions.
Housing and C. Tax Benefits	Performing Well	<ul style="list-style-type: none"> • Claims not reviewed on a periodic basis due to lack of resources. • Evidence of benefit applications closed without being correctly actioned. (Two cases identified)
Project Management Controls	Performing Adequately	<ul style="list-style-type: none"> • No clarity of how to decide if a piece of work should be classed as a project and then approved. • Lack of business cases written for projects. • Project workbook (guidance) was not used for projects. • Lack of project plans. • Lack of timetables for projects • Post Implementation Reviews not being carried out and therefore “lessons learned” not recorded. • Covalent was not used to document projects.
Cafi Creditors	Performing Well	<ul style="list-style-type: none"> • Records being retained beyond the limit set in the Retention and Disposal Schedule.

N.B. The issues noted here may have been addressed since the original report was issued.

APPENDIX B**Reasons for original assurance levels given (below Excellent)**

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
Creditors	Performing Well	<ul style="list-style-type: none">• Late completion of Goods Received Notes by departments.• Invoices being delivered to departments leading to delay in putting them onto the system for payment.• Large numbers of new creditors continue to be set up.
Catering	Performing Inadequately	<ul style="list-style-type: none">• Lack of written procedures.• Stock counts not carried out on a monthly basis.• Stock is only counted and not reconciled to expected stock levels.• Overstock of wine resulting from transfer of stock from Convex.• There appears to be a high level of write offs with regard to wastage and lack of recording and monitoring wastage.• Processes around till readings, discrepancies and monitoring of no sales etc. were lacking.
Community Grants	Performing Well	<ul style="list-style-type: none">• Some financial and other information from groups had not been supplied or chased.• Some groups regularly received funding from the Council and it is felt that consideration should be given to tendering for these services.
Land Charges and Searches	Performing Well	<ul style="list-style-type: none">• Testing revealed that 31 officers around the Council had access to the Land Charges register that allows them to make entries. A further nine officers listed on the system no longer work for the Council.

N.B. The issues noted here may have been addressed since the original report was issued.

APPENDIX B

Reasons for original assurance levels given (below Excellent)

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
H R Management	Performing Well	<ul style="list-style-type: none"> • Details of amendments are not automatically sent to Payroll by W2. • Absence is recorded using Firmstep. This does not automatically highlight incomplete processes and so any incomplete steps are monitored and chased manually. • Compromise Agreements (Settlement Agreements) do not specifically state that confidentiality clauses do not prevent the employee from raising a legitimate public interest concern.
Corporate Complaints	Performing Adequately	<ul style="list-style-type: none"> • W2 does not contain sufficient documentation that evidences that departments who are not responding to customer complaints within the acceptable time frame are being chased. • In many cases W2 is not being updated with the responses to complaints from departments. • Customers are not being informed where a complaint is going to take longer to resolve than the 10 working days as per procedure. • Compliments received by departments are not being passed onto the Customer First team to log into Covalent. • There is no process in place that gives customers the opportunity to comment on how their complaint was handled. • There is no evidence of a process in place that monitors the types of complaints received and their frequency.

N.B. The issues noted here may have been addressed since the original report was issued.

APPENDIX B**Reasons for original assurance levels given (below Excellent)**

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
Civica Icon	Performing Adequately	<ul style="list-style-type: none">• Some procedure notes could not be found.• Slow response times during searches.• Internal emails to inform users of problems is not sent automatically.• The system allows for duplicate files to be input.• When key staff are absent there is a lack of knowledge in the team of how the system works.• There is a need for relevant end users to be more involved in the setting up of new systems.• Help desk support from Civica is poor.
Leaseholders Recharges	Performing Well	<ul style="list-style-type: none">• Details of arrears actions are not held on Orchard for major works invoices – held elsewhere.• Aged Debt analysis report figures did not match those on individual accounts.• Arrears actions not taking place at intervals set in policy.
Tenancy Management	Performing Inadequately	<ul style="list-style-type: none">• Testing identified relevant documents were not sent in with applications and were not later requested.• Some data was held elsewhere on W2 but no link was given nor the location of the other data noted.• Decisions on how banding was allocated was not recorded.• Photo ID is not being requested or retained.• It was not possible to tell whether documents received in the post and scanned had been original documents or copies.• Tenancy review forms are not being sent out to tenants.• There is no whistleblowing phone number for reporting tenancy fraud.

N.B. The issues noted here may have been addressed since the original report was issued.

APPENDIX B**Reasons for original assurance levels given (below Excellent)**

		<ul style="list-style-type: none">• Succession rights are not fully laid down in the Tenancy Policy.
Community Enforcement	Performing Well	<ul style="list-style-type: none">• Procedures need to be written for use by all Neighbourhood Advisors.• There is limited information about the Neighbourhood First Advisors held on the website.• An income target for issuing penalty notices is still in existence although it has been agreed to move toward advice/education instead.• Procedures do not state that instances of racial graffiti should be reported to the police and no evidence is retained to indicate whether any had.

N.B. The issues noted here may have been addressed since the original report was issued.

This page is intentionally left blank

APPENDIX C

MONITORING OF RECOMMENDATIONS AS AT END MARCH 2014

AUDIT	NUMBER OF RECS		FOLLOW UP DUE	OUTSTANDING RECS		CURRENT POSITION	NOTES RE FOLLOW UP/RECS OUTSTANDING	PRIORITY
	HIGH	MEDIUM		HIGH	MEDIUM			
Procurement	5	7		2	5		Being dealt with by IESE - will not follow up but will re audit in 15/16	
Civil Contingencies	0	7		0	1		O/s rec re Press contract to be carried out when renewed - no follow up planned.	
Towner (collection)	2	9		2	6		Ongoing review through TTT meetings until transfer	
Community Grants	0	3		0	0		ALL ADDRESSED	
Records Management	6	0		6	0		Consultant engaged to review records management which supercedes this review. No follow up will therefore be undertaken.	
Safeguarding	0	2		0	1		O/s rec is ongoing - no follow up planned	
Officers Expenses	1	4		0	1		The one outstanding rec is being dealt with as part of another review - therefore no follow up of this review will be undertaken.	
APP	0	1	May-14	0	1	Not Yet Due	Outstanding rec under discussion to address	Medium
Food Safety and Hygiene	1	3	May-14	1	2	Not Yet Due	Progress is being made on all recommendations	Medium
IT Policies and Procedures	0	4	Feb-14	0	2	Outstanding	Work ongoing on outstanding recommendations	Medium
Project Management Controls	6	3	Apl 15	6	3	Not Yet Due	O/s recs due to be addressed during the Phase 2 process therefore follow up will be completed once Phase 2 complete.	Medium
Catering	11	6	Jul-14	5	1	Not Yet Due	Work is progressing	High
Destination Management Service	0	1	May-14	0	1	Not Yet Due	To be dealt with as part of MS upgrades	Medium
Corporate Equality	0	1	Feb-14	-	-	Outstanding		
Corporate Complaints	0	5	Feb-14	-	-	Outstanding		
HR Management	0	4	Jan-14	-	-	Outstanding		
ICON	1	5	Feb-14	-	-	Outstanding		
Kiosk	0	2	Feb-14	-	-	Outstanding		
Business Continuity Planning	0	4	Feb-14	-	-	Outstanding		
Community Enforcement	1	3	Jul-14	-	-	Not Yet Due		
Tenancy Management	8	5	Jul-14	-	-	Not Yet Due		
Leaseholders Recharges	0	3	May-14	-	-	Not Yet Due		
Events	6	3	Oct-14	-	-	Not Yet Due		

