

Wednesday, 26 June 2013  
at 6.00 pm



# Audit and Governance Committee

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

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**1 Minutes of the meeting held on 13 March 2013 - Previously circulated**

The minutes of the meeting held on 13 March 2013 were submitted and approved and the Chairman was authorised to sign them as a correct record.

**2 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).**

None were received.

**3 Update - Members' and Standards**

The Committee considered the report of the Monitoring Officer in relation to Member Standards.

The Monitoring Officer advised the Committee that three formal complaints regarding member conduct had been received: the first to be received by the authority under the new standards regime. One of the complaints had been considered by the Monitoring Officer in consultation with one of the Independent Persons and the Committee was advised that the complaint would now be formally investigated. With regard the second, a decision had been taken by the Monitoring Officer not to refer the complaint for investigation and the complainant (and the subject member) had been notified.

The Committee was informed that the third complaint had been referred to the Standards Panel for determination, following formal investigation. The Panel had convened for this purpose on 19 June 2013 and had determined that the conduct complained of did amount to a breach of the Code of Conduct. An appropriate sanction involving member training on the Code of Conduct and Member/Officer protocols was imposed. The training would involve all members but would be mandatory for the member who had been the subject of the complaint. The Monitoring Officer advised that a record of the decision made by the Standards Panel had been published on the authority's website.

At the Audit and Governance Committee in December 2012 it had been approved that the Monitoring Officer would provide occasional email updates and briefings to all members of the Council on matters relating to the Standards regime. The Committee noted that although no briefings to all members had been circulated since the last meeting, advice had been supplied to individual members when necessary.

The Monitoring Officer then gave an overview of the Cabinet report of 20 March 2013, which was appended to this report. The Cabinet report provided an update regarding the authority's recourse to its statutory powers to conduct covert surveillance protected by the Regulation of Investigatory Powers Act (RIPA). The Committee was advised that best practice required quarterly reports to Members as a standing item and this proposal was supported by the Committee. Following this, the Committee noted that there had been no applications pursuant to RIPA between 1 March and 1 June 2013.

The Committee was also advised that an external inspection of the Council had been undertaken in June by the Office of Surveillance Commissioners. The Monitoring Officer advised that the feedback from the inspection had been favourable and would be reported in full at a future meeting. This was supported by the Committee.

**RESOLVED: (1)** That the three formal complaints received in relation to Members' Code of Conduct be noted.

**(2)** That the information regarding advice that had been given to Members' be noted.

**(3)** The Committee agreed to consider quarterly reports on the authority's recourse to the powers available to it under the Regulation of Investigatory Powers Act, and to receive a report on the recent OSC inspection at a future meeting.

#### **4 Welfare Reforms**

The Committee received a presentation from the Revenues and Benefits Manager on the recent Government Welfare Reforms.

The Revenues and Benefits Manager gave an overview of the Government Welfare Reforms that had been described as "The biggest change to the Welfare system in a generation". The initial reforms in 2012 had included a cap to the Local Housing Allowance and restriction to the 30<sup>th</sup> percentile, having previously been the 50<sup>th</sup> percentile. The 30<sup>th</sup> percentile is a mathematical value which represents the level of rent where around 3 in 10 properties are let at or below the Local Housing Allowance. Other changes included the housing benefit under 35 rule, changes to tax credit, an increase in non-dependent deductions and the phasing out of incapacity benefit.

Further reforms in 2013 had localised support for Council Tax, introduced Spare Room Subsidy (Bedroom Tax), Universal Credit, Personal Independence Payments which had replaced the Disability Living Allowance,

and a cap on benefits. The Committee was advised that further details were contained on the East Sussex County Council website.

The localising support for Council Tax had resulted in a £1 million loss in funding and would affect 470 taxpayers in Eastbourne with a potential loss of £60,000. The Revenues and Benefits Manager had advised that the Council had taken advantage of a transitional grant that the Government had provided.

