

Wednesday, 25 September  
2013  
at 6.00 pm



# Audit and Governance Committee

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

(Apologies for absence were reported from Councillor Belsey and Councillor Harris)

## **8 Minutes of the meeting held on 26 June 2013 - Previously circulated**

The minutes of the meeting held on 26 June 2013 were submitted and approved and the Chairman was authorised to sign them as a correct record.

## **9 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.

## **10 Update - Members and Standards.**

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

The Monitoring Officer gave an update to the Committee on the one formal complaint regarding member conduct that was outstanding at the time of the last meeting. Following formal investigation, a decision was made by the Monitoring Officer not to take any further action and all parties were notified accordingly.

The Monitoring Officer advised that no new formal complaints had been received during this quarter.

Member training had been booked to take place in November 2013 to provide an update to members on Standards and related matters. This additional session had been arranged to focus on the relationship between the Code of Conduct for members in light of the Protocol for Member/Officer relations, as instructed by the Standards Panel, who indicated that the session would be relevant to all members.

The Committee was informed that attendance figures for training would be reported at a later meeting, in accordance with the usual practice.

**RESOLVED: (1)** That the information in relation to complaints against members either received or determined be noted.

**(2)** That the information regarding member training related to Standards be noted.

**11 Update - The Regulation of Investigatory Powers Act (RIPA) and related legislation.**

The Committee considered the report of the Monitoring Officer regarding the Regulation of Investigatory Powers Act (RIPA) and related legislation.

At the previous meeting, members agreed that the Audit and Governance Committee would receive quarterly reports on the subject of the monitoring of covert surveillance conducted pursuant to RIPA.

The Committee noted the quarterly returns, compiled for the period 1/6/13 to 1/9/13, detailed in the report. The Monitoring Officer advised that the returns for the quarter were consistent with those of the previous years, indicating very infrequent recourse by this authority to the powers available to it under RIPA.

At the previous meeting, the Monitoring Officer was also invited to report to the Committee regarding the outcome of the Officer of the Surveillance Commissioner's inspection report, which was received on 24 June 2013.

A thorough review was conducted on all aspects of the authority's arrangements which considered Council policies, procedures and guidance materials in addition to interviewing officers at all levels.

The inspection report, attached with a covering letter was included at Appendix 1 of the report. The covering letter noted with approval the 'wholesale change in approach' which had characterised the authority's arrangements with regard to the statutory regime in recent years.

The Monitoring Officer noted that the Inspector had comprehended that the authority had chosen to take a robust approach to the use of the powers available to it, seeing it as an absolute last resort. This was reflected in the Council's policies and procedures and had resulted in a lack of applications for authorised surveillance in the last three years. Although the Inspector had no substantive applications to examine for compliance, she clearly understood the Council's chosen approach and noted with approval the safeguards put in place to ensure that covert surveillance outside the RIPA regime occurs only with rigorous regard to the appropriate safeguards. The Inspector noted the good practice that the authority had put in place in preparation for any future recourse to RIPA. The good practice included helpful guidance materials for officers, good training provisions, internal oversight mechanisms and good surveillance equipment management processes. Further details were contained in the report.

The Inspector's report had given the Council a clean bill of health, although clearly there was no room for complacency and all investigative scenarios must be considered on their individual merits with consideration given at all levels to the appropriate safeguards.

The Committee expressed their thanks to officers for the hard work and diligence which had resulted in a positive inspection.

**RESOLVED: (1)** The Committee noted that no applications were made by officers of this authority pursuant to the Regulation of Investigatory Powers

Act to conduct covert surveillance during the quarter leading up to 1 September 2013.

**(2)** That the detailed review in June 2013 of the authority's RIPA-related arrangements, which generated a favourable report, be noted.

## **12 Internal Audit Report to 30th June 2013.**

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 2013/14.

Audit work carried out to date against the audit plan for 2013/14 was set out in appendix A. The comments noted from the appendix included the number of days taken to carry out the annual audit for BDO, which related to the last financial year but was carried out in this year. The decision made by the Senior Head of Community, in discussion with Eastbourne Homes Ltd was also taken not to carry out a review of Void Management after an initial request and inclusion in the annual audit plan.

A list of all audit reports issued in final from the 1<sup>st</sup> April to 30<sup>th</sup> June 2013 and the level of assurance attained were detailed in the report. Those audit reports that were given an assurance level of "Performing Inadequately" were Theatre Reconciliations (Annual 2012/13) and Information Governance – Records Management.

The Committee was advised that the Head of Tourism was aware of the issues around Theatre Reconciliations, caused by a member of staff on long term sick leave and the taking on of the Catering Function. These issues would be tackled by the restructuring of Catering and consideration of other mitigating actions.