This page is intentionally left blank

Appendix D

OUTSTANDING HIGH RISK

Catering – next follow up to be carried out in July 2014

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>A set of procedures covering all aspects of Catering and Bar management should be compiled. Attention should be paid to those tasks where it would be considered that anyone new to the job, or covering for sick leave for instance may require guidance. Training should be given to staff on the new procedures.</p>	<p>High Risk Three Months</p>	<p>Tourism Development, Heritage & Catering Manager</p>	<p><u>Tourism Development, Heritage & Catering Manager</u> Agree will ensure this is actioned</p>	<p>FIRST FOLLOW UP <u>Tourism Development, Heritage & Catering Manager</u> <i>The procedures have been created for all areas with the exception of the bars. We will be recruiting a new bar manager and purchasing new tills we will then put new procedures in place.</i> Progressing</p>	
<p>Theatre Accounts Officer to calculate stock reconciliations on a monthly basis, assuming that all stock takes are completed on the third weekend of the month.</p>	<p>High Risk Three Months</p>	<p>Tourism Development, Heritage & Catering Manager</p>	<p><u>Tourism Development, Heritage & Catering Manager</u> It has been agreed that the Cashier has capacity to do this and will be trained to ensure this is completed</p>	<p>FIRST FOLLOW UP <u>Tourism Development, Heritage & Catering Manager</u> This is being carried out by the new Accounts Assistant. Further checks will be included to act as an alerter to prompt further investigation. A notional minimum profit margin will be calculated into the spreadsheet which will highlight any discrepancy around stock and income. It was also suggested that discussions be had with the Theatres General Manager who has been using his own stock reconciliation system quite effectively for several years. Progressing</p>	

Appendix D

OUTSTANDING HIGH RISK

Catering – next follow up to be carried out in July 2014

<i>RECOMMENDATION</i>	<i>RISK / PRIORITY</i>	<i>RESPONSIBLE MANAGER</i>	<i>CLIENT COMMENTS AT INITIAL REVIEW</i>	<i>Situation at Last Follow Up</i>	<i>Manager comments after CMT (not yet verified by Audit)</i>
Date checking across all products is regularly carried out in order to identify items close to sell by date prior to them actually going out of date, in order for appropriate action to be taken.	Medium Risk Three Months	Tourism Development, Heritage & Catering Manager	<u>Tourism Development, Heritage & Catering Manager</u> Agreed and will be implemented	FIRST FOLLOW UP <u>Tourism Development, Heritage & Catering Manager</u> A stock rotation check box will be appearing on the stock sheets for managers to sign. Progressing	
Consideration should be given to carrying out random till spot checks at these outlets. Any spot checks carried out should be diarised, e.g date, time and result.	High Risk Three Months	Tourism Development, Heritage & Catering Manager	<u>Tourism Development, Heritage & Catering Manager</u> Agreed – will implement	FIRST FOLLOW UP <u>Tourism Development, Heritage & Catering Manager</u> Spot checks will be happening at least once a month where a x read will be taken and the till checked, and the results given to the Accounts Assistant to record. In the new financial year the Accounts Assistant will be looking to create a new e-return which will include spaces for spot checks. Furthermore new tills will be purchased so all the tills are the same in every bar. Progressing	

Appendix D

OUTSTANDING HIGH RISK

Catering – next follow up to be carried out in July 2014

RECOMMENDATION	RISK / PRIORITY	RESPONSIBLE MANAGER	CLIENT COMMENTS AT INITIAL REVIEW	Situation at Last Follow Up	Manager comments after CMT (not yet verified by Audit)
<p>Till discrepancies greater than £5 must be re-checked to ensure cash has not been miscounted and confirmation given on the cash sheet that the discrepancy has been checked and is correct. A box should be included on the cashing up sheet to this effect in order to help prompt staff to carry out the check.</p>	<p>High Risk Immediate</p>	<p>Tourism Development, Heritage & Catering Manager</p>	<p><u>Tourism Development, Heritage & Catering Manager</u> Agreed – will implement</p>	<p>FIRST FOLLOW UP <u>Tourism Development, Heritage & Catering Manager</u></p> <p>If there is a discrepancy this will be added onto the notes section of the cashing up sheet and a 2nd person will be asked to check the money. Audit Comment: Fresh testing for this follow up showed that there were some instances of re checking where there were discrepancies over £5 although this was not happening in every case tested.</p> <p>Outstanding</p>	<p>The new staff structure is now in place providing added capacity to outside catering and bar management as well as cashier roles and responsibilities. Additional training has taken place with finance staff and we will continue to monitor the implementation of this recommendation.</p>
<p>All void, no-sale and refund transactions must be queried by the duty manager at time of cashing up and reasons for these transactions recorded on the cashing up sheet.</p>	<p>High Risk Immediate</p>	<p>Tourism Development, Heritage & Catering Manager</p>	<p><u>Tourism Development, Heritage & Catering Manager</u> Agreed</p>	<p>FIRST FOLLOW UP <u>Tourism Development, Heritage & Catering Manager</u></p> <p>Staff have been asked to initial the journal roll if using no sale/ void button. If refunding a receipt is printed and recorded at the end of the day.</p> <p>Till error books will be introduced, along with the purchase of new tills. New bar cashing up procedures will be implemented when the new Bars Manager is recruited later in April.</p> <p>Void transactions will be monitored</p>	

Appendix D

OUTSTANDING HIGH RISK

Catering – next follow up to be carried out in July 2014

				<p>and reasons for till opening will be included in the error book.</p> <p>As above. The till errors book will record the number and reasons for voids.</p> <p>This will be included in the bar procedures which will be implemented in conjunction with the appointment of the new Bars Manager</p> <p><i>Progressing</i></p>	
--	--	--	--	---	--

Agenda Item 12

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 JUNE 2014
Subject:	Annual Governance Statement
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To consider the Annual Governance Statement to be signed by the Council Leader and Chief Executive.
Recommendation(s):	The Committee approves the Annual Governance Statement.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Background

1.1 Corporate governance involves everyone in local government. Two definitions are:

“Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.

“How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE

1.2 The Council has a legal requirement to produce an Annual Governance Statement each year. The statement accompanies the Statutory Statement of Accounts once adopted.

1.3 The Audit and Governance Committee is tasked with overseeing the risk management, internal control and reporting to the Council. A key component of this work is to approve the Annual Governance Statement.

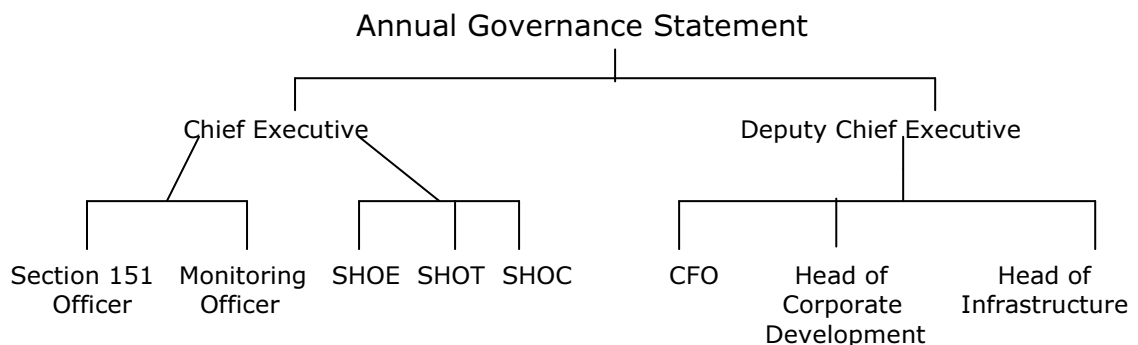
2.0 Governance Framework

2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the Council. However this is just the end product of the framework of governance operating within the authority throughout the year.

