

Wednesday, 12 March 2014  
at 6.00 pm



# Audit and Governance Committee

Present:-

**Members:** Councillor Ungar (Chairman) Councillors Mattock, Belsey, Cooke and Hearn (as substitute for Tester)

(Apologies for absence were reported from Councillor Harris, Councillor Heaps and Councillor Taylor and Tester)

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## **24 Minutes of the meeting held on 4 December 2013.**

The minutes of the meeting held on 4 December 2013 were submitted and approved and the Chairman was authorised to sign them as correct record.

## **25 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 received.

## **26 Update: Members and Training.**

The Committee considered the report of the Strategic Organisational Development Manager in relation to the learning and development activities undertaken by members.

The remit of Audit and Governance Committee included considering and approving the plans and arrangements for member development. This item had arisen in the context of the Committee's interest in member training on standard matters, and was in addition to the Committee's responsibility to consider any other matter relevant to the role of or support for members and to make recommendations to Cabinet or Council where necessary.

The Member Development Report 2013, which outlined the structures put in place to support and develop elected members, was attached to the report. The learning activities that took place during 2013, a proposed calendar for in-house learning events during 2014-15 and a training map for learning activities for members were all appended to the report.

The Strategic Organisational Development Manager advised the Committee that the development of a combined OLLIE (On Line Learning in Eastbourne) and Modern Councillor as learning tools was still underway. It was anticipated that the relevance of both tools would become more apparent during 2014 and would represent a welcome addition to face-to-face learning and development opportunities.

The Committee was advised that full council member briefings and seminars on topical matters would continue to be an ongoing feature of the calendar. These sessions promoted dialogue between Councillors and managers and provided members with timely access to corporate initiatives and topical issues.

Councillor Cooke enquired about the possibility of all the training and development resources being located in one place. The Strategic Organisational Development Manager responded that this was being looked at and was planned to be implemented in the future. The Committee was advised that Councillors would be able to access their own training record and view what training was outstanding. The Committee were also advised that OLLIE and Modern Councillor were now both accessible via a personal browser.

By adopting a blended learning approach and promoting what was available to access, it was expected that this would encourage engagement. The authority was well positioned to respond to the different needs and availability of members in 2014/15 and beyond. This was supported by the Committee.

**RESOLVED: (1)** That the member development report and associated information on the availability and evaluation of learning and development during 2013 be noted.

**(2)** That the key learning dates set aside for in-house events in 2014/15 be noted.

**(3)** That the training map which detailed learning activities aligned to the Political Skills framework be noted.

## **27 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.

Two dispensations had been applied for and granted during this quarter, permitting participation in voting and discussions on a specific motion to full Council. It was considered that the grant of a dispensation met the criteria laid out in the Localism Act.

Member training on the relationship between the code of conduct for members and the protocol for member/officer relations had been requested by the Standards Panel. Two training sessions had been provided at the end of January 2014. A total of seventeen members attended the sessions, in addition to two of the three Independent Persons. Feedback received regarding the session was largely positive. One observation was that the protocol, which had been agreed with neighbouring authorities, had not kept pace with the changes wrought by agile working. As a result, the Human Resources team had included within their workplan an update of the Protocol to better reflect current practices. No further training had taken place during the last quarter.

The Monitoring Officer reminded the Committee that their remit allowed them to review member training and development across all areas. This meant that the Committee could receive reports from the Monitoring Officer on any instance of a member or co-opted member failing persistently to undertake or attend training requested by the Council. The Monitoring Officer advised that there was no intention to bring a report to the Committee at this current time.

The Committee was informed of the recent commentary regarding the standards regime, where it had been speculated whether censure was a sufficient sanction in situations where members were found to have committed serious breaches of the Code in a context where a criminal prosecution appeared unlikely.

The Committee on Standards in Public Life (The CSPL) started a watching brief in 2013 on local authorities' standards arrangements. Their recent annual report debated whether consultation with Independent Persons lent sufficient impartiality to the process of dealing with complaints. The CSPL also noted the importance of party leaders in a context of local ownership of standards. While the first judicial review of the current Standards regime on wide-ranging Human Rights grounds had been listed for a hearing in March, that challenge had been withdrawn last minute and as a result there was no outcome to notify the Audit and Governance Committee.

**RESOLVED: (1)** That the information in relation to complaints against members and the update on Standards related matters be noted.

**(2)** That the information regarding dispensations issued to members and member training on standards be noted.

**28 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 December 2013 to March 2014 no applications were made under the Act in respect of covert surveillance.

The Committee was advised that Cabinet would consider a report at its meeting on the 19 March 2014, detailing the powers given to authorities to access and use communications data under RIPA and seeking approval for a policy which would bring this area into line with the authority's agreed 'last resort' approach to surveillance. If agreed, this would result in the Audit and Governance Committee considering quarterly returns for usage of communications data powers alongside the data currently reported.

