

Wednesday, 2 December  
2015  
at 6.00 pm



# Audit and Governance Committee

Present:-

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

---

## **14 Minutes of the meeting held on 23 September 2015.**

The minutes of the meeting held on 23 September 2015 were submitted and approved and the Chairman was authorised to sign them as a correct record.

## **15 Apologies for absence.**

None were received.

## **16 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.

## **17 Urgent Items of Business.**

A request to add an urgent item of business to the agenda was proposed by Councillor Smart and seconded by Councillor Taylor. The proposal was lost by 4 votes to 3, on the Chairman's casting vote, on the grounds that the item did not meet the criteria of requiring an urgent decision.

## **18 Contract Procedure Rules.**

The Committee considered the report of the Senior Head of Projects, Performance and Technology regarding the Council's revised contract procedure rules (CPRs).

The CPRs formed part of the council's constitution and determined how officers contracted with external bodies and ensured lawfulness and best practice in terms of the procurement of services, supplies or works.

Changes of substance to the constitution could only be approved by the full Council, following consideration by the Monitoring Officer and, where appropriate, the Audit and Governance Committee.

The council's CPRs had been revised to reflect the Public Contract Regulations 2015, which came into force this year, to achieve a standard set of CPRs between Eastbourne Borough Council, Lewes District Council

and Eastbourne Homes Ltd and enable a modern and responsive approach to procuring works, supplies and services.

The full revised CPRs were appended to the report and key changes were outlined in the report. The Committee was notified that amendments had been made since the printed copy of the CPRs had been circulated. At paragraph 15.1 and 16.1, the value of contracts "in excess of" had been changed to £100,000 and paragraph 17.2 had been deleted as this was no longer required.

The Committee discussed the involvement of Councillors during the tender opening procedure. The revised CPRs changed the way tenders were submitted, now using an e-tendering system to store them electronically. It proposed to remove the requirement for Councillors to attend the tender opening process. It was clarified that currently a Councillors' presence at tender openings was to witness and confirm that a set number of tenders had been opened and recorded. As such, this was a purely administrative process with no analysis of the actual tender bids. Following subsequent analysis of the tenders, undertaken separately, the appropriate decision making process of awarding the contract could be made. This could be done through delegated functions by the relevant officer, or in some cases there may be a requirement for there to be a report to Cabinet outlining the analysis of the tenders.

In response to a question from the Committee on internal audit and its involvement with auditing the whole tender process, the Internal Audit Manager confirmed that major contracts were audited as part of the audit plan and this included looking at the whole process.

The Committee queried the reasoning behind the threshold differential between services and supplies contracts and works contracts. The revised CPRs proposed a requirement that any services and supplies contracts over £100,000 be advertised, compared to over £1 million for works contracts. It was clarified that the threshold value for European procurement for services and supplies was around £173,000 compared to £4 million for works. The fees in the revised CPRs reflected this difference. They were also set to reflect the fact that works contracts generally involve much higher sums, and were designed to be mutually acceptable across the partner organisations that were all being asked to adopt a common set of rules going forward.

In a response to a question from the Committee on the disposal of land, the Lawyer to the Council clarified that currently the Council's financial procedure roles contained a section on disposal of assets and this had been incorporated into the revised CPRs. The CPRs were split into two sections, with section one focused on the Council as a purchaser and section two focused on the Council as a seller. The public procurement rules set out by EU law for awarding contracts does not, however, usually apply when buying or selling land. For best value and compliance, a section had been added to the CPRs, setting out the main regulatory obligations when disposing of land and other assets and for the Council to demonstrate best value for money in respect of land disposals.

A motion was proposed by Councillor Taylor and seconded by Councillor di Cara to retain Councillors involvement in tender openings and grant them access to the fees of each contract. This was lost by 3 votes to 2, with one abstention.

(NB: Councillor Holt joined the meeting following the vote on this motion.)

A motion was proposed by Councillor Smart and seconded by Councillor Taylor to reconsider the figure that would require a works contracts to be advertised, which was currently proposed at over £1 million. This was lost by 4 votes to 2, with one abstention.

**RESOLVED: (By 4 votes to 3)** That the Committee approve the draft new contract procedure rules in principle and make a recommendation to Full Council for formal adoption into the Council's Constitution.

## **19 Annual Audit Letter 2014/15.**

The Committee considered the report of BDO regarding the Annual Audit Letter, which set out the key findings of audit work for 2014/15. The report summarised the results of the audit work in respect of the Council's financial statements, use of resources, grant claims and returns certification and any other matters.

Ms Ballard representing BDO was in attendance to present the report and respond to Members' questions.

With reference to the Statement of Accounts, a number of presentational corrections and amendments had been identified and corrected during the audit, however these did not have an impact on the surplus on provision of services or the general fund balance. An unqualified audit opinion on the Council's financial statements had been issued on 23 September 2015.

The Council had maintained a healthy level of reserves and balances. As a result an unqualified value for money conclusion had been issued on 23 September 2015.