2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by and affects the relationship with partners, stakeholders and

the community. Following this framework should ensure that the Council meets the six principles of corporate governance.

- 2.3 Use of this framework also allows the Council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline (end June) for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the Council.
- 2.7 These statements are completed by Heads of Service/Senior Heads of Service and are then passed through the Chief Executive and Deputy Chief Executive. The comments made on the statements are considered for inclusion in the Annual Governance Statement. e.g.:



3.0 Annual Governance Statement

- 3.1 The Annual Governance Statement is a document that provides a structure in which to consider the Council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.
- 3.2 There are essentially three parts to the statement:
- A statement of responsibility and purpose
 - A description of the components of the governance framework that exist in the Council
 - The resulting issues and actions arising from those arrangements

4.0 Amendments to Annual Governance Statement

- 4.1 A review of the layout of the Annual Governance Statement has been carried out this year. The CiPFA requirements have been considered alongside findings and comments made in the document "Improving Council Governance – A Slow Burn" issued by Grant Thornton in 2013.
- 4.2 In their review Grant Thornton named nine authorities as examples of best practice in the layout of their Annual Governance Statements. Therefore these examples were also considered during the updating of the statement.
- 4.3 In its new layout it aims 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.
- 4.4 This new layout has been shared with BDO (the external auditors) for comment. Their response was that the additional information has added contextual information around what the Council does to set priorities, manage performance and assess risk.
- 4.5 A new section has been added which reflects on the significant issues identified the previous year and how these have been addressed.

5.0 The 2013/14 Review

- 5.1 The 2013/14 governance issues and subsequent action plan has been compiled from:

The annual report of the Internal Audit Manager
Corporate Management Team
Scrutiny reports
Standards reports
External Audit reports
Reports of external review bodies
Managers' Assurance Statements
Evidence from the Council's Monitoring Officer(s)
Review by the Chief Finance Officer, Deputy Chief Executive and Internal Audit Manager.

- 5.2 Completed Managers' Assurance Statements were returned from all Heads of Service and from Eastbourne Homes Limited. Four Managers' Assurance Statements mentioned minor concerns around capacity. It is acknowledged that with shrinking economic resources the capacity profile of the organisation has changed and this needs to be considered as part of ongoing and future restructures and changes in service delivery. However, it is felt that this does not currently represent a significant governance issue.
- 5.3 The Internal Audit Manager, in consultation with the Council's Corporate Management Team, has concluded that there is one area of internal governance that meets the criteria to report as an issue requiring disclosure.
- 5.4 Once agreed by this committee the Annual Governance Statement will be

given to the Chief Executive and Leader of the Council to sign before it is published alongside the Statement of Accounts.

6.0 Recommendation

6.1 The committee approves the Annual Governance Statement.

Jackie Humphrey
Internal Audit Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

None

Annual Governance Statement

Scope of responsibility

Eastbourne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Eastbourne Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website (www.eastbourne.gov.uk)

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

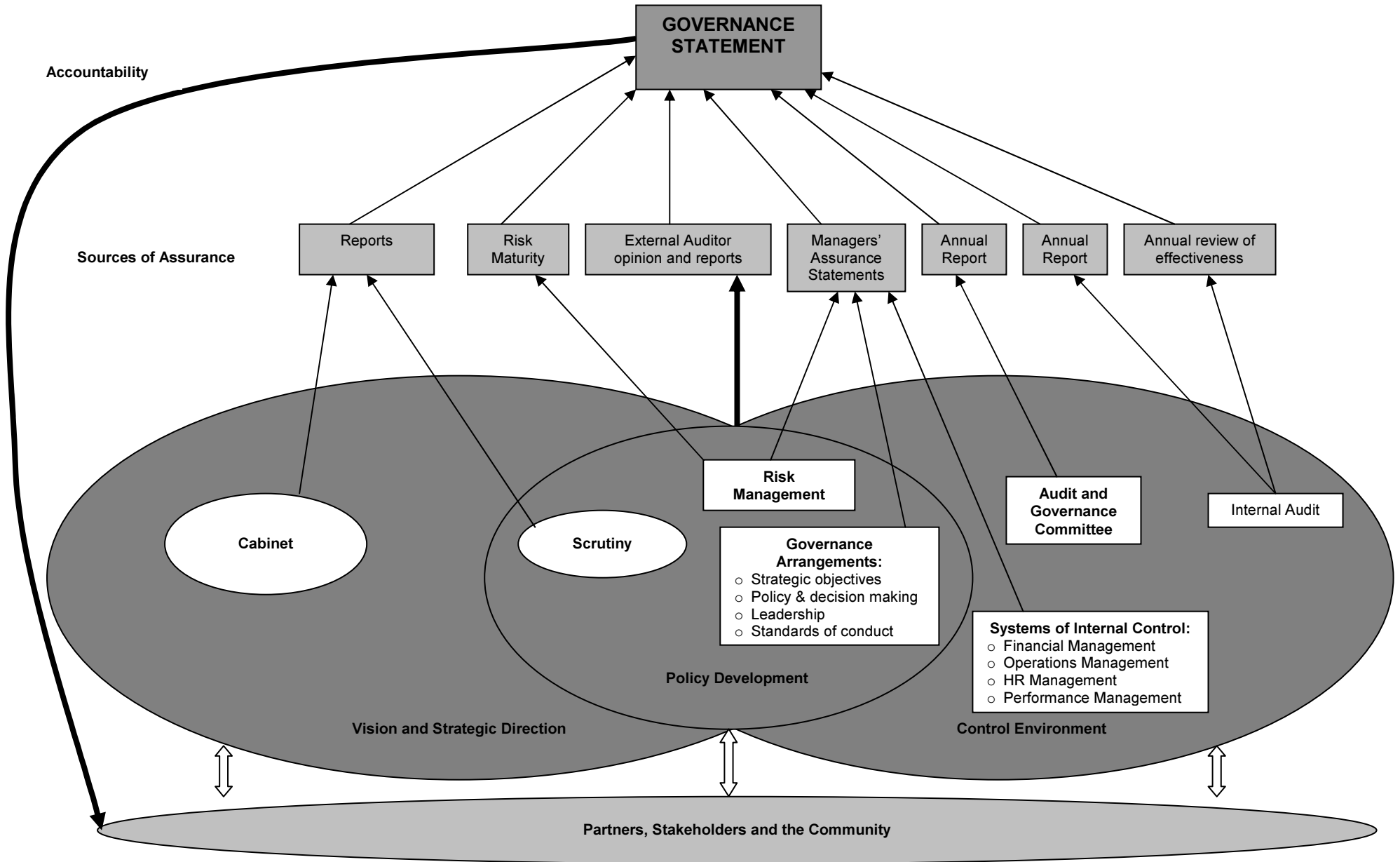
The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the Annual Reports on financial Outturn and performance and Statement of Accounts.

