

Wednesday, 3 December
2014
at 6.00 pm



Audit and Governance Committee

Present:-

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

20 Minutes of the meeting held on 24 September 2014.

The minutes of the meeting held on 24 September 2014 were submitted and approved and the Chairman was authorised to sign them as a correct record.

21 Apologies for absence.

Apologies for absence were reported from Councillors Ede and Heaps.

22 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.

23 Update: Individual Electoral Registration.

The Committee received a verbal presentation from the Electoral and Land Charges Manager on the recently implemented Individual Electoral Registration (IER) system.

IER represented the biggest change to voter registration in 100 years. Following implementation on June 2014, every individual was now responsible for their own voter registration where previously the 'head of household' was responsible for registering everyone who lived at an address. Individuals were now able to register to vote online and were now required to provide a few more details when registering to vote including their National Insurance Number and date of birth. Applications were sent to the Department for Work and Pensions (DWP) for verification and should an application fail, it would go through the verification exception process where an applicant would be required to provide other prescribed forms of identification.

The majority of the electorate in Eastbourne had been automatically transferred over to the new IER system following verification with DWP. The Committee were advised that 15,799 electors returned as partially matched

or no match. 7,832 electors from this group had since been transferred over to IER following a further match with Council tax and benefits data.

The Electoral and Land Charges Manager outlined the correspondence with those electors who had been rejected through the process that included invitation to register letters being posted and canvassers visiting properties, where an elector was required to supply a date of birth and National Insurance number.

IER was funded by central government and Eastbourne Borough Council had received funding of £62,333 that covered the whole process.

The implementation of IER had led to an extremely busy period for Electoral Services, especially during the summer months of 2014 where they were receiving up to 1,000+ calls a day. The Electoral Administration software used by Electoral Services had to be almost completely rewritten, which had an impact on the timetable of work for those involved. Additional temporary staff were brought in to assist with the IER process and one of them visited the Borough's residential care homes.

The first IER register was published on the 1 December 2014 and the Electoral and Land Charges Manager reported that the electorate for Eastbourne was 73,132 which was on par with previous registers. The Committee was advised that no individual would be removed from the electoral register for not registering under IER. A date would be set by Government following the May 2015 elections for removing these individuals should they fail to register.

Electors who previously held a postal or proxy vote must be registered under IER for the 2015 elections or their vote would be deleted and they would need to vote at a polling station. Only 200 absent voters had not yet been registered under IER. Party agents would be entitled on a set date to a list of electors, indicating those not registered under IER.

The Committee was advised that work would take place to assess the accuracy of the register and there was a possibility that additional funding would be granted to fund a form of canvass in the New Year. It was reported that problems could be encountered should political parties and party activists send out postal vote applications without knowledge of whether that elector was registered under IER and giving out incorrect information. Following a question from the Committee the Electoral and Land Charges Manager advised that all party agents would be briefed outlining these concerns.

In response to a question on whether electors would now be required to bring their polling card to polling stations when voting or a similar form of identification, the Electoral and Land Charges Manager responded that there were currently no plans nationally to introduce this requirement.

The Committee was advised that there was prescribed legislation that outlined what electoral data could be used for. It was possible that should a property be discovered to be empty through the registration process, that property could be added to the empty properties list. For the majority of

cases information on empty properties was sourced from other Council data.

The Committee expressed their thanks to the Electoral and Land Charges Manager for her presentation and asked that thanks be passed on to the Electoral Services team for their hard work during the integration of IER.

NOTED.

24 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 since the last quarterly report.

A training session involving members of Licensing Committee took place in October 2014, which provided a recap of the Code of Conduct and also on decision making in a Committee environment. It was reported that the feedback from this session was markedly positive and elements from the session found particularly useful would be featured consistently in future training sessions. A plan was currently being formulated for induction sessions following the Borough Council elections in May 2015.

A further update on Standards related matters, notably the Committee on Standards in Public Life (CSPL) was contained in the report.

RESOLVED: That the information in relation to complaints against members, dispensations issued to members, member training and the update on Standards related matters be noted.

25 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 September 2014 to December 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 December 2014.

26 Annual Audit Letter 2013/14.

The Committee considered the report of BDO regarding the Annual Audit Letter which set out the key findings of audit work for 2013/14. The report summarised the results of the audit work in respect of the Council's

financial statements, financial resilience and the arrangements for securing economy, efficiency and effectiveness in its use of resources.

Ms Janine Combrinck representing BDO was in attendance to present the report and respond to Members' questions.

With reference to the Statement of Accounts, a number of presentational misstatements had been identified and corrected during the audit but were not considered to have a material impact on the audit opinion. An unqualified audit opinion on the Council's financial statements had been issued on 24 September 2014.

The Council has maintained a healthy level of earmarked reserves and balances. As a result an unqualified value for money conclusion had been issued on 24 September 2014. The budget for 2014/15 indicated a saving requirement of £1.6m which the Council hoped to achieve through efficient savings, income generation schemes and reduced contribution to reserves of £0.8m.

The audit had concluded that the Annual Governance Statement which set out the key elements of the systems and processes of the Council's governance arrangements was compliant with the required CIPFA Code of Delivering Good Governance.

The review undertaken of the Housing Pooled Capital Receipts return had indicated no issues to report. Work on the Housing Benefits subsidy claim for 2013/14 was currently in progress.

Certification fees had been reduced from £22,350 to £12,592 this year to reflect the reduced work required for housing benefits, council tax benefits and non-domestic rates NDR income. It was reported that additional testing had been undertaken on the financial statements this year and BDO were currently discussing with the Audit Commission a small increase in the scale fee. The final fee outturn would be reported once an agreement between BDO management and the Audit Commission could be made.

