

AUDIT AND STANDARDS COMMITTEE

10 December 2018

Minutes of the Audit and Standards Committee held at the Town Hall, Bexhill-on-Sea on Monday 10 December 2018 at 6:30pm.

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

Parish/Town Council Representatives: Councillors Mrs W.M. Miers (Part A Only).

Independent Person: Mrs S. Fellows (Part A Only) and Mrs J. Gray (Part A Only).

Advisory Officers present: Executive Director (MJ), Executive Director (TL), Assistant Director Resources, Head of Service Housing and Community (in part), Audit Manager, Monitoring Officer (in part) and Democratic Services Officer.

Also present: 1 member of the press.

AS18/21. MINUTES

The Chairman was authorised to sign the minutes of the meeting of the Audit and Standards Committee held on 24 September 2018 as a correct record of the proceedings.

PART A STANDARDS REPORTS

PART II DECISIONS TAKEN UNDER DELEGATED POWERS

**AS18/22. OMBUDSMAN COMPLAINTS MONITORING AND ANNUAL REVIEW
(5.1) 2017/18**

Members considered the report of the Executive Director that set out details of six complaints made to the Local Government Ombudsman (LGO) since the Committee's last meeting. The Head of Service Housing and Community reported that of the six complaints detailed, one was upheld, one was not upheld, two were not investigated and two were currently being investigated.

A total of 23 complaints had been made against the Council over the year. Three of these were upheld, none were partially upheld, nine were not upheld, ten were closed after initial enquires and one was withdrawn.

It was noted that the LGO record the number of complaints per 10,000 individuals; the result for Rother District Council was 2.5:10,000, the average for local authorities being 10:10,000. Members were pleased

to note that only three out of 21 complaints made for the year 2017/18 were upheld, with an even spread of complaints across the service areas.

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

- the LGO advised complainants directly of the outcome of their complaint and the reasons if they were not investigated.
- Members were pleased to note the progress that had been made concerning the complaint that had been upheld since the last meeting of the Committee.
- the Head of Service Housing and Community advised Members that one unit of temporary accommodation (TA) had been secured in recent weeks, with a further two being considered over the coming weeks. A property with seven units was due to go before the Planning Committee in due course and the target for the end of 2019/20 was for 30 units of TA. The primary concern was to secure TA suitable for families with children.

RESOLVED: That the report be noted.

AS18/23.
(5.2)

CODE OF CONDUCT COMPLAINTS MONITORING

The Committee received the routine report of the Monitoring Officer which advised that no Code of Conduct complaints had been received since the last meeting. Within the Committee's functions and delegations was a duty to promote and maintain high standards of conduct by Members of the Council and a number of standards matters had taken place since the Committee's last meeting in this respect.

An article had been included in the July edition of the Members' Bulletin on the outcome of the Committee on Standards in Public Life's review into the intimidation of Parliamentary candidates in July 2017. The report made a total of 33 recommendations, five of which applied to elected Members and holders of office in public life. Members noted that the Seven Principles of Public Life and the five recommendations detailed in the report applied to ALL holders of public office, including paid employees (officers) of the Council. Following liaison with Human Resources, it was confirmed these would form part of all future officer contracts of employment.

In August 2018, an audit had been undertaken of the Members' Register of Interests, inviting all Members to review their current register entry and notify any amendments that were required. Proactive advice concerning disclosable pecuniary interests was also sent to all Members ahead of the extra-ordinary meeting of full Council held on 15 October 2018, to consider the Development and Site Allocations draft consultation document.

Members were pleased to note that there had been no Code of Conduct complaints to consider since the last meeting.

RESOLVED: That the report be noted.

AS18/24.
(5.3)

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE'S REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS

Members received the report of the Monitoring Officer on the Committee on Standards in Public Life's (CSPL) Review of Local Governments Ethical Standards, which the Committee had responded to earlier in the year. At that time, it was anticipated that the outcome of the review would be published by December 2018; however this had been delayed until January 2019.