THE GOVERNANCE FRAMEWORK



THE GOVERNANCE FRAMEWORK

The diagram of the Governance Framework at Eastbourne Borough Council demonstrates how the information concerning the needs, requirements and views of partners, stakeholders and the community are used in decision making processes across the authority and eventually feeds into the Annual Governance Statement as part of our accountability to the community.

Key elements of the systems and processes that comprise the authority's governance arrangements are described below.

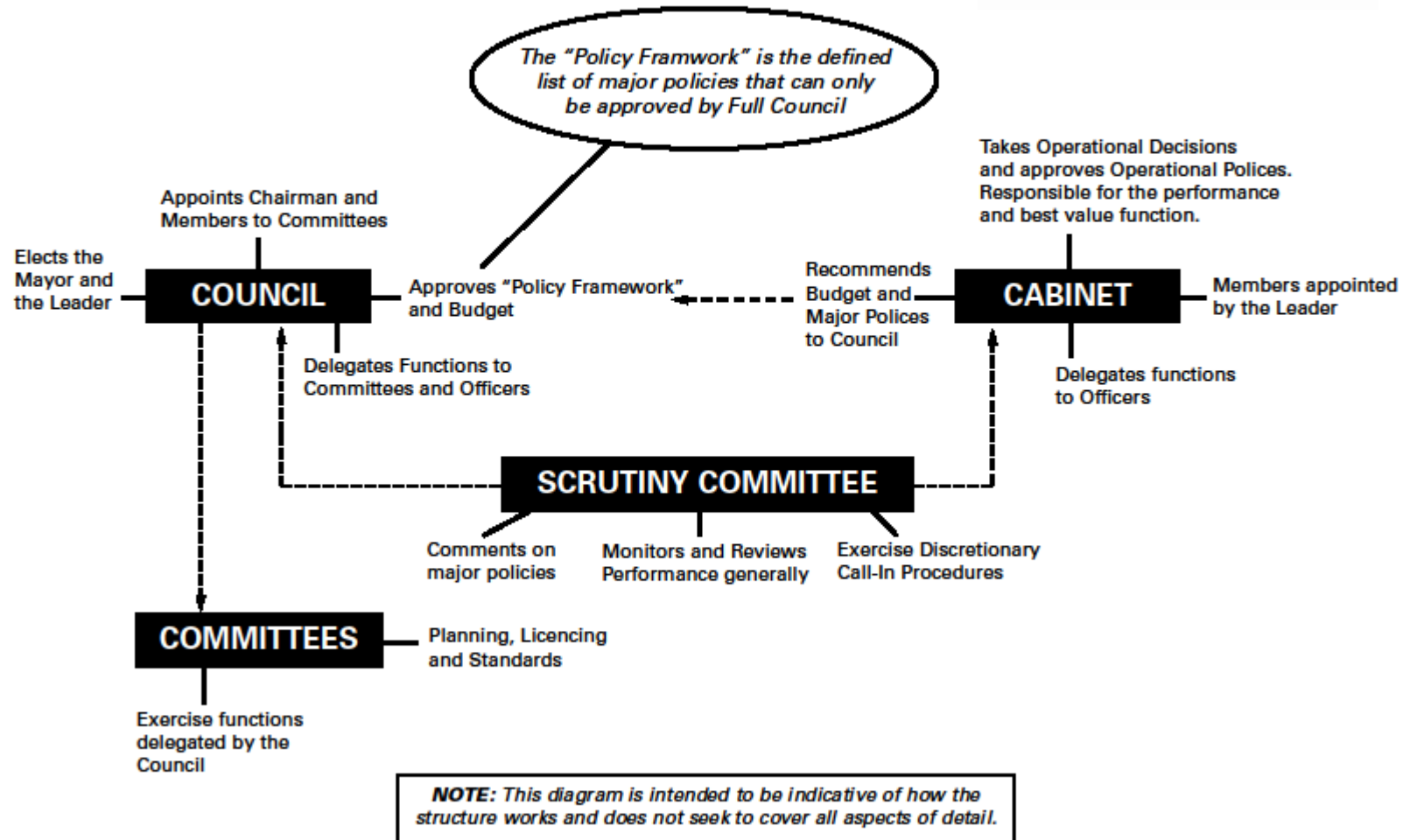
The Council's Corporate Plan 2010-15 sets out the authority's vision, objectives, values and priorities. It brings together key actions and performance indicators to measure progress against priority projects. A public consultation was run to discover what the public wanted more/less spend on and which services they most/least valued. Information was also taken from a MORI Place Survey which was a statutory bi-annual consultation. Other data was used that placed Eastbourne in the wider context as well as the results of the 2009 Comprehensive Area Assessment. All this information was used to create the current corporate priority themes, 5-year vision statement and initial priority projects for the first year of the 2010-15 corporate plan.

The plan is reviewed annually with high level public consultation exercises taking place to re-test the top priorities ahead of a refresh of the plan. Each year the plan is approved by full Council. The Corporate Plan is available to view on the Council's website.

The priorities listed in the Corporate Plan are set up as programmes and key projects / activities feeding into these are specified. Each project is allocated an owner and the relevant objectives, milestones, performance indicators, planned activities and time tables are identified. All this information is uploaded into performance management software to allow for ease of monitoring and reporting. This is then regularly updated with information about progress against the objectives. There are monthly monitoring management and intervention arrangements in place through the Corporate Management Team and Scrutiny in addition to quarterly reporting to Cabinet

The Council is required to hold a written constitution under the provisions of the Local Government Act 2010. The constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. The Council's current constitution was originally adopted in May 2002 and has been the subject of update and amendment since that time. Some of the content of the constitution is required by law and other content is for the Council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the Council including Council, Cabinet and committees

The Modernised Political Structure - How it Works



(see The Modernised Political Structure – How It Works diagram). It also contains a Scheme of Delegation which allows officers to take decisions on behalf of the Council. The responsibilities of each officer are clearly documented.

Standards of behaviour and conduct of Members and staff are laid down in relevant sections of the constitution. Other relevant policies include the Anti Fraud and Corruption Policy (containing sections on Whistleblowing and the Bribery Act), disciplinary and grievance procedures and the Dignity at Work Policy. The Monitoring Officer and the Scrutiny Committee have responsibility for considering complaints against Members. All policies and guidance are available to staff and Members on the Council's intranet.

All aspects of the decision making framework including schemes of delegation, are contained in detail in the Council's constitution and summarised in the articles of the constitution. The content of this document is specifically ratified each year by the annual meeting of the Council. Any proposed changes to the Council's constitutional rules and delegations can be considered at any time, drafted, and put to the next available Council meeting for decision. Different elements of the constitution are owned by the Monitoring Officer and the Section 151 Officer as relevant. The Constitution is published in full on the Council's website.

The Data Quality Strategy is reviewed annually and any changes are signed off by the Audit and Governance Committee. Data Quality is managed day to day by managers using performance management software. Any issues are reported to the Corporate Management Team and reports are taken quarterly to the Scrutiny Committee.

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The Strategic Risk Register is reviewed by the Corporate Management team quarterly.

