

AUDIT AND STANDARDS COMMITTEE

24 September 2018

Minutes of the Audit and Standards Committee held at the Town Hall, Bexhill-on-Sea on Monday 24 September 2018 at 6:30pm.

Committee Members present: G.C. Curtis (Chairman), J. Barnes, R.K. Bird, R.C. Carroll, S.D Elford and I.G.F. Jenkins.

Advisory Officers present: Executive Director (MJ), Financial Services Manager, Audit Manager and Democratic Services Officer.

Also present: 1 member of the public.

AS18/16. MINUTES

The Chairman was authorised to sign the minutes of the meeting of the Audit and Standards Committee held on 25 July 2018 as a correct record of the proceedings.

AS18/17. APOLOGIES

Apologies for absence had been received from Councillors K.P. Dixon and S.H. Earl, Executive Director (AL) and Assistant Director Resources. The Chairman requested that the Committee's thoughts and best wishes were extended to Councillors Earl and Mrs Earl-Williams and their family at this time.

PART A – STANDARDS REPORTS - NONE

PART II – DECISIONS TAKEN UNDER DELEGATED POWERS

PART B – AUDIT REPORTS

AS18/18. INTERNAL AUDIT REPORT TO 30 JUNE 2018
(5.1)

The Audit Manager led Members through the internal audit report to 30 June 2018 that gave details of audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance. In addition to audit assurance work, the service had also engaged in various consulting activities during the quarter and continued to work with the Revenues and Benefits Section regarding the investigation of cases identified as a result of the National Fraud Initiative data matching exercise.

The report gave details of the three audits completed in the quarter (Food Safety, Section 106 Agreements and Asset Management), all of which had given substantial assurance on the overall governance arrangements.

It was advised that whilst progress had been slow on the older recommendations during the quarter, many of the newer recommendations continued to be implemented. It was noted, that there were a growing number of recommendations where there had been little movement in recent months. Recommendations older than six months had been escalated to the Executive Directors. There were five recommendations which fell into this category (Credit Management (1), ICT Governance (1), Internet and Email Controls (1) and Data Protection (2)); however the Head of Service responsible for implementing four of these had recently changed following the senior management restructure. The Executive Directors would therefore keep the situation under review.

Members recalled that an audit of the procedures for awarding grants and loans to housing needs clients carried out in the second quarter of 2017/18 identified a £12,550 fraud, perpetrated by a member of the Housing Needs Team, who was subsequently dismissed. Following a police investigation, the Crown Prosecution Service, at the recent court case, took action and the perpetrator received a six month prison sentence suspended for 24 months, conditional on staying out of trouble and carrying out 220 hours of unpaid work. She was also ordered to pay Rother District Council £12,450 in compensation.

Members had an opportunity to put forward questions and the following points were noted during the discussion:

- The Audit Manager confirmed that he would update Members by email in respect of the Housing Needs fraud.
- Members requested further detail on the progress of the Credit Management recommendation from 2015/16 and whether a time limit should be set. The Audit Manager advised that, due to the different types of debt, there were multiple targets to be met within the recommendation. Further discussions were required as to the relevance of the targets set.
- Members requested more information as to why the Inspections objective in the Food Safety Audit was only partially met and how many had been achieved. The Audit Manager advised that he would update Members by email.

RESOLVED: That the Internal Audit report to 30 June 2018 be noted.

AS18/19.
(5.2)

TREASURY MANAGEMENT REPORT – MID YEAR REVIEW

Cabinet had approved the Council's 2018/19 Investment Strategy in February of this year; this required regular reports to be presented to the Audit and Standards Committee on the Council's treasury management activities. Investment activity was also reported to Members through the monthly Members' Bulletin. In managing its

treasury management activities, the Council followed the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The report provided an update on a number of areas as follows:

- The Council's treasury advisors, Link Asset Services, had provided their view on the current economic climate and their outlook for the remainder of 2018/19, which was appended to the report.
- The Council made its own investments through the use of call and deposit accounts with major financial UK institutions. The Council had also invested £5 million in the Churches, Charities, Local Authorities' (CCLA) Property Investment Fund. A further £3 million was invested in July 2018 into the HERMES Property Investment Fund.
- The Council held £31m of investments at 30 July 2018 and the investment portfolio yield to 31 July 2018 was £107,106. The average rate of return was 1.30%.
- Members were advised that if the HERMES Property Investment Fund achieved the estimated return highlighted in the report, together with the other Council investments, the return for 2018/19 would be in the region of £397,000. This was higher than reported to Cabinet earlier in the month, which was based on performance for the first quarter.
- It was highlighted to Members that, based on the financing of the Capital Programme, the Capital Financing Requirement (CFR) would increase each year by the amount of capital expenditure yet to be financed and would be reduced by the amount that the Council set aside for the repayment of borrowing. It was expected that the Council's CFR projections would remain broadly the same as previous estimates for the foreseeable future.
- The limits to borrowing and the key controls over this treasury activity were detailed within the report; net borrowing (borrowings less investments) would only be for a capital purpose. The Council had an approved policy for borrowing in advance of need and the Assistant Director Resources had reported that no difficulties were envisaged for the current or future years in complying with the key controls.

After some discussion, the following points were noted:

- The Council was planning to use the annuity method to calculate the minimum revenue provision (MRP). MRP is the provision the Council makes each year to repay debt.
- The Council, in conjunction with advice from Link Asset Services, its external treasury advisors, invested £3 million in the HERMES Property Investment Fund. Return on the non-financial investments (e.g. investment in properties) and financial investments would be reported through the quarterly monitoring reports and also through the regular Treasury reports.

The Council's current treasury management and investment strategies remained robust in managing the Council's cash funds. The economic outlook remained difficult for a net investor such as the Council and supported the Council's financial strategy to reduce reliance on investment returns.

RESOLVED: That the report be noted.

AS18/20.
(5.3)

WORK PROGRAMME

Consideration was given to the Work Programme which contained details of the reports to be considered by the Audit and Standards Committee for the remainder of the 2018/19 municipal year. A further report on the Revised Procurement Procedure Rules was added to the next meeting, scheduled to be held on Monday 10 December 2018.

Members requested that consideration be given to the Strategic Risk Register in order to take into account the potential effects of Brexit. A suitable date would be discussed with the Chairman of the Committee and added to the Work Programme.

RESOLVED: That the Work Programme at Appendix A, as amended, be approved.

CHAIRMAN

The meeting closed at 6:55pm

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AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2018 - 2019	
DATE OF COMMITTEE	SUBJECT
Monday 10 December 2018	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring • Local Government Ombudsman Complaints Monitoring and Annual Review 2017-2018 • Review of Local Government Ethical Standards – results of Stakeholder Consultation <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • BDO – Annual Audit Letter 2017-18 • Internal Audit Report to 30 September 2018 • Annual Risk Management Update • Treasury Management Update Report • Revised Procurement Procedure Rules
Monday 25 March 2019	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • BDO – Grant Claim Certification for the year ended 31 March 2018 • Grant Thornton – Audit Plan 2018-19 • Internal Audit Report to 31 December 2018 • Internal Audit Plan 2019-20 • Review of Internal Audit 2018-19 • Treasury Management Report