

Audit and Standards Committee

**Minutes of meeting held in Ditchling Room - Southover House, Lewes on
17 July 2018 at 10.00 am**

Present:

Councillor Mike Chartier (Chair)

Councillors Stephen Catlin, Johnny Denis, Nigel Enever, Stephen Gauntlett and
Julian Peterson

Officers in attendance:

Pauline Adams (Head of Finance), David Heath (Head of Audit and Counter Fraud)
and Jennifer Norman (Committee Officer)

Also in attendance:

Janine Combrink, Engagement Lead, BDO

1 Minutes

The minutes of the meeting held on 19 March 2018 were submitted and
approved, and the Chair was authorised to sign them as a correct record.

2 Apologies for absence/declaration of substitute members

There were none.

3 Declarations of interest

There were none.

4 Urgent items

The Chair reported that he had agreed, in accordance with section 100B(4)(b)
of the Local Government Act 1972, that the report entitled "Treasury
Management", which was circulated to all members of the Committee prior to
the meeting, be considered as a matter of urgency in order that the
Committee could take its decisions based on the most recent information
which was available.

Resolved:

That the report entitled “Treasury Management” be deferred to the next meeting of the Audit and Standards Committee scheduled on 24 September 2018, so that the Committee has ample time to fully consider the report.

5 Written questions from councillors

There were none.

6 Annual Report on the Council's work to combat Fraud and Corruption 2017/18

The Committee considered the report which informed councillors on the adequacy and effectiveness of the Council's systems to combat fraud and corruption during 2017/18.

The Head of Audit and Counter Fraud had reviewed the Council's arrangements for countering fraud and corruption, and compared them to the standards and principles within the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice. The report outlined the Council's work on counter fraud and corruption in 2017/18, and how that work had met the Council's responsibilities for ensuring an effective response to those risks.

Section 6 of the report summarised the results of the Council's counter fraud and corruption work during 2017/18. Of note, the Head of Audit and Counter Fraud highlighted (under Housing Tenancy fraud) that six properties had been returned to the Council's housing stock after the team had proved abandonment by the tenant.

The Committee queried if it would be possible to compare annual statistics between the current year and previous years at future meetings. The Head of Audit and Counter Fraud agreed that going forward that annual statistics from previous years would be compared to the current year in the Annual Report on the Council's work to Combat Fraud and Corruption presented to the Committee.

The Committee wished to acknowledge the success by the Head of Audit and Counter Fraud and his team in countering fraud and corruption during 2017/18.

Resolved:

- 1) That the report be noted;
- 2) That the control measures that are in place to maintain a strong anti-fraud and corruption culture, as shown under Section 3 of the report be noted;

- 3) That the structures within the Council that counter fraud and corruption, particularly the arrangements for preventing, detecting and investigating fraud across a range of Council services and activities, as shown under section 4 of the report, be noted;
- 4) That the Council's involvement in national, regional and local counter fraud networks, as shown under section 5 of the report be noted;
- 5) That the results of the Council's counter fraud activity during 2017/18, as shown under Section 6 of the report, be noted;
- 6) That the Council's compliance with Chartered Institute of Public
- 7) Finance and Accounting (CIPFA's) Code of Practice on managing the risk of fraud and corruption, as shown under section 8 of the report, be noted; and
- 8) That the Council's zero tolerance to fraud and corruption be reaffirmed.

7 Annual Report on the work of the Audit and Standards Committee 2017/18

The Committee considered the report which presented to councillors the annual report on the work of the Audit and Standards Committee, which summarised activity in this key area of corporate governance and provided assurance that the oversight of governance, risk and internal control was operating effectively.

The Audit and Standards Committee comprised seven councillors, with the quorum set at four. Up to three additional co-opted non-voting Town/Parish members could participate in Standards, but not Audit, matters. The Chair of the Committee was elected from the Council's minority group.

The Chair of the Committee highlighted paragraph 18, in which the Committee endorsed the opinion of the Head of Audit and Counter Fraud that the overall standards of internal control have been generally satisfactory despite staffing issues at the Authority.

Resolved:

- 1) That the report be noted;
- 2) That the conclusions on the effectiveness of Internal Audit, as shown under paragraph 16 of the report, be endorsed;

- 3) That the opinion on the Council's Internal Control Environment and Risk Management Framework, as shown under paragraphs 17 to 19 of the report, be endorsed; and
- 4) That it be noted that the Audit and Standards Committee has discharged all of the duties outlined and complied with the Terms of Reference in all respects, as shown under paragraph 20 of the report.

8 Annual Governance Statement 2018

The Committee considered the report which sought councillors' approval to the draft Annual Governance Statement (AGS) 2018, as set out under Appendix A of the report.

The Council was required to prepare an AGS each year in accordance with the statutory requirement set out in the Accounts and Audit Regulations, the most recent reference being Regulation 6 (1) of the Accounts and Audit Regulations 2015. The AGS covered the entire control framework of the Council rather than those controls which simply had a financial aspect.

The Head of Audit and Counter Fraud highlighted that the AGS is approved and signed off by the Leader of the Council and the Chief Executive, and that in response to recent guidance there was a complete review of the Code of Corporate Governance during the year.

The Committee queried whether a section could be included in future reports on the Annual Governance Statement regarding how the Corporate Management Team's (CMT) performance was monitored and reviewed. It was noted that this linked to other parts of the report. The Head of Audit and Counter Fraud agreed that two amendments requested by the Committee would be included in future reports regarding the Annual Governance Statement.