The terms of reference for the Audit and Governance Committee include the requirement to review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

The Council holds an Anti Fraud and Corruption Policy which contains sections on Whistleblowing, Anti Money Laundering and the Bribery Act. This is reviewed annually to ensure that it is kept up to date. The Council has a Fraud Investigation team which proactively seeks out Benefit Fraud. The Authority also participates in the biennial National Fraud Initiative programme which seeks to identify fraud by matching data with other authorities and agencies. An overview of these areas is set out in the terms of reference for the Audit and Governance Committee.

The Council is currently going through a period of change moving toward a more customer-focussed provision of services. Consultants are working with management and staff to identify and develop new methods of delivery. The programme is being overseen by senior management and Members and is being managed using established project management protocols. As the second phase of implementation progresses the performance management software will be used to monitor progress of work streams and the results will feed into meeting the objectives of the Corporate Plan priorities.

The Chief Financial Officer is a member of the Council's Corporate Management Team. In this position the Chief Financial Officer has input into developing and implementing strategies and advising on financial resources. The Chief Financial Officer is responsible for developing the authority's financial strategies and will consider business decisions in line with these. The Chief Financial Officer manages the Finance and Internal Audit teams and is a suitably qualified accountant.

The Council holds Financial Procedure Rules and monthly budget monitoring meetings are held by Finance staff with managers responsible for budgets. Financial performance is reported regularly to Members.

The Internal Audit Manager proposes a risk-based audit plan for the year which is discussed with, and agreed by, the Corporate Management Team and the Audit and Governance Committee. It is ensured that the scope of the plan is sufficient to allow the Internal Audit Manager to be able to use the evidence gained during the year to base the opinion of the control environment upon at the end of the year. Each audit review carried out during the year is given an assurance rating based on the risks and controls in operation in that area. Each of these is taken into consideration when the annual report of the work of Internal Audit is written and feeds into the overall opinion of the control environment operating at the Authority.

The Internal Audit Manager undertakes an annual review of the Internal Audit function which assesses the function against the Public Sector Internal Audit Standards. The results of this self-assessment and any non-conformity with the standards is reported to the Audit and Governance Committee.

The role of Monitoring Officer sits with the post of Lawyer to the Council. Although structurally this post comes under the remit of the Head of Corporate Development, in monitoring officer functions the post has appropriate autonomy and/or a direct reporting line to the Chief Executive. The function is also supported by a designated deputy and a network of officers trained in investigative procedures. Reporting line to members is to a specifically constituted Standards Sub Committee which in turn reports to the Council's Audit and Governance Committee.

The Council has established an Audit and Governance Committee. The committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". Its terms of reference include:

- To receive reports on and to monitor the operation of the Council's constitution;
- Have an overview on the Council's whistleblowing policy;
- Deal with audit or ethical standards issues which may arise;
- Carry out independent scrutiny and examination of the Council's processes, procedures and practices with a view to providing governance arrangements and risk and financial management;
- Meet the requirements of the Audit and Account Regulations Act 2011;
- Consider reports from the external auditors;
- To make recommendations to Council, the Cabinet or Scrutiny as appropriate with a view to improving the effectiveness, accountability and transparency of the decision making process and the Council's governance arrangements;
- Promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's codes of conduct and registers of

The Council holds a Whistleblowing Policy which forms part of the Anti-Fraud and Corruption Policy. This clearly sets out how concerns raised should be handled, recorded and reported. The Authority also has a Comments, Compliments and Complaints procedure. The public may contact the Council with a complaint via telephone, email, letter or online. A page on the website clearly explains the process. Complaints are managed and monitored using performance management software. Similarly the public can make complaints about Councillors. Information on how to do so can also be found on the website. These complaints are handled by the Monitoring Officer.

When there is a change of administration or a raft of new Councillors then a general induction programme is organised. Annually the leaders of the parties will discuss with members any specific training or development needs. Human Resources will then put together a programme of training events for Members to attend. There are also statutory updates. Senior officers have annual appraisals at which any training and development needs are identified. Some of this may be necessary CPD (continuing professional development) required for professional memberships.

Annual bespoke consultation is designed each year alongside the Corporate Plan, budget and service planning processes jointly owned by senior management and Scrutiny. This consultation uses a variety of methods including social media, online surveys, presentations to groups and open public sessions to test the proposed priority projects in the annual refresh of the Corporate Plan.

Other communications include:

- Comprehensive consultation on corporate priority themes and goals prior to the publication of each new 5-year Corporate Plan.

- Monthly electronic communiqué to a list of free subscribers (business partners and community groups) providing updates on progress of major projects.
- Frequent engagement with equality groups – DIG (Disability Involvement Group, Faiths Forum and Bourne-Out.
- A new scheme “Talk with Us” has been put together whereby ward Councillors in partnership with neighbourhood officers from other agencies (e.g. Police and Housing agencies) will visit communities for direct contact. Estate audits will also be carried out and all observations will be fed back into relevant projects at the Council.
- Annual Youth Fair to bring together agencies that provide services and activities with the youth of the town to increase awareness.
- Standing items on Cabinet and committee agendas enabling public rights of address on items to be discussed and/or open questions by members of the public.
- Improving service delivery from the Council with the introduction of the Neighbourhood First Team which has regular community contact and feedback surgeries.

All working partnerships have previously been the subject of equality impact assessments and are properly constituted. Elected member representatives appointed annually by full Council and listed in the Council’s constitution.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

Internal Audit

The Council’s Internal Audit section is an independent assurance function that reports on the adequacy of the whole system of internal control across the Authority. The section generally conforms with the Public Sector Internal Audit Standards (PSIAS) and this has been reported to the Audit and Governance Committee. There are no major areas of non conformance to report within the Annual Governance Statement.

All reports from Internal Audit reviews are seen by the Section 151 Officer, Chair of the Audit and Governance Committee and the Portfolio Holder for Finance. Quarterly and annual reports on the work carried out by the Internal Audit function are considered by both the Corporate Management Team and the Audit and Governance Committee. The "audit opinion" of the control environment, including IT governance, given in the annual report feeds into the Annual Governance Statement.

The Strategic Risk Register has been adopted by the Audit and Governance Committee. The register is reviewed quarterly by the Internal Audit Manager and the Corporate Management Team and any changes are reported to the Audit and Governance Committee.

Corporate Management Team

The roles of this team are to provide strategic management and planning, oversee priority and budget setting, service planning and performance management. The team provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, develops relationships with key stakeholders.

Individual members of the team are responsible for the performance of their relevant department/service area, progress of their relevant portfolio themes and liaison with portfolio holding members.

The Corporate Management Team gives consideration to the Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.

Consideration was given by the Corporate Management Team to any significant non-delivery of strategic objectives, potential exposure to loss through fraud, corruption or error and litigation through non-compliance. No instances were identified as significant governance issues.

Audit and Governance Committee

The Audit and Governance Committee is responsible, amongst other things, to carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk. This is with a view to providing assurance on the adequacy and effectiveness of internal controls, risk, financial and performance management, fraud detection and prevention and the work of Internal Audit.

The Audit and Governance Committee reviews reports submitted by the Head of Internal Audit including the Annual Governance Statement, Internal Audit provision, all internal audits and the Strategic Risk Register. It also considers the draft annual financial statements including the Annual Governance Statement in June and then the final statements following audit in September

Scrutiny Committee

The Scrutiny Committee meets to review the delivery of services as a result of previous council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Scrutiny Committee reviews the delivery of services and performance and supports the work of the Cabinet and the Council as a whole. It allows Councillors outside the Cabinet and members of the public to have a greater say in Council matters by investigating issues of local concern. It also acts as the Council's Crime and Disorder Committee to look at the formulation and implementation of the Crime and Disorder strategies.

