

Wednesday, 24 June 2015  
at 6.00 pm



# Audit and Governance Committee

Present:-

**Members:** Councillor Swansborough (Chairman) Councillors Choudhury,  
Di Cara, Dow, Holt, Smart and Taylor

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## **1 Minutes of the meeting held on 11 March 2015.**

The minutes of the meeting held on 11 March 2015 were submitted and approved and the Chairman was authorised to sign them as a correct record.

## **2 Apologies for absence.**

An apology for absence was reported from Councillor Sabri.

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

None were declared.

## **4 Internal Audit Report to 31st March 2015.**

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

A list of all final audit reports issued from 1st April to 31 March 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 was set out in appendix A. The Internal Audit Manager made reference to the main points from the appendix which was the review of Government Connect, the loss of the Computer Auditor and postponement of two audit reviews. Further details were contained in the report.

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. The Committee were reassured that these were the assurance level given at the time the final report was issued and did not reflect recommendations that had been addressed.

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 was set out in appendix C.

The comments made by the Corporate Management Team and officers following consideration of outstanding high risks was 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 no frauds over £10k were recorded in the fourth quarter of 2014/15 and only one fraud over £10k had been identified for this year and that was detailed in the report.

Work undertaken in Corporate Fraud including investigations into benefit claims, National Fraud Initiative data matching, non-responses to the single person discount review and the East Sussex Counter Fraud Hub was detailed in the report.

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

The Committee was advised that the Public Sector Internal Audit Standards came into effect from 1<sup>st</sup> April 2013, therefore the work of the Internal Audit section was assessed for compliance against these standards. It was found that the Internal Audit function was "generally conforming" to the standards with a 97.63% rating. Areas of partial or no conformance were listed in the table attached to the report, in addition to an explanation and actions to be taken where appropriate.

An agreement within the Sussex Audit Group had been reached on how to undertake external reviews. A schedule had been formulated so that each authority's compliance with the standards could be reviewed by the Internal Audit Manager from two other authorities. The Committee was advised that Eastbourne would be reviewed in 2015/16.

The Committee discussed the draft internal audit plan for 2015/16 that was adopted by the previous membership of the Committee at its meeting on 11 March 2015. The Internal Audit Manager clarified that progress against the plan would be reported on at the next meeting of the Committee.

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

## **5 Annual Governance Statement.**

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

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

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

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

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

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

The governance issues and subsequent action plan had been compiled from a number of sources including reports of internal and external audit, the Corporate Management Team (CMT), Scrutiny and Standards reports, external review bodies, managers assurance statements, evidence from the Council's Monitoring Officer and review by the Chief Finance Officer, Deputy Chief Executive and Internal Audit Manager.

The Internal Audit Manager advised that completed Managers' Assurance Statements had been returned from all Heads of Service and from Eastbourne Homes Limited. Six of these statements mentioned minor concerns over capacity and capability of staff. The Council continued to redesign its services through the "Future Model" programme, and were involved in a shared services agreement principally with Lewes District Council. Significant asset projects were also underway and collectively these carried a cumulative risk. The Committee was advised that the Council were regularly updated on its Sustainable Service Delivery Strategy and was monitoring and reporting ongoing performance.

The Council's Corporate Management Team agreed that this should be mentioned in the body of the statement but did not represent a significant issue as it was being adequately monitored. As a result no significant risks had been reported this year.

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

The Committee queried the risk of bribery and how that was monitored. The Internal Audit Manager responded that this was monitored through the Council's Anti-Fraud and Corruption policy. With a policy in place it was down to managers to ensure that any risk of bribery was being controlled. In addition, a check of managers and the controls in place would be covered through the role of audit.

**RESOLVED: (Unanimous)** That the Annual Governance Statement for 2014/15 as appended to the report be approved.

## **6 Strategic Risk Register.**

The Committee considered the report of the Internal Audit Manager regarding an update of the Strategic Risk Register.

The Strategic Risk Register had been taken to Corporate Management Team on 19 May 2015 for the regular quarterly review and the updated register was appended to the report.

It was agreed that now the local and general elections in May 2015 had been completed, the risk level of risk SR\_001 should be returned back to its original score of green.

In view of the current job vacancies at the Council and the unemployment rate in the town, it was agreed to raise the likelihood of risk SR\_004 (employment market) from 2 to 3 and change the risk to amber from green.

The Committee asked about the potential risk of the Council entering into contracts without committed funding. The Chief Finance Officer clarified that the internal controls around giving the authority liability in terms of contracts would be covered under the Council's Contract Procedure Rules. Additional wording would be added to the register to state the requirement for all managers to comply with financial regulations.

**RESOLVED: (Unanimous)** That the amended Strategic Risk Register as appended to the report be approved.

## **7 Annual Accounts 2014/15.**

The Financial Services Manager presented the draft annual accounts for 2014/15.

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 2015 by 30 September 2015.

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

The Statement of Accounts would be considered by Cabinet at its meeting on the 8 July 2015.

The Financial Services Manager reported that there had been no major changes to the Code this year and a minor change affecting the accounting for schools was not applicable to the Council.

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

The provisional financial outturn for the general fund, housing revenue account and capital expenditure had been reported to Cabinet on 1 June 2015. An analysis of the Council's financial activity for 2014/15 was set out in the Forward of the Statement of Accounts and an overview of the key issues, was attached at appendix 1 to the report.

The draft accounts 2014/15 were circulated separately prior to the meeting.

The Council's external auditors BDO LLP are required to report back to the Committee at its September meeting with their independent opinion of the accounts. The Committee was advised that BDO were due to start their work on 20 July 2015. The accounts would be open for public inspection between the 13 July and 7 August 2015.

**RESOLVED:** That the draft annual accounts for 2014/15 be noted.

The meeting closed at 7.07 pm

**Councillor Swansborough  
(Chairman)**