In a response to a question from the Committee, the Monitoring Officer advised that this ensured the authority had the required framework in place to engage in RIPA-regulated activity only as a measure of last resort across all the enforcement tools provided to local authorities under the Act. While those had not in recent times been used, it was important to ensure that a stable policy framework was in place a) to facilitate correct usage if

appropriate circumstances arose and also b) to ensure clarity throughout the organisation regarding the legal context and this authorities 'last resort' approach.

**RESOLVED: (1)** The Committee noted that no applications 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 March 2014.

**(2)** That Cabinet be recommended to agree the report at its meeting on 19 March 2014, which would expand the Committee's remit to include applications to access Communications Data under RIPA.

## **29 Grants Report 2012/13.**

The Committee considered the report of the Council's external auditors, BDO regarding the key findings in respect of the certification of grant claims and returns for the financial year 2012/13.

Mr Lloyd-Thomas from BDO was in attendance and presented the report.

The Committee was advised that the indicative scale fee for certification work had been initially set at £21,900 by the Audit Commission. This had been increased by the Audit Commission by £450 to incorporate fees for the annual final report of the findings of the certification work. Mr Lloyd-Thomas reported that there had been no other variations of the scale fee as a result of the work undertaken.

BDO had certified three returns on behalf of the Council which included housing and council tax benefit subsidy, national non-domestic rates return and pooled housing capital receipts. The value of claims and other returns certified for the financial year had amounted to over £58 million.

During the initial testing of the housing and council tax benefit subsidy, a number of errors had been identified. On completion of additional testing, it was concluded that several amendments were required.

Regarding non Housing Revenue Account (HRA) tenancy type misclassification, testing of all cases recorded as non-self contained accommodation found six cases, valuing £12,651 that should have been included as self contained accommodation. This had been subsequently corrected in 2013/14 by the Council's Benefits Team and had been accepted by the Department for Work and Pensions (DWP).

BDO had tested all eligible non HRA overpayments and found 22 cases, valuing £4,271 that should have been recorded as technical overpayments. As these were not funded and eligible overpayments attract subsidy at 40%, DWP had informed the Council that it intended to withhold £1,708 of subsidy.

Initial testing of eligible overpayments for council tax benefit found 3 errors from 6 overpayments that should have been recorded as technical overpayment. Testing of 40 additional council tax benefit overpayments

found a further 6 cases that had been misclassified. The total amount potentially misclassified was £43,997. The DWP had informed the Council that it intended to withhold £17,599 of subsidy.

BDO's review also found that the Council had not reconciled benefit entitlement awarded to paid benefit, resulting in an unreconciled net difference of £8,002 that remained in the subsidy claimed.

Appendix 1 of the report showed the conclusions from BDO's work and recommendations to the Council on how to improve their arrangements for preparing grants and other returns, in addition to the Council's progress against the agreed 2011/12 actions.

Mr Lloyd-Thomas thanked the Council's Benefits and Internal Audit Teams for their co-operation and support and expressed his appreciation of their assistance provided during the course of the certification work.

The Revenues and Benefits Manager addressed the Committee and advised that the recommendations set out in the report had been taken onboard. Monthly reports of overpayments were now being produced which would highlight any areas of concern that may have previously arisen. All work would subsequently be completed by the end of the financial year.

The Committee expressed its appreciation with the arrangements in place to resolve the issues raised.

**RESOLVED:** That the Grants report for 2012/13 be noted.

### **30 Planning Letter 2014/15.**

The Committee considered the report of BDO which detailed the proposed fees and programme of work for the 2014/15 financial year. The fee was based on the work required under the Audit Commission's Code of Audit Practice and an assessment of audit resource required to complete the work.

Mr Lloyd-Thomas from BDO was in attendance and presented the report. The Committee was advised that the proposed fee for 2014/15 totalled £101,520 which was lower than last year's fee. The fee proposed consisted of the code audit fee and certification fee. The code audit fee was set at £88,920 and this covered the audit of the financial statements, value for money conclusion and the whole of government accounts return.

Mr Lloyd-Thomas reported that the proposed certification fee was £12,600, but advised the Committee that the Audit Commission was currently reviewing the potential impact of changes in certification arrangements and the fee was likely to be amended.

The programme of work undertaken by BDO, including the issuing of reports and opinions over the course of the audit was detailed in the report.

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

### **31 Audit Plan 2013/14.**

The Committee considered the report of BDO regarding the Audit Plan 2013/14 which set out the audit work proposed in respect of the accounts and review of the Council's arrangements for securing value for money for 2013/14.

Mr Lloyd-Thomas from BDO was in attendance and presented the key findings and responded to Members' questions.

