

Wednesday, 24 September  
2014  
at 6.00 pm



# Audit and Governance Committee

Present:-

**Members:** Councillor Ungar (Chairman) Councillors Mattock, Cooke, Harris, Heaps, Tester and Belsey (as substitute for Taylor)

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## **11 Minutes of the meeting held on 25 June 2014.**

The minutes of the meeting held on 25 June 2014 were submitted and approved and the Chairman was authorised to sign them as a correct record.

## **12 Apologies for absence.**

Apologies for absence were reported from Councillors Ede and Taylor.

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

None were declared.

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

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

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

The Monitoring Officer reported that an enquiry into the standards system in the House of Commons by the Parliamentary Standards Committee was currently ongoing. It had been recommended that there be a tightening up on rules relating to its members by the House of Lords Privileges and Standards Committee. Whilst it was expected that the Standards regime would be kept under review by future Parliaments, no legislative change was currently planned.

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

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

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

The Committee was advised that for the period from June 2014 to August 2014 no applications were made under the Act.

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

## **16 Corporate Fraud.**

The Committee considered the report of the Internal Audit Manager regarding the Corporate Fraud Team.

From November the Single Fraud Investigation Service (SFIS) run by the Department for Work and Pensions (DWP) would take over the investigation of housing benefit fraud for Eastbourne. As a result, the staff from the Fraud Investigation team would transfer to the DWP. Although not compulsory, the Council was actively being encouraged to investigate corporate fraud however the Council currently had no resources to carry out the work.

A report to the Council's Corporate Management Team (CMT) on 24<sup>th</sup> June had considered the ramifications of the implementation of the Single Fraud Investigation Service and the opportunity to create a Corporate Fraud team. It was agreed by CMT to retain all the Fraud Investigation team staff to carry out the work not taken over by SFIS and the corporate fraud work. This was ratified for the current financial year in consultation with the Leader of the Council and the Portfolio Holder for Finance.

The Fraud Investigation team cost around £270k per annum and this was funded through the Administration Grant. The Committee was advised that while the grant had been paid in full for this financial year it would be reduced for 2015/16 and cease completely for 2016/17. Other sources of funding would therefore need to be considered. A bid had been submitted in co-operation with neighbouring authorities to secure some funding from government for corporate fraud teams. Further details of possible sources of income were detailed in the report.

Following approval, from 1<sup>st</sup> November 2014, the staff from the Benefit Fraud Team would become the Corporate Fraud Team and begin work on setting up processes and start carrying out work on trial areas. Proposals for continuing this work in 2015/16 would form part of the Service and Financial Plan which would be taken to Cabinet in December.

The Committee was advised that work needed to be carried out on job descriptions and person specifications for those affected. It was also essential that a strategy and plan of work for November to the end of March be put in place. As the Council did not have any experience of this work,

research must be undertaken to decide the appropriate course of action to complete this work.

A copy of the draft action plan which detailed steps required in setting up the new section was appended to the report. The Committee was advised that should members have any comments regarding the steps in the action plan, they could be emailed to the Internal Audit Manager following the meeting. The Committee were further advised that progress on work would now be reported quarterly to the Audit and Governance Committee.

The Internal Audit Manager was asked regarding possible funding and whether money saved following discovery of a fraud could be moved to the fraud team. The Internal Audit Manager responded that money would not be moved and although it was important for the team to show income, it was important to show the benefits that the team was giving the Council as a whole. The Committee was advised that more research would be undertaken, as indicated by the draft action plan.

The Committee welcomed the proposals to address corporate fraud, following comments from Mr Lloyd Thomas, BDO at the last meeting that the Council needed stronger counter fraud measures to tackle corporate fraud.

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

## **17 Internal Audit Report to 30th June 2014.**

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the first quarter of the financial year 2014/15.

Audit work carried out to date against the audit plan to the end of June 2014 was set out in appendix A. The Internal Audit Manager made reference to the main point from the appendix which was the annual audits for BDO and the number of days taken to carry out the work which referred to the last financial year but was carried out in this financial year.

A list of all final audit reports issued from 1 April to 30 June 2014 and the level of assurance attained were detailed in the report. The Committee was advised that during this quarter, no reports had been issued with an assurance level of inadequate.

