

**AUDIT AND STANDARDS COMMITTEE**

23 September 2019

Minutes of the Audit and Standards Committee meeting held at the Council Chamber, Town Hall, Bexhill-on-Sea on Monday 23 September 2019 at 6.30 pm.

Committee Members present: Councillors K.D. Dixon (Chairman), J. Barnes, Mrs M.L. Barnes, A.K. Jeeawon, Mrs E.M. Kirby-Green, L.M. Langlands, Rev H.J. Norton and H.L. Timpe.

Other Members present: Councillor D.B. Oliver.

Advisory Officers in attendance: Executive Director, Assistant Director Resources, Head of Service Strategy and Planning, Head of Service Acquisitions, Transformation & Regeneration, Corporate Transformation Finance Manager, Audit Manager and Democratic Services Officer.

Also Present: 2 members of the public.

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AS19/18.     **MINUTES**

The Chairman was authorised to sign the Minutes of the meeting of the Audit and Standards Committee held on 31 July 2019 as a correct record of the proceedings.

AS19/19.     **APOLOGIES FOR ABSENCE**

Apologies for absence had been received from Councillor Stainsby, Mrs Susan Fellows, Mrs Jan Gray, Dr Anthony Leonard, Executive Director and Lisa Cooper, Monitoring Officer.

AS19/20.     **INDEPENDENT PERSON RECRUITMENT**

Members received the report of the Monitoring Officer giving details of the resignation of Mr Robert Tye, one of the Council's three appointed Independent Persons (IPs), with effect from 8 August 2019.

The Council took the decision in 2016 to increase the number of IPs from two to three to provide increased resilience and an opportunity for the third IP to work alongside Mrs Susan Fellows and Mrs Jan Gray whose terms of office was due to expire in 2021. The existing IPs' terms of office were not renewable under the terms of the Localism Act as both would have served eight years by July 2021. Having a restricted tenure ensured that the judgment and independence of the IPs was not compromised by a long period of involvement in a single authority.

In order to provide a small hand-over period, of some 18 months to maintain resilience and ensure a level of continuity and institutional memory, it was recommended by the Monitoring Officer that the Council proceeded immediately to recruit a third IP and the report set out the proposed arrangements for the recruitment.

The proposed Role Description and Person Specification was also attached to the report for Members' information. It was hoped that this would help attract candidates who were willing and able to commit to the expectations of the role. Members requested and agreed that 'Personal Integrity' which was listed as one of the Personal Qualities detailed in the Person Specification, be amended to 'Integrity'.

It was proposed that an advert for one Independent Person be placed on the Council's website and highlighted through social media messages and MyAlerts, inviting applications with a closing date of Friday 18 October 2019. The vacancy would also be notified to all Councillors and all Parish and Town Councils within the Rother area. It was also requested and agreed that a press release be given detailing the opportunity to Rother residents.

The interview panel would comprise of the Monitoring Officer, the Chairman of the Audit and Standards Committee and an Executive Director. It was recommended and agreed that 'or a nominated substitute' be added to the recommendation if the Chairman of the Committee was unavailable. The appointment would be recommended to the Committee at the next meeting scheduled for 9 December, for onward recommendation to Council.

It was also reported to Members that Councillor Stainsby would be resigning with effect from 30 September 2019 from the Committee as one of the two appointed Parish/Town Council representatives. Rother Association of Local Councils (RALC) would therefore nominate and appoint a replacement Parish/Town Councillor to join the Audit and Standards Committee in due course.

**RESOLVED:** That:

- 1) the resignation of Mr Robert Tye with effect from Thursday 8 August 2019 be noted;
- 2) the proposed arrangements for the recruitment of one Independent Person for a term of four years be approved;
- 3) an Interview Panel be appointed comprising the Monitoring Officer, the Chairman of the Audit and Standards Committee, or a nominated substitute, and an Executive Director; and
- 4) the proposed appointee be recommended to the Committees' next meeting on 9 December for onward recommendation to Council on 16 December 2019.

AS19/21. **REVISED ANTI-FRAUD AND CORRUPTION FRAMEWORK**

The Council was firmly opposed to fraud and corruption of any kind and had a suite of policies and procedures used to promote a culture of openness, honesty and opposition to fraud. The documents formed part of the Council's Anti-Fraud and Corruption Framework and were last approved at full Council in February 2016 (Minute C15/63).

The Framework had recently been reviewed and Members received a report of the Executive Director detailing proposed amendments to the Framework, which took into account changes in legislation and post titles. Members were asked to consider the proposed changes and recommend them for approval by full Council.

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

- Members queried the removal of the wording 'invoke disciplinary proceedings' at section 2.0 of the document (page 37 of the Agenda). The Audit Manager explained that the wording had been removed as it was not a strategic objective, but the point was still covered in section 5.0 (page 41 of the Agenda) which clearly stated 'Disciplinary action and prosecution will be invoked whenever fraud or corruption is found';
- at section 5.0 of the document (pages 46 and 47 of the Agenda), Members queried why employees and Members were given a list of Designated Officers to refer to rather than a specific contact. The Audit Manager explained that the wording allowed for flexibility in a number of fraud/corruption scenarios; and
- at section 8.0 of the document (pages 47 and 48 of the Agenda), Members queried why members of the public could not be given a specific contact. It was agreed that the section be amended to signpost the public to the Audit Manager, which also applied to the Whistleblowing Policy on page 73 of the Agenda.