BDO had identified areas of significant risk that impact on the audit. Under financial statements, the risks identified included the management override of controls, revenue recognition, property, plant and equipment (PPE) valuations, non domestic rate appeals provision, joint waste contract service, sea defences and lifeline investment. For use of resources, financial resilience was identified as a significant risk. Further details were contained in the report.

BDO would provide a value of money conclusion by 30 September 2014.

The Committee discussed the joint waste contract service that had been identified as an area of significant risk. The Committee were advised that the risk was a technical accounting issue and would not affect the revenue account.

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

### **32 Internal Audit Report to 31st December 2013.**

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the third 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 Internal Audit Manager made reference to the main points from the appendix. This included the review of void management that was no longer required following discussions with Eastbourne Homes Ltd and the Senior Head of Community, and the review of land charges and searches, which had exceeded the time allocated in the plan. This was due to the time being inadequately allocated and issues with the level of access given to the auditor to the required software. The Internal Audit Manager also reported that no consultancy work had been carried out as planned. This was due to this being a new concept for the authority and discussions would be carried out in the next financial year with the Senior Management on a strategy and procedure on utilising internal audit. Further main points from appendix A were detailed in the report.

A list of all final audit reports issued from 1 April to 31 December 2013 and the level of assurance attained were detailed in the report. The Committee was advised that during this quarter no reviews had been issued with an assurance level of inadequate.

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.

Councillor Belsey enquired why Theatre Recollections was still being given a performing inadequate rating. The original issue had arisen due to a staff member being absent for a sustained period of time due to illness. The Committee was advised that the assurance level should improve in next year's quarterly report. The Committee agreed that the General Manager, Eastbourne Theatres would be invited back to the Committee if the issues raised continued.

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 comments made by the Corporate Management Team following consideration of outstanding high risks were set out in appendix D.

The Committee was advised that no frauds over 10K had been reported to the authority's external auditors in the third quarter of 2013/14. This meant that only one fraud over £10K had been reported this financial year. The Fraud Investigations Manager reported that during the third quarter, the team had identified £180,000 of incorrectly claimed housing benefits but there had been no frauds over £10K noted. This was an indication that the team were working well to spot frauds earlier and that the Benefit Section was identifying potential fraudulent claims quickly.

The Internal Audit Manager reported that audit documents were reviewed annually to ensure that they remain current. The Audit Charter and Audit Manual, both appended to the report had been updated this year to include the new Public Sector Internal Audit Standards (PSIAS) and some sections had been added to ensure compliance with the standards.

**RESOLVED: (1)** That the report be noted.

**(2)** That the updated Audit Charter and Audit Manual be adopted by the Committee.

### **33 Draft Internal Audit Plan for 2014/15.**

The Committee considered the report of the Internal Audit Manager regarding the draft internal audit plan for 2014/2015.

The internal audit plan for each year begins with a calculation of the number of audit days available. Twelve "managed" audits are required to be undertaken this year to satisfy the external auditors and these were detailed in the report.

In addition to the core audits, work is carried out on verifying the National Non-Domestic Rates and Benefits Subsidy Claim. Days are also set aside for unplanned work, special investigations, follow ups, advice and National Fraud Initiative activity.

A risk assessment was carried out on all areas listed in the "Audit Universe", in order for the annual internal audit plan to be produced. The

"Audit Universe" is a list of all the areas and systems across the Council which can be audited. The completed risk assessment, appended to the report had been arranged by the level of risk and by the date the last audit review was undertaken.

The Internal Audit Manager reported that as a general rule high risk areas would always be included in the annual plan. This year however the two high risk areas, identified in the risk assessment were not considered. The Committee was advised that this was because a follow up review was due for Catering and recommendations were outstanding for the review of the Redoubt since the last follow up. The Internal Audit Manager advised that it was considered appropriate to carry out a follow up of those outstanding recommendations before a decision on whether to carry out further work needed on these two high risk areas was made.

During the discussions that were held with Heads of Service, certain areas for reviews had been suggested and requested and these had been included in the plan.

The draft plan had been submitted to Corporate Management Team meeting on the 4 February 2014 and no further changes were proposed. The plan was appended to the report.

The Internal Audit Manager reported that consultancy work would look at Printing Services, Corporate Fraud and Shared Sports Facilities. This would look at the controls that were currently in place and assess from a business point of view.

Councillor Mattock enquired about Community Grants and whether the Council's Internal Audit team were going to audit the external community groups. The Internal Audit Manager advised that the Council's Community Services Manager was producing a questionnaire, with input from the Internal Audit Manager that could be used when an audit was requested of one of the community groups. The Community Services Manager would be monitoring how the grants were being spent.

**RESOLVED:** That the draft internal audit plan for 2014/15 be adopted.

The meeting closed at 7.13 pm

**Councillor Ungar (Chairman)**