Resolved:

- 1) That the draft Annual Governance Statement 2018, as shown under Appendix A of Report No 84/17, be approved; and
- 2) That it be delegated to officers any final adjustments required to the Annual Governance Statement in the period up to the approval of the Statement of Accounts in July 2018.

9 Annual Report on Internal Audit Performance and Effectiveness 2017/18

The Committee received the report which informed councillors of the Internal Audit work of the Audit and Performance Division for 2017/18, and in the outcome of the review of the effectiveness of Internal Audit for 2017/18.

It was the Audit and Standards Committee's duty to consider the annual report of the Head of Audit and Counter Fraud, and to keep the work of Internal Audit under review to ensure that it was discharging its functions effectively.

The work carried out by Internal Audit during 2017/18 was outlined in section 4 of the report. The audit coverage had been sufficient to enable the Head of Audit and Counter Fraud to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment. This opinion was included in the Annual Report on the Council's Systems of Internal Control 2017/18 that was presented separately to this meeting of the Committee.

Resolved:

- 1) That the Internal Audit coverage in 2017/18 has been sufficient to enable the Head of Audit and Counter Fraud to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment, as set out in section 3 of the report; and
- 2) That the satisfactory outcome of the review of the effectiveness of Internal Audit for 2017/18, as set out in sections 7 to 10, be noted.

10 Annual Report on the Council's Systems of Internal Control 2017/18

The Committee considered the report which informed councillors on the adequacy and effectiveness of the Council's systems of internal control for 2017/18.

The remit of the Audit and Standards Committee included a duty to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk. There was a further duty to consider the annual report by the Head of Audit and Counter Fraud, and to report annually to the Cabinet on the adequacy and effectiveness of internal controls within the Council.

The Head of Audit and Counter Fraud's satisfactory opinion on the overall standards of internal control was based on the work of Internal Audit, other internal reviews and external assurance bodies, and the Council's work on risk management.

Resolved:

- 1) That the annual report by the Head of Audit and Counter Fraud be noted;
- 2) That it be noted that the overall standards of internal control were generally satisfactory during 2017/18, as shown under Section 3 of report;

- 3) That it be noted that the generally satisfactory opinion on internal control is taken forward into the draft Annual Governance Statement 2018 that is presented separately to this meeting of the Audit and Standards Committee; and
- 4) That the opinion on the Council's systems of internal control be reported to Cabinet.

11 Interim Report on the Council's Systems of Internal Control 2018/19

The Committee received the report which informed councillors on the adequacy and effectiveness of the Council's systems of internal control during the first three months of 2018/2019, and which summarised the work on which that opinion was based.

The Annual Report on the Council's Systems of Internal Control for 2018/2019 included the opinion of the Head of Audit and Counter Fraud that the overall standards of internal control were satisfactory. That opinion was based on the work of Internal Audit and the Council's external auditors, BDO, and the Council's work on risk management. In the three months since the start of the financial year there had been nothing to cause that opinion to change and there had been no instances in which internal control issues had created significant risks for Council activities or services.

The Head of Audit and Counter Fraud informed the Committee that BDO was carrying out the audits of the 2017/18 accounts and the 2017/18 HB subsidy claim, and would therefore be working with the Council until at least November 2018. He further informed the Committee that a cost quotation had been obtained from Deloitte LLP for the independent check and sign off of the HB subsidy claim exercises after the BDO contract has ceased. Deloitte LLP have been appointed to this role for the 2018/19 HB subsidy claim.

Resolved:

That it be noted that the overall standards of internal control during the first three months of 2018/19, as shown in Section 3 of the report, were satisfactory.

12 BDO update

The Committee received a brief verbal update by the Council's external auditors, BDO, on the Statement of Accounts for 2017/18.

Resolved:

That the verbal update by the Council's external auditors regarding the Statement of Accounts for 2017/18, be noted.

13 Statement of Accounts 2017/18

The Committee received the report which provided an update on the progress of the Statement of Accounts 2017/18 and the audit of the accounts.

The Head of Finance highlighted that the statutory deadline for local authorities to publish draft accounts and make them available to the auditor was brought forward for the current year by one month, from 30 June to 31 May 2018. The deadline for completion of the publication of the audited accounts was brought forward by two months, from 30 September to 31 July 2018.

The Head of Finance informed the Committee that due to circumstances outside the Council's control, the draft accounts were not completed until 25 June 2018, 3 weeks behind schedule. The reasons for the delay were due to the following reasons:

- 1) The final valuations were not received until 28 May 2018; and
- 2) The final accounting information did not become available until 18 June 2018.

The Head of Finance further informed the Committee that the accounts were sent to the Council's external auditors on 25 June 2018, and following discussions with the Audit Manager, it was agreed to delay the start of audit until August 2018. The audit would commence at the beginning of August 2018, and the final accounts and audit report would be submitted to the Committee for approval at its next meeting on 24 September 2018.

Resolved:

That the position in regards to the Statement of Accounts 2017/18 be noted.

14 Date of next meeting

That the next meeting of the Audit and Standards Committee that is scheduled to be held on Monday, 24 September 2018 in the Ditchling Room, Southover House, Southover Road, Lewes, BN7 1AB, commencing at 10:00am, be noted.

The meeting ended at 11.25 am

Councillor Mike Chartier (Chair)