

Audit and Standards Committee

Minutes of meeting held in the Ditchling Room, Southover House, Southover Road, Lewes, on 24 September 2018 at 10.00 am

Present:

Councillor Mike Chartier (Chair)

Councillors Stephen Catlin, Johnny Denis, Stephen Gauntlett and Julian Peterson

Officers in attendance:

Homira Javadi (Chief Finance Officer), Pauline Adams (Head of Finance), David Heath (Head of Audit and Counter Fraud), Jennifer Norman (Committee Officer) and Jazmin Victory (Committee Officer)

Also in attendance:

Janine Combrink, Engagement Lead, BDO

15 Minutes

The minutes of the meeting held on 17 July 2018 were submitted and approved, and the Chair was authorised to sign them as a correct record.

16 Apologies for absence/declaration of substitute members

An apology had been received from Councillor Nigel Enever.

17 Declarations of interest

There were none.

18 Written questions from councillors

There were none.

19 Annual report on the establishment and maintenance of a Register of Interests 2017/2018

The Committee received the report which confirmed that the Register of Interests was being maintained in accordance with the law and Council's constitution, and which set out the number of standards complaints about

councillor conduct received and considered by the Council's Monitoring Officer during the municipal year 2017/2018 (as shown in appendix 1 of the report).

Resolved:

That the report be noted.

Reason:

The remit of the Audit and Standards Committee includes a requirement to consider the Monitoring Officer's annual report on the establishment and maintenance of a Register of Interests of members and co-opted members of the Council. The Monitoring Officer has requested that the annual report submitted to the Committee also outlines the number and nature of Standards complaints received in the municipal year 2017/2018.

20 Interim report on the Council's Systems of Internal Control 2018/19

The Committee received the report which informed councillors on the adequacy and effectiveness of the Council's systems of internal control during the first five months of 2018/2019, and which summarised the work on which that opinion was based.

The Head of Audit and Counter Fraud (HACF) explained that in terms of audit work, the housing benefit subsidy was a key project which required a considerable amount of resources and work by the Council and its external auditor, BDO. The HACF thanked BDO for its hard work on the project.

The HACF brought the Committee's attention to section 6 of the report which detailed Lewes District Council's (LDC) Peer Review which was carried out by the Principal Auditor at Chichester District Council (CDC). The overall results of the review were that the LDC internal audit services generally conformed to the standards set by the Public Sector Internal Audit Standards (PSIAS) 2017.

The HACF highlighted that during the Peer Review by CDC it was brought to his attention that the PSIAS requirements require that the HACF's appraisals should be completed by the Chair of the Audit and Standards Committee, in order to be in compliance with the current standards. The HACF explained that his appraisals were currently completed by his line manager and that other authorities maintained a similar practice. The Chair agreed that the HACF's line manager should be in charge of completing the appraisals.

The Chair wished to highlight the work by the HACF, referring to the details set out in section 7.3 of the report. He thanked the HACF for his passion regarding council housing and remarked that the Committee was delighted with the HACF's efforts.

The Committee referred to the first paragraph on page 27 of the agenda pack and queried if the reasons were noted at the time as to why some properties

were subject to a peppercorn or nominal rental value and why some properties were not. The HACF responded that it was an observation that the team picked up on and that he would follow up and make the reasons available to members at a future meeting of the Committee.

The Committee further queried if the peppercorn rentals referred to in the first paragraph on page 27 of the agenda pack were commercial or residential. The HACF replied that the peppercorn rentals were commercial.

Resolved:

That it be noted that the overall standards of internal control during the first five months of 2018/19, as shown in paragraph 2 of the report, were generally satisfactory.

Reason:

The remit of the Audit and Standards Committee includes the duties to agree an annual audit plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.

21 Lewes District Council - Update of the Strategic Risk Register

The Committee considered the report which provided an update on the Strategic Risk Register while taking into account the changes made by the Corporate Management Team (CMT).

The Committee highlighted that there had been suggestions that LDC would be better off selling assets, but it agreed that the Council was better served with regular income resulting from annual rents. The Chair further highlighted that the Council currently did not have a policy in place but the Committee could in future draw Cabinet's attention to where the best return would be.

Resolved:

That the report be noted.

Reason:

The Council is committed to proper risk management and to regularly updating the Audit and Standards Committee with regard to the Strategic Risk Register.