The Committee were pleased with the contents of the report which demonstrated the positive working partnership between Eastbourne Borough Council and BDO.

RESOLVED: That the Annual Audit Letter for 2013/14 be noted.

27 Internal Audit Report to 30th September 2014.

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

A list of all final audit reports issued from 1st April to 30 September 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.

Audit work carried out to date against the audit plan to the end of September 2014 was set out in appendix A. The Internal Audit Manager made reference to the main point from the appendix which was the review of Government Connect, which was originally carried out as four separate reviews but was later collated into one and took longer than anticipated. It was reported that it was highly unlikely that all reviews on the plan would be completed this year. This was due to the IT Auditor leaving the authority and time being undertaken to train a new member of staff and set up the Corporate Fraud team.

The report set out in order of risk, based on a risk assessment undertaken last year, the reviews that had not yet commenced. The Committee agreed that when any time was available, work would be spent on reviews in the order listed in the report. The Committee was assured that any reviews which were not carried out this year would be automatically transferred into next year's audit plan.

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. Key items from the appendix was set out in the report.

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 Committee was advised that one fraud over £10K had been reported in the second quarter of 2014/15 and this was detailed in the report.

The Internal Audit Manager reported that work was ongoing for the transfer of staff from the Benefit Fraud team to the new Corporate Fraud team as of 1 November 2014. Job descriptions and person specifications for the team had been updated and were currently with the Council's Human Resources department.

The Committee was advised that the Anti-Fraud and Corruption policy had been updated to reflect the new team and these changes were detailed in the report. The full policy document was appended to the report for approval. In addition to this, a Corporate Fraud Policy had been created that explained the culture, objectives and role of the Corporate Fraud team. This policy document, appended to the report would be reviewed annually. It was requested that this policy be adopted as it currently stands as there had yet to be clarification from the Department for Work and Pensions (DWP) over the work on Housing Benefits Pensions and the remit of the single point of contact post. The Committee was advised that once information was received from the DWP, the policy would be fully updated and brought back to the committee for approval.

Progress against the Corporate Fraud Action Plan, included in the report to Audit and Governance Committee in September 2014 was included at Appendix G to the report. The Committee were advised that the Council's Corporate Fraud Investigations Manager would attend the next meeting of the Committee and form part of the next internal audit report.

The Internal Audit Manager reported that Eastbourne Homes were considering options for the provision of Internal Audit Services as their current contract was due to expire. The Committee were advised that the Internal Audit function had been requested to prepare a business case to propose providing this service. Should the proposal be accepted, it was anticipated that 0.5 full time equivalent would be required to cover the extra audit work. For reporting purposes, audit plans would take into account both areas of work. The Chief Finance Officer added that it was anticipated this proposal would be accepted.

The Committee discussed the internal review of Events that had been awarded an assurance level of adequate. The Committee asked whether the review should be downgraded due to the issues detailed in appendix B potentially being high risk, particularly as temporary staff were hired for these events. The issues noted included no reconciliations of car parking tickets, beer festival tokens and copies of receipts for cash taken from traders at events not being retained. The Internal Audit Manager responded that the temporary staff hired for these events did not carry out reconciliations but a check was undertaken when the income was totalled for each event, although it was acknowledged this check could be improved. Income for each event was largely consistent.

The Committee then discussed the issue of purchase orders not being raised at the time an order is placed which had been featured on several internal audit reviews. The Internal Audit Manager advised that email reminders were consistently circulated across the authority and that invoices were not paid unless purchase orders were raised.

The Committee was advised that a follow up review would be undertaken of Events and it was agreed that should issues continue to arise as detailed in appendix B, the relevant officer for that area would be invited to attend and address a future meeting of the Committee.

It was requested that a review be undertaken of the robustness and resilience of the Council's IT system as issues had been encountered with the telephone system and Councillor iPads. The Internal Audit Manager responded that this would be added to next year's audit plan.

RESOLVED: (1) That the report be noted.

(2) That work on outstanding reviews be undertaken in order of risk outlined in the report.

(3) That the changes to the Anti-Fraud and Corruption policy be approved and that the new Corporate Fraud Strategy be adopted.

28 Treasury Management Mid-year Review Report.

The Committee considered the report of the Chief Finance Officer regarding a mid-year review of the Council's treasury management activity for 2014/15.

The report had been prepared in compliance with CIPFA's code of practice on treasury management and provided an economic update for the first six months of the year. The report reviewed the council's treasury management strategy statement and annual investment strategy, its capital expenditure, investment portfolio, borrowing strategy, debt rescheduling and compliance with treasury and prudential limits. Further details were contained in the report.

The Committee was advised that investment rates available in the market continued at a historical low point. Temporary funds of £4.9m was available for investment purposes in the first six months of 2014/15 arising from the timing of precept payments, receipt of grants and progress on the capital programme. A breakdown of the Council's investment portfolio during the first six months was appended to the report.

The Annual Investment Strategy set out the Council's policies for managing investments with the priority aims to obtain the optimum level of return on investments consistent with the proper levels of security of capital and liquidity.

The strategy, which was incorporated within the Treasury Management Strategy Statement, had been approved by Cabinet on 5 February 2014. In the context of the considerable uncertainty and volatility in the financial and banking market the strategy was still considered fit for purpose in the current economic climate.

The Committee was advised that the Council had recently changed bank accounts from The Co-operative Bank to Lloyds Bank PLC. The Senior Accountant reported that the transfer had encountered no issues.

RESOLVED: That the report be noted.

The meeting closed at 7.17 pm

Councillor Ungar (Chairman)