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

A brief explanation for a number of outstanding high and medium priority recommendations from audits, reasons why they had not been implemented along with the month when the next follow up date was due were set out in appendix C.

The comments made by the Corporate Management Team and officers following consideration of outstanding high risks were set out in appendix D. Appendix D was designated as "confidential" to reduce the risk of

opportunities to commit fraud. The Internal Audit Manager reassured the Committee that the recommendations detailed in Appendix D were being actioned.

The Committee was advised that no frauds over £10K had been reported in the first quarter of 2014/15.

The Internal Audit Manager reported that the recruitment of a replacement IT Auditor had commenced and a preferred candidate had been contacted and they had verbally accepted the role. The Committee was advised that the time spent training that individual would impact on the completion of the audit plans/IT audits and this would be reported at the next meeting of the committee.

The Committee was advised that due to the authority's continuing move towards shared service arrangements or joint contracts and the prospect of more being set up, the subject of auditing these was raised at the Sussex Audit Group. It was proposed to the Group that a protocol be drawn up for auditing shared services/joint contracts so that there was a set process followed, giving assurances to Members, managers and audit teams that such reviews would be carried out with the full knowledge of all involved.

This idea had been agreed and a draft protocol was created, presented to and supported by the Sussex Audit Group. Neighbouring authorities such as Rother, Wealden and Lewes have agreed to adopt the protocol, a copy of which was appended to the report.

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

**(2)** That the Auditing Protocol for Shared Services/Joint Contracts be adopted for Eastbourne Borough Council.

## **18 Annual Governance Report 2013/14.**

The Committee considered the report of the External Auditors BDO regarding the Annual Governance Report which detailed the key elements of the systems and processes of the Council's governance arrangements.

Mr Lloyd-Thomas was in attendance to present the report and respond to Members' questions. The report was presented in accordance with the Audit Commission's Code of Audit Practice which required BDO to communicate key findings of their audit of the accounts and use of resources prior to issuing an opinion on the accounting statements and value for money conclusion.

The Committee was given an overview of the key findings from the audit on financial statements, control environment, governance reporting, Whole of Government Accounts (WGA) and use of resources. A number of issues had arisen as a result of the audit although these had no material effect on the Council balances. Further details were contained in the report.

Mr Lloyd-Thomas reported that regarding use of resources the Council had very ambitious plans, working with the private sector to build an

infrastructure and had the funds available to do so. He hoped that this would continue in the future.

Mr Lloyd-Thomas confirmed that BDO were satisfied with the proper arrangements to secure economy, efficiency and effectiveness, the Council had put in place. As a result an unqualified value for money conclusion would be issued.

The Committee expressed their thanks to Mr Lloyd Thomas and BDO for its diligent report and work undertaken for the audit.

**RESOLVED:** That the Annual Governance Report for 2013/14 be noted.

## **19 Statement of Accounts 2013/14.**

The Financial Services Manager presented the annual accounts for 2013/14. It was reported that a number of changes had been made to the draft accounts approved in June, although they had no effect on the overall balances of the Council and these were outlined in the report. A revised copy of the statement of accounts was appended to the report.

BDO had indicated that an unqualified audit opinion on the Council's accounting and group accounting statements would be issued before the statutory deadline of 30 September 2014.

Mr Lloyd-Thomas, BDO expressed his thanks to the Council's finance team for their co-operation throughout the process.

The Committee expressed its thanks to the Chief Finance Officer, the Financial Services Manager, and their team for their significant efforts in producing accurate accounts and in achieving closure by the required deadline.

**RESOLVED: (Unanimous) (1)** That the action taken in respect of the non-trivial but not material errors identified by External Audit be agreed.

**(2)** That the final audited accounts for 2013/14 be approved.

**(3)** That delegated authority to the Chief Finance Officer to make minor amendments to the Statement of Accounts be approved.

**(4)** That the thanks of this Committee be conveyed to officers in the financial services team in appreciation of their continued efforts for producing accurate accounts and in achieving closure by the required deadline.

The meeting closed at 7.05 pm

**Councillor Ungar (Chairman)**