The Spare Room Subsidy would affect 325 tenants with a 25% reduction, 78 of which were Eastbourne Homes Ltd tenants. 535 tenants would be affected by a 14% reduction, 111 of which were Eastbourne Homes Ltd tenants.

The cap on benefits, which would begin on 15 July would restrict the out of work benefits of working age households to a maximum of £500 per week for couples/lone parents and a maximum of £350 per week for single people. This would result in a total loss of £110,000 per year.

The Revenues and Benefits Manager then gave an overview of Eastbourne Borough Council's response to these reforms. The Committee was informed that the Council had contacted all those residents that would be affected by the Spare Room Subsidy and Benefits Cap and had assisted households to downsize. The Council had also revised their discretionary housing payments policy that would help residents to pay their rent.

Other responses included an action plan being produced by the Council and Eastbourne Homes Ltd in close partnership, the Council working closely with Job Centre+ and a Welfare Reform package being placed on the OLLIE (On Line Learning in Eastbourne) training system. The Committee was advised that this package would be going live shortly and would be mandatory for all Eastbourne Borough Council staff and Councillors. East Sussex County Council had also produced a YouTube video on their website that explained the changes to residents in East Sussex.

The Committee queried whether there had been an increase in the public using the local food bank. The Revenues and Benefits advised that although they did not have a specific figure at this time, they would email the Committee with a figure following the meeting.

In a response to a question on whether residents were being trained to manage budgets, the Revenues and Benefits Manager advised that East Sussex County Council were currently working with Third Sector that would see residents being referred to them for advice.

The Committee expressed their thanks to the Revenues and Benefits Manager and the Benefits Team for their hard work during this period.

**NOTED.**

## **5 Internal Audit Report to 31st March 2013**

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 2012/13.

Audit work carried out to date against the audit plan for 2012/13 was set out in appendix A. A list of all audit reports issued in final from the 1<sup>st</sup> April to 31<sup>st</sup> March 2013 and the level of assurance attained were detailed in the report. The Committee were pleased that 25 out of the 29 reports carried out were performing well or excellently.

A list of all reports issued in final during the year was set out in Appendix B, with any issues highlighted. The Internal Audit Manager reported that specific attention should be paid to the review of Use of Council Vehicles, which acquired an inadequate level of assurance. It was explained that the level was due to the draft policy omitting important issues such as use, recording journeys, security of keys and carrying out checks on driving licences. Without these in the policy and being in draft form, meant that the controls around the system were weak. The Internal Audit Manager advised that it had been agreed by the Corporate Management Team that it would not be included in the Annual Governance Statement due to the overall risk to the Council being low.

The Committee enquired the issue with Creditors and no specific checks being carried out to identify duplicate creditors. The Financial Services Manager advised that regular reports are produced that would identify any duplicate payments and at the time of the report, no duplicate payments had been made.

The Committee also raised concerns of safety issues regarding Food Safety and Hygiene, specifically the out of date policies and delay in carrying out inspections. The Internal Audit Manager responded that the delay in carrying out inspections was due to a lack of resources at the time. The Internal Audit Manager continued that the policies out of date were flagged up even if the contents of them were correct.

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. Where the column "priority" showed "High", the outstanding recommendations and client comments from that audit had been listed in appendix D. The Committee noted that the recommendations listed were outstanding at the time of the last follow up review. The Internal Audit Manager advised that only Daily Cash Reconciliations had shown as high priority. The comments made by the Corporate Management Team following consideration of outstanding high risks were also set out in appendix D. The Committee was advised that since writing the report, the recommendations for Daily Cash Reconciliations had been addressed.

The Committee considered the list of frauds over £10k which was reported to the authority's external auditors on a quarterly basis. The Committee noted that no frauds had been reported in the final quarter of the year.

At the last meeting, the Committee enquired over several issues on the topic of frauds. Those questions and answers had been included at Appendix E.