Cabinet

The Cabinet is responsible for most day-to-day decisions of the Council. The Cabinet is made up of the Leader of the Council and 5 Councillors from the majority political group, the Liberal Democrats. Each member is assigned portfolios identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers.

The Shadow Cabinet is made up of 7 members of the Opposition, the Conservative group, with each member similarly being assigned portfolios.

Cabinet considers the External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports. It also sponsors and recommends adoption of the accounts.

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Heads of Service, the monitoring officer and Eastbourne Homes Ltd. Once completed their contents are used to inform the governance statement.

Four Managers' Assurance Statements mentioned minor concerns around capacity. It is acknowledged that with shrinking economic resources the capacity profile of the organisation has changed and this needs to be considered as part of ongoing and future restructures and changes in service delivery. However, it is felt that this does not currently represent a significant governance issue.

External Reviews

The external auditor's Annual Audit Letter and other commissioned audit reports are presented to, and considered by, the Audit and Governance Committee.

Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection, which impact on the governance framework are taken into consideration when preparing the Annual Governance Statement.

Eastbourne Homes Ltd

Governance arrangements at Eastbourne Homes Ltd (EHL) are also considered. Reviews are carried out and reports written by the internal and external auditors engaged by EHL which are reported to their own Audit Committee and Board. Ad hoc reviews are carried out on EHL systems by the internal auditors of the council. At the end of year the Audit Committee of EHL have a minuted disclaimer concerning fraud and corruption. EHL are also required to complete an assurance statement at the end of each year which helps inform the Annual Governance Statement.

STATEMENT

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2012/13

Area	Issue	Actions Planned	Update
Theatres Reconciliations	Monthly reconciliations had not been carried out	Work is being carried out to ensure that reconciliations for the year are carried out retrospectively and any variances investigated. Reconciliations are now being carried out on a monthly basis.	This is an annual review. The review carried out at the end of 13/14 showed that reconciliations have been carried out on a monthly basis during the year. ADDRESSED

SIGNIFICANT GOVERNANCE ISSUES 2013/14

Internal controls across the authority were generally found to be sound. However the following exceptions are noted;

Area	Issue	Actions	Milestones/Expected date of actions
Catering	Control weaknesses identified when the service was taken back in-house.	<p>The service has been reviewed by Internal Audit and ongoing monitoring of the progress of recommendations made will be made until they are addressed.</p> <p>Work on addressing the recommendations is already progressing. A restructure has been carried out and additional resources identified through Service and Financial Planning.</p>	Quarterly follow ups to be undertaken by Internal Audit and reported to Corporate Management Team and the Audit and Governance Committee.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

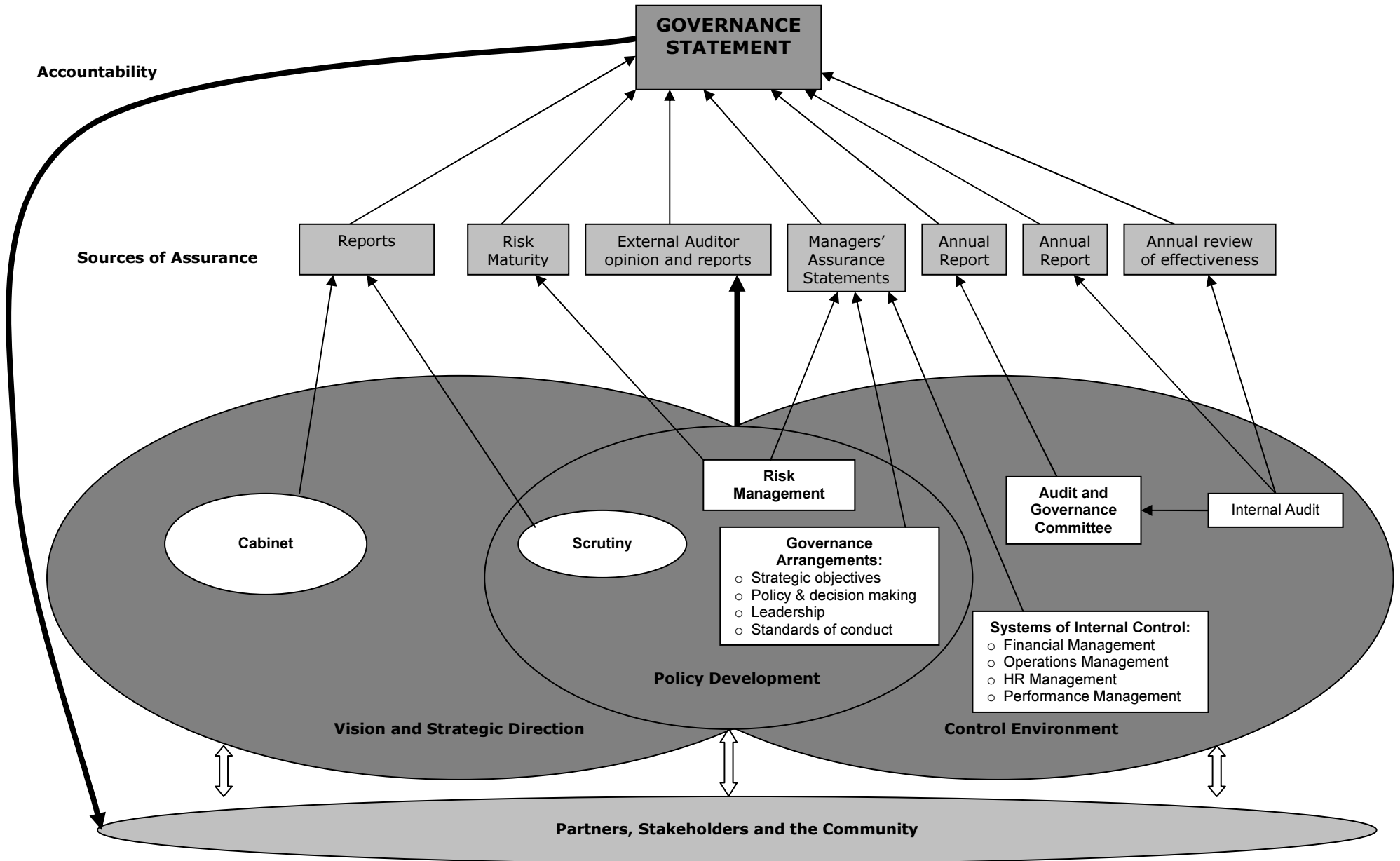
Signed on behalf of Eastbourne Borough Council:

.....
 Leading Member

.....
 Chief Executive

Date:

APPENDIX 1



This page is intentionally left blank

Appendix 2

ANNUAL GOVERNANCE STATEMENT TIMETABLE

Deadline	Responsibility	Action
Throughout year		1/4ly updates of the Strategic Risk Register
	Internal Audit Manager	Internal Audit reports
	BDO	External Audit reports
	All Managers	Management reports
		Other sources of assurance
April/May	All Managers	Managers Assurance Statements completed (to include RIPA statement)
	Chief Finance Officer	Preparation of the Annual Governance Statement
	CMT	Annual Governance Statement considered
June	Internal Audit Manager	Internal Audit Annual report presented to Audit and Governance Committee
	Internal Audit Manager	Compliance with Public Sector Internal Audit Standards to be presented to Audit and Governance Committee.
	Chief Finance Officer, Leader and Chief Executive	Annual Governance Statement signed by Leader and Chief Executive
	Audit and Governance Committee	Annual Governance Statement published