In July 2018 at a Standards Conference for Monitoring Officers in London, representatives from the CSPL gave some initial feedback on the emerging themes arising from the consultation. These included the lack of meaningful sanctions and the declaration of interests' regime being unclear and confusing for users. However, the CSPL were very much aware that a balance needed to be struck between rigid standardisation (as under the previous Standards Board regime) and the flexibility and freedoms that the current system provided for local authorities.

The outcome of the review and resulting recommendations were due to be presented to the Prime Minister and Parliament in January 2019 and the results would be presented to the June meeting of the Audit and Standards Committee; this would give officers some time to digest the recommendations and make any appropriate recommendations for changes locally. If there were to be changes to legislation that would affect the standards regime, a report would be brought to the March meeting of the Committee.

RESOLVED: That:

- 1) the delay to the results of the Committee on Standards in Public Life's Review of Local Government Ethical Standards be noted; and
- 2) the outcome of the Review be received by the Committee in June 2019.

PART B AUDIT REPORTS

PART I RECOMMENDATIONS TO COUNCIL

AS18/25.
(7.3)

REVISED PROCUREMENT PROCEDURE RULES

Members received the report of the Executive Director detailing proposed changes to the Procurement and Procedure rules, which formed part of the Constitution of the Council.

The Procurement Procedure Rules contained the rules and guidelines for procuring goods and services, works and concession contracts.

They were designed to ensure compliance with UK and European law, ensure best practice was followed and that best value was achieved in the use of public funds. The main changes that were proposed related to the procurement of IT software contracts in order that software could remain in use by the Council until it determined that it no longer met its business requirements.

RECOMMENDED: That: the revised Procurement Procedure Rules be approved and adopted.

PART II - DECISIONS TAKEN UNDER DELEGATED POWERS

AS18/26. HOUSING BENEFITS SUBSIDY CERTIFICATION (6.1)

BDOs' report summarised the main issues arising from the certification of the housing benefits subsidy for the financial year ended 31 March 2018. Local authorities responsible for managing housing benefit were able to claim subsidies towards the cost of these benefits from central Government. BDO had been able to give a clean opinion for the third year running, which was a good result.

BDOs' work on this claim included verifying that the Council was using the correct version of its benefits software and that this software had been updated with the correct parameters. The entries in the claim to underlying records and test a sample of cases from each benefit type confirmed that benefit had been awarded in accordance with the relevant legislation. The methodology and sample sizes were prescribed by the Public Sector Audit Appointments Ltd and the Department for Work and Pensions. The draft subsidy return provided for audit recorded amounts claimed as subsidy of £23,883,913. The amount of subsidy claimed was reduced by £58 (net).

BDO had been able to reduce their fees as a result of the Council continuing to use an independent contractor, Branch and Lee, to undertake the required testing of benefit cases. In addition, Branch and Lee's work had identified misclassifications of housing benefit overpayment, which in turn ensured the Council maintained the maximum level of subsidy it could. BDO had been able to place reliance on this work and reduce the extent of the testing to be complete.

RESOLVED: That the report be noted.

AS18/27. INTERNAL AUDIT REPORT TO 30 SEPTEMBER 2018 (7.1)

The Audit Manager led Members through the internal audit report to 30 September 2018 that gave details of audit matters and any emerging issues not only in relation to audit but risk management and corporate governance. It was advised that good progress continued to be made on the work planned for 2018/19 and the Annual Governance Audits were now well underway.

The report gave details of the four audits completed in the quarter (Public Conveniences Cleaning Contract, Building Maintenance, Homelessness Prevention Grants and Loans and Pollution Control), two of which had given good or substantial assurance on the overall governance arrangements. However two (Public Conveniences Cleaning Contract and Homelessness Prevention Grants and Loans) only provided limited assurance.

It was noted that The Public Conveniences Cleaning Contract audit received a limited rating because the contract paperwork (i.e. signed contract and performance bond) had still not been finalised at the time of the audit, despite the contract having been in operation for over 15 months. The Executive Director assured Members that the delivery of the contract had not been affected and that the East Sussex Procurement Hub was pursuing the signed contract. Members requested that an update on the Public Conveniences Cleaning Contract be provided in six months' time.