The audit had concluded that the Annual Governance Statement which set out the key elements of the systems and processes of the Council's governance arrangements was not inconsistent or misleading with other information and was compliant with the required Chartered Institute of Public Finance and Accountancy (CIPFA) code of Delivering Good Governance.

BDO had not exercised its statutory powers and had no other matters to report. The review of grant claims and returns was currently in progress and the results would be reported upon completion of the work.

There was no change to the audit fees from those proposed in BDO's Audit Plan that was submitted to the Audit and Governance Committee on 11 March 2015.

The Committee referenced the summary statement of accounts 2014/15, contained in the Eastbourne Review that was recently distributed to households. Members were advised that any comments and questions

about the summary could be emailed to the finance team following the meeting.

**RESOLVED:** That the Annual Audit Letter for 2014/15 be noted.

## **20 Treasury Management Mid-year Review.**

The Committee considered the report of the Chief Finance Officer regarding a mid-year review of the Council's treasury management activity for 2015/16.

The report had been prepared in compliance with CIPFA's code of practice on treasury management and provided an economic update for the first six months of the year. The report reviewed the council's treasury management strategy statement and annual investment strategy, its capital expenditure, investment portfolio, borrowing strategy, debt rescheduling and compliance with treasury and prudential limits. Further details were contained in the report.

The Treasury Management Strategy Statement for 2015/16 had been approved by Cabinet on 4 February 2015. In the context of the considerable uncertainty and volatility in the financial and banking market the strategy was still considered fit for purpose in the current economic climate.

The Committee queried when Councillors set and revised the Authorised Limit, which represented the limit beyond which borrowing is prohibited. It was clarified that this formed part of the overall budget setting that would go firstly to Cabinet and then be signed off by Full Council in February 2016, where input by Councillors would form part of the Full Council deliberations.

In response to a comment on the increase in capital expenditure, as detailed in the report, the Senior Accountant advised that the original figures were set in the capital programme in February 2015. At that stage it was not known how much work was going to be completed in 2014-15. This related to certain large projects around housing where the planned spend was not fully completed and the budget was re-profiled into the new financial year. Certain projects such as the Devonshire Park project had been approved specifically at Cabinet and then brought into the capital programme at a later stage.

(NB: Councillor Taylor left the meeting during this item and gave his apologies for the rest of the meeting)

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

## **21 Internal Audit Report to 30th September 2015.**

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the second quarter of the financial year 2015/16.

A list of all final audit reports issued from 1 April to 30 September 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 was Licenses for Entertainment and Taxis.

Audit work carried out to date against the audit plan was set out in appendix A. The Internal Audit Manager advised that staffing issues had led to delays to the scheduled plan and some reviews taking longer than the time allocated. The team were working to ensure the completion of as much of the plan as possible was completed before work begun on the annual reviews in the new calendar year. Requests had also been made to postpone the reviews on performance management and engineering to 2016/17 and asset management to 2017/18. 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. The Committee was advised that a follow up on Events had been carried out and work was ongoing on addressing the recommendations outlined in Appendix D.

Work undertaken by the Corporate Fraud team was detailed in the report. 10 reports had been produced from the first exchange of data for matching. Of the 5,918 matches, 216 were highlighted as issues that needed to be reviewed and 19 of these had been issued for investigation. Appendix E to the report detailed the number of cases worked on and the resulting savings and income made, along with the cost of the team by the quarter, as requested at the last meeting of the Committee. The cost of the team equated to 16% of the savings that were made.

Performance figures for the first two quarters of 2015/16 of the East Sussex Counter Fraud Hub were detailed in the report. The savings in relation to Blue Badge fraud now correctly calculated £500 per badge, as opposed to £5,000 in the last quarter.

Appendix F to the report projected the savings for the Hub in 2015/16 and actual savings for the first half of the year, which were below the forecasted performance. Possible reasons for this were detailed in the report.

An update on the Single Fraud Investigation Service (SFIS) was also detailed in the report.

Councillor Dow, speaking as Chair of the Licensing Committee addressed the performing inadequate rating of Licences (Entertainment and Taxi), detailed in the report. He advised the Committee that he was meeting monthly with the Senior Specialist Advisor for licensing to ensure the licensing team worked effectively and efficiently. He reassured the Committee that all the issues noted in the report were being addressed. It was also agreed that managers of specific areas would consult with the relevant committee chair and Cabinet portfolio holder about whether they would like to receive audit reports when they are undertaken.

The Committee addressed the IT inadequacies detailed in appendix B. The Internal Audit Manager clarified that work was currently being undertaken on creating a joint Disaster Recovery Plan and Business Continuity Plan with Lewes District Council. The Committee was advised that the plans were currently in place but had not been recently updated or tested.

In response to a question from the Committee on Internet Controls, the Internal Audit Manager clarified that the 984 recorded entries of unknown names into Council buildings noted in the report were not all people as the system picked up other technology and entities. A follow up was due in January 2016.

(NB: Councillor Smart left the meeting during this item and gave his apologies for the rest of the meeting).

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

The meeting closed at 7.29 pm

**Councillor Swansborough**  
**(Chairman)**