This page is intentionally left blank

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
1.	<p>Services are planned and managed to implement the priorities of Eastbourne Borough Council.</p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> • Service plan aligned to the Council's priorities • Plans in place to monitor the quality of service to users and seek continuous improvements • Making best use of resources to ensure excellent service and value for money is achieved • Dealing effectively with any failures in service delivery. 						
2.	<p>There are good working relationships with Members and officers responsibilities are clearly defined.</p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> • Statutory Officers have clearly defined scope and status to fulfil their roles • Delegated powers are clearly defined and understood • Member/officer protocol operates effectively in practice • Partnership governance arrangements are clearly defined and appropriate 						

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
3.	<p>The values of good governance are demonstrated and high standards of conduct and behaviour.</p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> • Effective communication to all staff of the code of conduct, standing orders, Financial Procedure Rules, Contract Procedure Rules and Anti Fraud and Corruption Policy • Effective performance management of staff and regular appraisals • The Council's values are understood and promoted 						
4.	<p>Management decision making and advice to Members are well founded and involve consideration of professional advice and identified risks.</p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> • Effective arrangements to ensure data quality (complete, accurate, timely and secure) • The internal control framework operates effectively • Professional advice is obtained where appropriate and is recorded • Risk management operates effectively in strategic, 						

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
	project and operational areas <ul style="list-style-type: none"> • Decisions made are in accordance with delegated powers and the Council's constitution • Arrangements are in place to obtain assurance on the management of key risks 						
5.	<p>The capacity and capability of officers has been developed to ensure effective performance.</p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> • Training and development of staff • Workforce planning to ensure there are adequate staffing levels • Statutory officers have sufficient resources to fulfil their role 						
6.	<p>Robust public accountability is ensured by engaging with local people and stakeholders</p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> • Arrangements to communicate with relevant sections of the community • Undertaking effective consultation with public and other stakeholders • Consultation with staff and engagement in decision making is undertaken 						

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
7.	Adequate processes have been put in place for the safeguarding of children and vulnerable adults.						
8.	Adequate action has been taken to ensure compliance with the requirements of the Bribery Act. Demonstrated through: <ul style="list-style-type: none"> • Proportionate procedures have been put in place to prevent bribery • The risks of bribery have been assessed and added to the departmental risk register • Procedures and risks are regularly monitored and reviewed. 						
		Yes	No	Considered but not used			
9.	Have you had reason for using/considering using surveillance which would fall under RIPA?						
		Yes	No	If yes, please give details			
10.	Are you aware of any frauds over £10k that have not already been informed to the Internal Audit section.						

BODY: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **25 June 2014**

SUBJECT: **Annual Accounts 2013/14**

REPORT OF: **Financial Services Manager**

Ward(s): All

Purpose: To present the annual accounts for 2014/15

Contact: Pauline Adams, Financial Services Manager Tel: 01323 415979.

Recommendations: Members are asked to note the draft annual accounts for 2013/14.

1.0 Introduction

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

1.2 It is the Chief Financial Officer's (CFO) responsibility to ensure 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 CFO is also responsible for certifying that the accounts represent a true and fair view of the authority's financial position by 30 June.

1.3 The responsibility for the formal adoption of the accounts has been delegated to this Committee and the accounts together with any audit amendments will be presented back to this committee prior to the September deadline so that members can comply with this duty. This responsibility is intended to enhance the corporate accountability and ownership of the finances of the authority. It is also a requirement under the Accounts and Audit Regulations for the person presiding at the Committee at which approval is given to sign and date them.

1.4 The Statement of Accounts is to be considered by the Cabinet on 16 July 2014 and any comments from this Committee will be reported verbally.

2.0 Format of the Statement of Accounts

2.1 The format of the Statement of Accounts has been prepared in line with the requirements of the Code and related guidance notes.

2.2 The draft statement of accounts is circulated separately and an overview and key points of interest is attached at Appendix 1.

2.3 There have been no major changes to the Code this year.

However the following few minor changes have been included in the 13/14 final accounts preparation:

- Presentational change to Comprehensive income and Expenditure account (CI&E) for pension's net interest. The key change is that the interest cost and expected return on assets components of profits are now combined into a net figure. These pensions' entries have no effect on the bottom line surplus or deficit charge to Council taxpayers as they are all reversed out on the Statement of Movement in Reserves. The 2012/13 CI&E has been restated for comparison purposes.
- Termination benefits are now recognised when the organisation recognises related restructuring costs rather than when demonstrably committed. There were no implications for 13/14 accounts of this earlier timescale.
- As from 1 April 2013 the Local Government Finance Regime was revised with the introduction of the Retained Business Rates scheme. The scheme allows Eastbourne Council to retain a proportion of the total NNDR income received. The remainder of the NNDR income is shared with Central Government (50%), East Sussex County Council (9%) and East Sussex Fire Authority (1%)

Prior to 1 April Business Rates income was treated as an agency agreement and was only accounted for as a government creditor or debtor on the balance sheet. Business Rate income was redistributed from the national pool as part of the formula grant which was shown on the CI&E as government grant.

As well as now accounting for Business Rate income directly, the new arrangements introduced a baseline funding level for all Councils as part of the Local Government Finance settlement in January and any Business Rates income in excess or below this baseline is subject to either a tariff or top-up payment to/from Central Government. The net figure is shown on the CI&E as Retained Business Rate Income.

The accounting entries within the Collection Fund have also changed to reflect the new accounting requirements, and are now more in line with Council Tax accounting creating a surplus or deficit at year end which will be apportioned to the relevant precepting authorities in the next financial

year in their respective proportions.

- New requirement for a provision for the payment of backdated business rates appeals. Before the introduction of the retained business rate scheme, refunds resulting from successful appeals would have been picked up by central government, however under the new system 40% of this cost is the responsibility of Eastbourne Council. A new provision has therefore been established to offset the liabilities resulting from future appeal results.
- From 1st April 2013, Local Council Tax Support Schemes replaced Council Tax Benefit. Council Tax bills are now sent to residents based on the agreed Local Scheme. This change has reduced the Council Tax base number of Band D properties by more than 4,500 from that for 2012/13. The key change for the Council is that a grant is paid to the General Fund to replace the old Council Tax Benefit Subsidy paid into the Collection Fund.
- The measurement for the impairment of doubtful debts (provision for bad debts) has been strengthened and now has to be based on past experience of likely recovery of the type of debt rather than the traditional prudent approach. This has resulted in lower impairment values being carried on the balance sheet.

These changes are also explained within the Foreword of the Statement of Accounts.

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

3.0 Financial Results

3.1 The provisional outturn for the general fund, HRA and capital was reported to the Cabinet on 14 May 2014. An analysis of the Council's financial activity of the year 1 April 2013 to 31 March 2014 can be found in the Foreword of the Statement of Accounts and the key issues are outlined in the overview attached at Appendix 1.

4.0 External Audit

4.1 The 2013/14 Statement of Accounts is still subject to external audit by BDO LLP and the outcome of the audit will be reported back to this committee at its September meeting. Any significant subsequent changes to the Statement also will be reported at that time.