22 Audit completion report

The Committee received the report which summarised the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Committee.

BDO explained that at the time of drafting the report, there were a number of areas in which the work was outstanding, due to the external valuer not replying in advance of the report deadline. BDO further explained that it was seeing significant differences within the audit completion report, but that the audit could not be completed until the valuer contacted BDO.

The Chair highlighted that BDO and the Council had done everything possible to have the report completed in advance of the deadline and that the fault was with the external valuer and its lack of engagement in completing the report. The Committee agreed it was a serious and significant failure by the external valuer.

The Committee was concerned that the Council may incur unnecessary costs if the list provided to the valuer included properties that did not need to be revalued, as detailed on page 74 of the agenda pack. The Head of Finance explained that prior to the next audit completion report, the department would write to every service manager within the Council to enquire what assets were sold the previous year. The Chair requested that in future any asset which the Council acquired should be recorded.

BDO highlighted that the Council was projected to maintain a savings of £441k savings each year for the next four years and as a result it was satisfied that the Council had adequate arrangements to remain financially sustainable in the near future. The Committee was encouraged by the news.

Resolved:

That the report be noted.

Reason:

At the completion stage of the audit it is essential that the Council's external auditors engage with the Audit and Standards Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

23 Statement of Accounts 2017/18

The Committee considered the report which presented the Statement of Accounts 2017/2018 for approval, following audit by the Council's external auditors, BDO.

The Head of Finance reminded the Committee that there had been problems due to the late valuation data being received and that the accounts were not submitted to BDO until 25 June 2018. Following discussions with the Audit Manager, it was agreed to delay the start of the audit until August. The audit commenced on 13 August 2018 and was still underway at the time the report was published.

The Chair proposed and the Committee agreed that it was dismayed at the late valuation of the report, and suggested that Cabinet look at the key issues arising from the audit, as detailed in section 4 on page 86 to 87 of the agenda pack.

Resolved:

1. That the final accounts for 2017/18 be approved;
2. That the unadjusted audit differences identified by External Audit be noted;
3. That the “significant deficiency” in the Council’s control environment and the actions which were being taken to mitigate this for the future, be noted; and
4. That it be agreed to delegate authority to the Chief Finance Officer to make non material amendments to the Statement of Accounts 2017/18 prior to final publication.

Recommended:

That Cabinet note the Committee’s concerns regarding the Council’s late receipt of valuation data from the external valuation office in relation to the Statement of Accounts 2017/18.

Reason:

The Accounts and Audit Regulations 2015 require the Chief Finance Officer and councillors to certify and approve an audited set of accounts for publication.

24 Treasury Management

The Committee considered the report which presented details of recent Treasury Management activity between 1 March 2018 and 31 August 2018, and the Annual Treasury Management report 2017/2018.

The Head of Finance reminded the Committee that the report was suspended from consideration due to late circulation prior to the previous meeting of the Committee in July 2018. She highlighted that appendix 1 - the Annual Treasury Management Report 2017/2018 – had not been attached to the current report, therefore recommendation 2 listed on page 205 of the agenda pack should not be considered until the next meeting of the Committee in November 2018.

The Chair requested that officers provide an overview of the economy in future reports, as the information set out in paragraph 2.9 of the report was not sufficient in detail.

The Committee requested that the daily movement as shown in the graph on page 208 of the report be discontinued and that quarterly movement be shown in differentiating colours, as the current graph was difficult to read.

The Committee queried if statistics regarding borrowing - including from whom and how much the Council is paying - be included in future reports. The Head of Finance agreed that the requested information would be made available to the Committee in future reports.

Resolved:

That it be confirmed to Cabinet that Treasury Management activity between 1 March 2018 and 31 August 2018 had been in accordance with the approved Treasury Strategies for that period, as set out in the report.

Reasons:

The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.

The Treasury Strategy Statement also requires the Audit and Standards Committee to review a formal summary report after the year end before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

25 Date of next meeting

Resolved:

That the next meeting of the Audit and Standards Committee that is scheduled to be held on Monday, 19 November 2018 in the Telscombe Room, Southover House, Southover Road, Lewes, BN7 1AB, commencing at 10:00am, be noted.

The meeting ended at 10.56 am.

Councillor Mike Chartier (Chair)