The Homelessness Prevention Grants and Loans audit was a follow up review of the 2017/18 audit which only received a minimal assurance rating owing to the major control weaknesses found and the discovery of a £12,250 fraud. Whilst some progress had been made to improve procedures since that audit, the latest report still received a negative (limited) assurance rating, as the new controls were not being consistently applied and management oversight was still found to be inadequate. Members requested that an update on the management of Homelessness Prevent Grants be provided in six months' time.

Work on four other audits (Procurement, Housing Temporary Accommodation, Treasury Management and ICT Network Security) was also well underway as at 30 September 2018.

Good progress continued to be made implementing audit recommendations on the current year's recommendations. It was noted that the number of older recommendations had also started to reduce following escalation to the Executive Directors and it was hoped that further movement would be seen on many of the remaining cases over the next quarter.

At the previous meeting, the Committee expressed concern that a 2015 Credit Management (Debt Recovery) audit recommendation was still outstanding. The audit had found that there were no debt recovery targets in place despite the Debt Management Policy stating that targets should be set. The Assistant Director Resources explained that the Council's debt recovery processes were well established and had been the subject of previous reports to Members. The target for recovery should always be 100% of debts but in reality not all debt was recovered for a number of reasons. The Council's bad debt provision identified the different categories of debt and it was suggested that this should form the basis of monitoring performance on an annual basis.

The Public Sector Internal Audit Standards required that the Audit Manager considered other sources of assurance as part of the planning process. The Internal Audit Team had therefore developed an

‘assurance map’ to assess the level of assurance provided (a visual representation of the various assurance activities carried out across an organisation). Its purpose was to assist understanding of the assurance received, to evaluate its adequacy and to highlight any potential gaps in coverage. The effectiveness of each type of assurance across a number of key services was then assessed and processed to produce an assurance map shown in Appendix C of the report. The results of this exercise would be used to inform the Audit Plan for 2019/20 and the Audit Manager would update the assurance map in future years as part of the audit planning process.

RESOLVED: That:

- 1) the Internal Audit report to 30 September 2018 be noted;
- 2) a progress report be received by the Committee on the Public Conveniences Cleaning contract and the Homelessness Prevention Grants and Loans in six months’ time; and
- 3) it be recommended to Cabinet that the Debt Management policy be amended to include the basis of calculating the Council’s bad debt (impairment) provision to form the basis of monitoring performance on debt recovery on an annual basis.

AS18/28.
(7.2)

TREASURY MANAGEMENT UPDATE

Cabinet had approved the Council’s 2018/19 Treasury Management Strategy Statement in February of the current year and the report presented to Members provided an update.

It was noted that it was a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades, as rates were very low with the Bank rate at 0.75%. The Council’s cash levels and cash flow profiles, as well as restrictions on maximum deposit duration, contributed to a low risk and short-term strategy. Given the risk adverse environment, investment returns were likely to remain low.

The Assistant Director Resources (the Council’s Chief Financial Officer) confirmed that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2018/19.

The report also 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 held £31m of investments at 31 October 2018 and the investment portfolio yield to 31 October 2018 was £218,107. The average rate of return was 1.47%. If the Hermes Property fund achieved the estimated return highlighted in the report, together with the other Council investments, the return for 2018/19 should be in the region of £410,000.

- A major part of the Council's Treasury Management Strategy concerned the Capital Programme, how it was funded and the impact this had on taxpayers. Members noted that the profile of borrowing shown in the report may accelerate depending on the demands of the Council's regeneration plans within the Property Investment Strategy.

Members noted that the activity of the Property Investment Panel would be reported to the Committee as and when required and a full report provided once a year.

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

RESOLVED: That the report be noted.

AS18/29.
(7.4)

ANNUAL RISK MANAGEMENT UPDATE

Members considered the annual update report that covered progress in Risk Management during 2018. Risk referred to the uncertainty that surrounded future events and outcomes and it was essential that the Council had a strong approach to Risk Management, particularly with the current environment of substantial financial and resource pressures.