4.2 BDO are due to start their audit work on 7 July 2014.

5.0 **Consultation**

5.1 The accounts will be open for public inspection between 7 July and 1 August 2014 when any taxpayer of the Borough is entitled to come, inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts related to those accounts. The date set for questioning the external auditor has been set as 4 August 2014 until the end of the audit. All queries and questions must be put in writing to him and sent directly to his offices.

6.0 **Summary**

6.1 Members are asked to note the annual accounts for 2013/14.

Background Papers:

The Background Papers used in compiling this report were as follows:

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and Guidance notes for practitioners.

2013/14 Final Accounts working papers.

Overview of the 2013/14 Statement of Accounts.

Introduction

1. The content and format of the accounts is as prescribed in the Accounting Code of Practice (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Under the oversight of the Financial Reporting Advisory Board.
2. The code is based on approved accounting standards issued by the International Accounting Standards Board except where these are inconsistent with specific statutory requirements. The code constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.
3. This overview summarises the contents of the accounts and draws Members' attention to the reasons for any significant variances in the 2013/14 position when compared to 2012/13.

Explanatory Foreword and Key Points of Interest

4. The foreword provides a brief summary of the outturn on the revenue and capital budget and sets out the context in which the accounts are produced giving rise to the financial position shown as at 31 March 2014.
5. The total general fund underspend for the year was £365,740. This differed from the provisional outturn for the year reported to Cabinet on 29 May 2013 due to an adjustment for movements in bad debt provision, additional government grant for small rate relief. Cabinet and an change in business rate income due for the year as there is no levy payable to central government.

Statement of Responsibilities

6. This sets out the respective responsibilities of the Authority and the Chief Finance Officer (Section 151 Officer) in relation to the production of the final accounts.

Auditors Report

7. The External Auditors will provide an independent opinion as to whether the statement of accounts presents fairly the financial position of the Council at 31 March 2014 and its income and expenditure for the year. Following approval of the accounts by Members the External Auditor will issue his report for inclusion in the final published accounts.

Movement in Reserves Statement

8. This statement shows the movement in the year of the different reserves held by the Council, including both usable and unusable reserves. (Unusable reserves are technical adjustment accounts to record notional assets and liabilities such as pensions, revaluations etc.)

Comprehensive Income and Expenditure Account

9. The comprehensive income and expenditure account shows, in the format required by the Code, all day-to-day expenses and related income on an accruals basis incurred in providing all services for the year. The deficit/surplus is akin to that of a large unlisted UK company and does not reflect the balance on the General Fund, which is shown on the statement of movement on reserves.
10. In order to reflect the cost of utilising assets in the provision of services, as required by the Code, gross expenditure on operations includes charges such as depreciation and the write off of revenue expenditure financed from capital under statute (REFFCUS). (This is where expenditure is incurred that does not relate to an asset in the ownership of the Council, such as improvement grants). However, these adjustments are not intended to impact on the council Taxpayer and their effect is therefore neutralised by entries reflected in the Movement in Reserves Statement. These ensure that the council tax is charged only with the interest costs of borrowing and the statutory provision for the repayment of debt.
11. Similarly the cost of retirement benefits is included in the net cost of services when they are earned by employees, rather than when the benefit is paid out as pension. The impact of the notional charge (which is a requirement of IAS19) is reversed out in the Movement in Reserves Statement and replaced by actual employer contributions to the pension fund.
12. After taking all these reconciliation items into account the transfer to the general fund balance was £365,740, which at 31 March 2014 stands at £4.687m

Balance Sheet

13. The balance sheet sets out the financial position of the Council as at 31 March 2014. The statement shows the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and current assets employed. The key points of interest are shown in the table below together with an explanation of the major variances.

14. Key points of Interest

Item	31.03.13 £'000	31.03.14 £'000	Change £'000
Creditors (money we owe)	(10,614)	(10,341)	(273)
Debtors (money owed to us)	7,957	12,450	4,493
Fixed Assets	251,211	241,440	(9,771)
Pensions Liabilities/Reserve	28,845	35,349	6,504
Long Term Investments	0	1,150	1,150
Cash	7,157	1,125	6,032
Borrowings	(39,490)	(41,494)	2,004
Collection Fund	(24)	1,230	(1,254)
Earmarked Reserves	(3,444)	(5,841)	2,397
General Fund Balance	(3,919)	(4,687)	768
Housing Revenue Account	(2,179)	(2,704)	525

15. The change to debtors is due to the amount owed by central government in relation to Housing Benefit Subsidy (£0.4m), central government and precepting authorities for their share of the NNDR Collection Fund deficit (1.8m) and long term loans for Site 6 Sovereign Harbour (0.85m) and the Local Authority Mortgage Scheme (£1m).
16. The value of fixed assets has decreased due to routine financial adjustments for impairments based on reviewed valuations provided by our external advisor.
17. Pensions to changes in actuarial assumptions.
18. Long term investment has increased due to the recent investment in WEL.
19. Cash has decrease as internal funds are being used to cover the cost of capital expenditure rather than borrowing externally.
20. The increase in Earmarked reserves is due to the transfer of the grant received for Waste Collection (£1m) and New Home Bonus (£0.5m) pending future use, together with the planned transfers in line with the budget strategy for the Capital Programme reserve (£0.5m) and the Housing Regeneration and Investment Reserve (£0.5m).
21. The variances on the general fund, Housing Revenue account and Collection Fund are explained elsewhere in this report.

Cash Flow Statement

22. This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Notes to the Core Financial Statements

23. The notes to the core financial statements are intended to provide supporting information to the figures shown in both the income and expenditure account and the balance sheet. They have been prepared in accordance with the Code.

Housing Revenue Account

24. The housing revenue account and accompanying notes represents the income, expenditure and government subsidy incurred in operating the Council's housing stock. The surplus for the year was £525,462 and the housing revenue account balance as at 31 March 2014 was £2.7m.

Collection Fund

25. The collection fund and accompanying notes account independently for income relating to council tax and non-domestic rates on behalf of all precepting bodies (i.e. the authorities for which the income has been raised, including the Council's own general fund).

26. The overall deficit on the Collection Fund is £3.127m which is recoverable from central government and each precepting authority. This balance is separated on the Balance Sheet between the authorities to reflect this Council's own financial position rather than a group position of the Collection Fund authorities.

27. The council tax element of £0.079m will be recovered in proportion to each bodies Band D Council Tax during 2014/15 and 2015/16.

28. The introduction of the Business Rates retention scheme has changed the way in which Business Rates are accounted for within the Collection Fund, in the past all balances were the responsibility of central government and any deficit or surplus was shown as a debtor or creditor, as from 1 April 2013 any deficits or surpluses are distributed amongst each authority in the following years. This change as created a deficit balance on Business Rates of £3.048m which will be recovered in the proportion of 50% from central government, 40% from this Council, 9% from East Sussex County Council and 1% from East Sussex Fire Authority during 2014/15 and 2015/16.

Group Accounts

29. The Council is required to show the material interest that it has in any subsidiary and associated companies. The group accounts are structured in line with the authorities' core accounting statements and are accompanied by notes in the same way. IT has been identified that the only requirement for consolidation is with Eastbourne Homes Ltd. Group are not included at this time however they submitted to the auditors along with the main statement at the end of June.

This page is intentionally left blank