The Internal Audit Manager continued that work had already begun on addressing the issues relating to Information Governance - Records Management and Civica were being approached to help build the successful delivery of the required records management outcomes into the next phase(s) of the Future Mode project.

A list of all reports issued in final during the year, which were given an assurance level below "Performing Excellently" was set out in Appendix B, with any issues highlighted.

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 Committee noted that the recommendations listed were outstanding at the time of the last follow up review. It was reported that no reviews had a high risk priority for this quarter.

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 first quarter of the year.

The General Manager, Eastbourne Theatres addressed the Committee on the topic of Theatres Reconciliations, which had been given a performing inadequately assurance level.

He advised that all the issues noted that had been raised during this quarter had now been addressed and steps had been taken to ensure that a drop in performance would not occur again. The Committee were then given an overview of these steps which included the introduction of monthly reconciliations.

The Committee was advised that the staff member that had been on long term sick leave had now returned and that the next performance quarter should see an improvement in performance.

The Committee queried what would happen should a similar situation arise again with a staff member being absent for a sustained period of time. The General Manager, Eastbourne Theatres responded that Theatres Reconciliation had now been identified as a high priority following an assessment of all Theatres work and would be addressed much earlier than it had previously. To ensure work would be covered to the required level, written guidance had been produced to assist employees covering that work and employees were being developed to cross work and cover each other. This would allow for flexibility should illness occur amongst employees.

The Senior Head of Tourism and Leisure also addressed the Committee and advised that additional member of staff had been employed to assist with catering.

Following a question from the Committee, the General Manager, Eastbourne Theatres explained that the financial process had been streamlined and the majority was now done electronically.

The Committee then asked about the issues noted for Information Governance – Records Management, notably the policies and guidance being in draft form. The Monitoring Officer advised the policy was close to be finalised and would be taken to a future Corporate Management Team.

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

### **13 Annual Governance Report 2012/13.**

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.

Mr Lloyd-Thomas thanked the Chief Finance Officer and his team for their co-operation and assistance throughout the audit.

The Committee were then given an overview of the key findings from the audit and a number of issues that had arisen although these had no material effect on the Council balances.

A number of recommendations were made to improve the effectiveness of financial statements and internal controls operating over specific financial systems and further details were set out in the report.

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.

One of the unadjusted audit differences was the valuation of The Goffs that had been originally valued at £606,000 before being re-valued at £500,000. The Committee queried whether there were other assets that were in a similar position. Mr Lloyd-Thomas responded that he wasn't aware of any.

The Committee then discussed the valuation of land and buildings which the Council carries out every five years. BDO advised that there is an expectation that more frequent valuations occur, either as a desktop review or full valuation, in future years. When asked about the valuation of art, the Financial Services Manager advised that they were in discussions with the Executive Director of the Towner Art Gallery. The Committee was informed that the Towner didn't have the resources to perform the valuations in-house and it was impractical to value every five years, with art changing value all the time. It was aimed that a policy would be produced on art valuation that would be economically sensible and viable.

Councillor Heaps suggested that the Towner pull its resources with other art galleries in the area. The Financial Services Manager responded that this was an option that would be worth investigating further.

The Chief Finance Officer addressed the Committee thanking BDO for their report and advised that they would be taking onboard the recommendations suggested in the report.

The Committee thanked the Chief Finance Officer, the Financial Services Manager and their teams for their significant work throughout the audit and expressed their thanks to BDO for their diligent report.

**RESOLVED:** That the Annual Governance Statement for 2012/13 be approved and the Chairman be authorised to sign the letter of representation on behalf of the Committee.

#### **14 Statement of Accounts 2012/2013.**

The Financial Services Manager presented the annual accounts for 2012/13. It was reported that only minor presentational changes had been made to the draft accounts approved in June and a revised copy of the statement of accounts were 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 2013.

The Annual Governance report highlighted some areas of unadjusted differences, however these were below the level of materiality and no main changes to the main accounting statements were required.

The process for the 2012/13 audit and statement of accounts presentation had represented another significant improvement to the previous years in terms of its accuracy and timeliness.

**RESOLVED: (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 2012/13 be approved.

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

## **15 Risk Management.**

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

The Strategic Risk Register had been taken to Corporate Management Team on 20 August 2013 for the regular quarterly review.

There was one item raised, concerning risk SR\_006. The first mitigating action listed for this risk was "Regularly reviewed and tested Business Continuity Plans". It was discussed that this control was currently not in place.

As a result of this, it was agreed that the current impact score should be raised from 3 (significant) to 4 (major). The level of alert would remain at Amber.

The Corporate Management Team commented that as the authority was currently in a time of transition, it would not be expected that the testing of Business Continuity Plans would be carried out regularly as expected.

The updated register was appended to the report.

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

The meeting closed at 6.55 pm

**Councillor Ungar (Chairman)**