The issue of Risk Management was reviewed every six months by the Strategic Management Team (SMT) and Heads of Service; recent exercises included sessions with a member of the South East Regional Crime Unit looking at strategic cyber security decision making. It was noted that Risk Management training was now a regular feature of the Sussex Training Consortium programme.

The Corporate Risk Framework attached at Appendix A to the report had been updated during the year and the following key changes had been made:

- The addition of a terrorist incident as a Corporate Risk (primarily around Town Hall operations).
- The adjustment of some of the risk ratings in the light of new information.
- The consideration of 'Brexit' and initial thoughts on impact to the authority. (This was also reported as a separate item on the agenda.)

The Committee noted that the Corporate Risk Framework was a live document and the likelihood, impact and ratings could change frequently depending on many factors.

RESOLVED: That the report be noted.

UK EXIT FROM THE EUROPEAN UNION (BREXIT)

At the meeting on 24 September 2018, the Committee requested that consideration be given to the Strategic Risk Register in order to take into account the potential effects of the impending departure of the United Kingdom from the European Union (EU). Members received the report of the Executive Director which considered the potential impacts of the UK leaving the EU without an agreement (a 'no deal' scenario).

The Government had published a series of 105 technical notes (plus an overview) that set out information to allow authorities, businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they could make informed plans and preparations.

A summary of the technical notes to date had been placed in the Members' Room and was available by email to any Member wishing to explore the links further.

The Local Government Association had also published a summary for Councils (up to 8 October), which could be found at:

<https://www.local.gov.uk/parliament/briefings-and-responses/brexit-no-deal-briefing-councils>

Further information was expected to emerge closer to the date of exit, to develop the information in the technical notes further.

The risks of implications to other businesses and communities, along with their impact and potential mitigation, were shown in Appendix 1 to the report and were covered under the categories of:

- Strategy and Policy
- Impact on communities
- Impact on the economy
- Impact on the Council

Members noted potential risks to the new waste contract due to be in place for June 2019, with the new contractor looking to source vehicles and equipment.

An additional recommendation was proposed and agreed that the potential impacts of the UK leaving the EU be reviewed by the Committee at the next meeting scheduled to be held on 25 March 2019.

Officers would continue to monitor the situation and keep Members up to date as changes occurred. Any changes to the Council's budgets or policies would be brought to Members for consideration and approval.

RESOLVED: That:

- 1) the report be noted; and

- 2) the potential impacts of the UK leaving the EU be reviewed by the Committee at the next meeting scheduled to be held on 25 March 2019.

AS18/31.
(7.6) **WORK PROGRAMME**

Consideration was given to the Work Programme which contained details of the reports to be considered by the Audit and Standards Committee meetings until March 2019.

The following additions to the Work Programme were noted:

- Accounting Policies – 25 March 2019
- Property Investment Panel Activity report – 25 March 2019
- UK Exit From The European Union (Brexit) – 25 March 2019

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

CHAIRMAN

The meeting closed at 7:25pm

as181210/lh

AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2018 – 2019	
DATE OF COMMITTEE	SUBJECT
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 • Accounting Policies • Property Investment Panel Activity Report • UK Exit From The European Union (Brexit)
WORK PROGRAMME 2019 – 2020	
Monday 24 June 2019	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring • Ombudsman Complaints Monitoring • The Committee on Standards in Public Life's Review of Local Government Ethical Standards <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 31 March 2018 • Treasury Management Report – 2018/19 Outturn
Wednesday 24 July 2019	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Governance Report 2018/19 • Statement of Accounts 2018/19
Monday 23 September 2019	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 30 June 2019 • Treasury Management Report

<p>Monday 9 December 2019</p>	<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 2018-2019 • Review of Local Government Ethical Standards – results of Stakeholder Consultation <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Audit Letter 2018-19 • Internal Audit Report to 30 September 2019 • Annual Risk Management Update • Treasury Management Update Report
<p>Monday 23 March 2020</p>	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Grant Claim Certification for the year ended 31 March 2019 • Grant Thornton – Audit Plan 2019-20 • Internal Audit Report to 31 December 2019 • Internal Audit Plan 2020-21 • Review of Internal Audit 2019-20 • Treasury Management Report