

Wednesday, 23 September
2015
at 6.00 pm



Audit and Governance Committee

Present:-

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

8 Minutes of the meeting held on 24 June 2015.

An amendment to the minutes of the meeting held on 24 June 2015 relating to the draft Annual Accounts 2014/15 was proposed by Councillor Smart and seconded by Councillor di Cara.

The amendment was lost by 4 votes to 2.

The minutes of the meeting held on 24 June 2015 were therefore 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.

None were declared.

10 Internal Audit Report to 30th June 2015.

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 2015/16.

A list of all final audit reports issued from 1 April to 30 June 2015 and the level of assurance attained were detailed in the report. The Committee was advised that during this quarter one report had been issued with an assurance level of inadequate which related to IT.

Audit work carried out to date against the audit plan was set out in appendix A. The Internal Audit Manager advised that owing to new members of staff joining the team the plan was slightly behind in the first quarter and two reviews, planning and licences went over the time allocated. 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 was 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.

Work undertaken by the Corporate Fraud team, its engagement with the Difficult Property Group and involvement in the East Sussex Fraud Hub was detailed in the report. Appendix E to the report detailed the savings and income from the work of the Corporate Fraud team for the first quarter of the year. Appendix F to the report projected the savings for the Hub in 2015/16 and actual savings for the quarter so far, which were slightly above the target set.

The Committee was advised that as a result of the Principal Audit Manager at Lewes District Council taking flexible retirement with reduced hours, the Council's Internal Audit Manager had agreed to provide cover for the equivalent of one day a week at Lewes. The Internal Audit Manager stated that although the exact level of resource required had not been fully assessed, as a request had been made to undertake Lewes audit reviews, it may equate to more than one day a week on occasions. Although the impact on the work of Internal Audit in Eastbourne would be kept to a minimum there would be a loss of 12 days from January to March in 2015/2016 and a total of 45 days a year from 2016/2017. There would be a corresponding saving in the budget of Internal Audit as the cover would be funded by Lewes.

In response to a question from the Committee regarding appendix E, the Internal Audit Manager agreed to incorporate the cost of the Corporate Fraud team into the appendix for future meetings.

RESOLVED: That the report be noted.

11 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 for its regular quarterly review and the updated register was appended to the report.

In response to a question at the previous meeting about the risk of the Council entering into contracts without committed funding, additional wording had been added to risk SR_008. Further details were contained in the report.

Risk SR_004 was also discussed at the Corporate Management Team meeting and it was felt that the ongoing shared services work with Lewes was not reflected in the register or score. Some additional wording was added and the mitigated risk likelihood score was reduced from 3 to 2 to reflect the evidence of resilience of resources that had come from this work.

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

12 Annual Governance Report 2014/2015.

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 and Ms Ballard were 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.

The Committee was given an overview of the key findings from the audit on financial statements, control environment, governance reporting, Whole of Government Accounts (WGA) and use of resources. A number of issues had arisen as a result of the audit although these had no material effect on the Council balances. Further details were contained in the report.

Mr Lloyd-Thomas confirmed that BDO was satisfied with the proper arrangements to secure economy, efficiency and effectiveness, the Council had put in place for the year ended 31 March 2015. As a result it was anticipated that an unqualified value for money conclusion would be issued.

The Committee asked about the factual misstatements that had been identified through the audit and why they had not been adjusted in the final accounts. The Chief Finance Officer responded that this was due to logistics and timing as these differences were often highlighted late in the audit. He added that incoming credit would be reflected in the Council's Medium Term Financial Strategy (MTFS) and balances moving forward. Any factual misstatements identified at the start of the audit had been adjusted where appropriate.

In response to a question from the Committee about BDO's audit opinion being subject to inclusion of explanations for reconciling outturn information in the foreword to the accounts and minor corrections, Mr Lloyd-Thomas confirmed that all outstanding work and issues that were detailed in the report had now been resolved. He stated that BDO was satisfied that the information contained in the foreword was consistent with the financial statements. He added that from 2016/17, the Chartered Institute of Public Finance and Accountancy (CIPFA) would introduce a requirement for the foreword to the accounts to demonstrate reconciliation with the income and expenditure statement as opposed to just outturn information.

Mr Lloyd-Thomas advised the Committee that the Public Sector Audit Appointments Limited (PSAA) had set up a website tool that compared the

finances of councils. The link would be circulated to the Committee following the meeting.

The Committee expressed its thanks to Mr Lloyd Thomas, Ms Ballard and BDO for the work undertaken for the audit.

RESOLVED: That the Annual Governance Report for 2014/15 be noted.

13 Statement of Accounts 2014/15.

The Senior Accountant presented the annual accounts for 2014/15. It was reported that a number of changes had been made to the draft accounts approved in June, although these were all of an accounting technical nature and did not affect the overall balances on the General Fund, Housing Revenue Account, Collection Fund or Reserves. A list of corrected and uncorrected audit differences were outlined in the report and Appendix 2 of BDO's Annual Governance Report. A revised copy of the statement of accounts was 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 2015.

Four issues raised as having significant deficiencies in the control environment were detailed in the report.

The Committee was asked to grant delegated authority to the Chief Finance Officer to make any amendments to the Statement of Accounts before the 30 September 2015. The Chief Finance Office agreed to make the non-material changes to the accounts that had been raised by the Committee.

The Committee commented on the foreword and the reconciliation with note 19 of the accounts. The Chief Finance Officer advised that the Financial Services Manager had carried out reconciliation between the management account and the income and expenditure statement and that the finance team would be happy to work with the Committee on improving the formatting of the accounts for future years.

In response to a question about the Council's accounting systems, Mr Lloyd-Thomas commented that BDO was satisfied that there were no significant deficiencies, apart from what had been reported. The Chief Finance Officer added that as part of the managed internal audit programme a review of all the systems and processes was undertaken annually and assurances given.

The Committee expressed its thanks to the Chief Finance Officer and the finance team for their significant efforts in producing the accounts.

RESOLVED: (with 2 abstentions) (1) That the final audited accounts for 2014/15 be approved.

(Unanimous)(2) That the action taken in respect of the non-trivial but not material errors identified by External Audit be agreed.

(3) That the comments on the significant deficiencies in the Control Environment be noted.

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

The meeting closed at 6.59 pm

Councillor Swansborough
(Chairman)