The internal audit work had 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. A self assessment of the work of the audit function against the CIPFA Code of Practice for Internal Audit was set out at appendix F to the report and had shown a compliance rating of 99.73%.

The Internal Audit Manager also reported that as of April 2013, there are new standards for the Internal Audit Service, the Public Sector Internal Audit Standards. The Committee was advised that the end of year report next June would report on the compliance with the new standards.

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

(NB: Councillor Belsey withdrew from the meeting following this item due to having to attend a meeting at East Sussex County Council)

## **6 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 is a report produced at the end of the year on the control environment of the Council and is a statutory document that accompanies that statutory Statement of Accounts once adopted.

Appendix 1 of the report detailed the framework for gathering the assurances and how that affects the relationship with partners, stakeholders and the community. Following the framework should ensure that the Council meets 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 shows the Manager's Assurance Statement which included coverage of the Bribery Act, Safeguarding, Regulation of Investigatory Powers Act 2000 (RIPA) and frauds over £10,000. The statement is 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. The Committee was advised that no concerns had been raised. Once these statements had been completed by the relevant Heads of Service they are passed onto through the Chief Executive and Deputy Chief Executive. The comments made on the statements are considered for inclusion in the Annual Governance Statement.

In December 2012, an addendum to the Chartered Institute of Public Finance and Accountancy (CIPFA) was published. While none of the changes materially affected the overall annual governance statement, eight key elements to the section "The Governance Framework" had been added and text had been moved and adjusted under "Review of Effectiveness" and "Significant Governance Issues".

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 after consultation with the CMT, they had concluded that there was one area of internal governance that met the criteria to report as an issue requiring disclosure. The area of significant governance issues was Theatres Reconciliations and the issue of monthly reconciliations not being carried out. The Internal Audit Manager advised that work was being carried out to ensure that reconciliations for the year were carried out retrospectively and any variances were investigated. The Committee was also informed that reconciliations were now being carried out on a monthly basis, therefore would not be appearing on the list next year.

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

Mr Allen Gale, one of the Council's appointed Independent Persons, addressed the Committee and queried whether the training arranged for all Members following the Standards Panel on the 19<sup>th</sup> June should be included as part of member development in the Annual Governance Statement.

The Committee considered the matter for inclusion in the Annual Governance Statement; however it was felt that the matter had arisen from an isolated incident, therefore was not deemed an issue to be recorded. The Chief Finance clarified that although the Audit & Governance Committee had agreed that the matter not be recorded, the Annual Governance Statement is signed by the Leader of the Council and Chief Executive and the decision to record the incident would be down to them.

**RESOLVED: (Unanimous)** That the Annual Governance Statement for 2012/13 as appended to the report be approved.

## **7 Annual Accounts 2012/2013**

The Financial Services Manager presented the draft annual accounts for 2012/13.

The Accounts and Audit Regulations 2011 require the Council to formally approve and publish the Statement of Accounts for financial year ending 31 March 2013 by 30 September 2013.

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 Financial Services Manager reported that there had been no major changes to the Code this year however there were a few minor changes that had been included in the 2012/13 final accounts preparation. Further details were contained in the report.

The provisional financial outturn for the general fund, housing revenue account and capital expenditure had been reported to Cabinet at its meeting on 29 May 2013. An analysis of the Council's financial activity for 2012/13 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 Statement of Accounts 2012/13 were circulated separately prior to the meeting.

The external auditors' (BDO LLP) are required to report back to the Committee by the 30 September 2013 with their independent opinion of the accounts. The Committee was advised that BDO were due to start their work on 8 July 2013.

The Committee thanked the Chief Finance Officer, the Financial Services Manager, and their team for the significant efforts in preparing the accounts ahead of schedule.

**RESOLVED:** That the draft annual accounts for 2012/13 be noted.

The meeting closed at 7.17 pm

**Councillor Ungar (Chairman)**