**RECOMMENDED:** That the revised Anti-Fraud and Corruption Framework be approved and adopted, as amended.

AS19/22. **UK EXIT FROM THE EUROPEAN UNION (BREXIT)**

At the meeting on 24 September 2018 (Minute AS18/20 refers), Members 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). A further report was brought to this Committee on the 25 March 2019 (Minute AS18/42). At the time of writing this report the delayed departure date from the EU has now been set for 31 October 2019. A scenario in which the UK leaves the EU without agreement (a 'no deal' exit) still remains uncertain.

The Minister for Housing, Communities and Local Government (MHCLG) had recently written to the Leaders of all local authorities in England stating that the UK would be leaving on the 31 October and emphasised the role of Local Government in preparing for EU Exit.

An EU Exit Team had been set up consisting of the Head of Planning; Head of Environmental Health, Licensing and Community Safety; ICT Manager; Emergency Planning Officer; and Human Resources Manager who met on a weekly basis to consider communications received, the risk register and action log and tracking preparative activity for EU Exit. Whilst the Council could not be held accountable for EU implications for businesses and communities, it did have a role in assisting with communications and ensuring businesses and communities understood and were aware of the issues and could take the necessary actions to mitigate or minimise disruption.

All local authorities had received a grant to assist with the resource impacts for having to prepare for EU Exit. Rother District Council (RDC) had received £17,484 in the 2018/19 financial year with a similar grant received for the 2019/20 financial year, a total of c£35,000, however to date, no funds had been allocated. The Sussex Resilience Forum had also received a regional grant into which RDC could bid for further financial assistance if special regional circumstances arose that affected Rother District. These grants were not expected to meet any on-going costs to services following Brexit.

Members commended officers for their work. It was requested and agreed that Members be kept informed following meetings of the EU Exit Team.

**RESOLVED:** That:

- 1) Members be sent regular updates from the EU Exit Team; and
- 2) the report be noted.

AS19/23. **INTERNAL AUDIT REPORT TO 30 JUNE 2019**

The Audit Manager led Members through the internal audit report to 30 June 2019 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 two audits completed in the quarter (Community Grants and Disabled Facilities Grants), both 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 small number of recommendations where there had been little movement in recent months. Recommendations older than six months where there had been no recent progress had been escalated to the Executive Directors.

At the meeting of the Audit and Standards Committee on 24 June 2019, Members requested an update on Whistleblowing Policy activity, which was provided at Appendix C to the report.

In summary, a total of 12 whistleblowing cases had been reported to the Audit Manager in 2018/19. These included a range of allegations, the majority of which focused on either Benefit/Council Tax Fraud or Housing Tenancy Fraud. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.

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

- The Audit Manager confirmed that the Audit Recommendation not yet started from 2017/18 related to an I.T. off-site disaster recovery exercise that had not been completed for five years, but had since been downgraded to a low risk. I.T. systems had become much more robust but an exercise was still required. Members agreed that the matter should be discussed by management and if necessary a further report be made to this Committee;
- Members suggested that recommendations from previous years that were either 'work-in-progress' or 'not started' be reviewed as they may have been overtaken since; and
- the objectives marked as 'Partially Met' in the Community Grants and Disabled Facilities Grants Audits both related to procedures not being followed correctly. The Audit Manager was however satisfied that correct systems had now been put into place.

**RESOLVED:** That the Internal Audit report to 30 June 2019 be noted.

AS19/24.

#### **TREASURY MANAGEMENT REPORT - JULY 2019**

Council approved the Council's 2019/20 Investment Strategy in February 2019 (Minute CB18/66 refers). The Investment Strategy required regular reports to be presented to this Committee on the Council's treasury management activities. Members were also reminded that investment activity was also reported through the 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 2019/20, 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 into the HERMES Property Investment Fund.
- The Council held £31,796,676 of investments at 31 July 2019. The total income from investments was estimated at £164,819, slightly behind the profiled budget to July 2019 of £170,666, with an average rate of return on investments of 1.64%.
- There was £12,045 million of borrowing at 31 July 2019 and the Capital Financing requirement was £16.217 million.
- The Council had recently invested in the economic regeneration of Rother through its Property Investment Strategy (PIS) and Members were updated with the expected income from the non-Treasury Investments.
- The budget for rental income from all investment properties was £1,939,000. This was made up of £970,000 for the existing assets and £969,000 for the properties purchased through the PIS. The estimated outturn for 2019/20 was £1,650,267 a shortfall of £288,918. This equated to a 6.6% gross return on the value of all properties including those purchased under the PIS.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. The investment environment for treasury activities remained very difficult with absolute returns continuing to be very low. The diversification into Property Funds had increased the net overall return but did come with a greater degree of capital risk than other investments and was less liquid. The Council's PIS had regeneration at its heart and it was planned to generate returns in excess of 2% (net of borrowing costs), which was greater than predicted for treasury investments. This came with greater risk due to the commitment to repaying borrowing and the direct operational risks of managing property.

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

AS19/25. **FINAL STATEMENT OF ACCOUNTS 2018/19 (AS PREVIOUSLY CIRCULATED) - FOR INFORMATION**

Following receipt of the updated report from the External Audit Manager at Grant Thornton, no material changes had been made to the Final Statement of Accounts 2018/19 approved by Members in July 2019.

**RESOLVED:** That the updated Final Statement of Accounts 2018/19 report be noted.

AS19/26. **UNIT 4 SYSTEMS ADMINISTRATION - VERBAL UPDATE**

At the request of Members at the June meeting, (Minute AS19/09 refers) an oral report was given on the current position of the Unit 4 Systems Administration.

Members were advised that interim support for the management of the Council's Unit 4 accounting system had been provided both internally and through the external company that was supporting the delivery of the new system. In addition, very useful support is being provided as necessary from the Council's partner, Hastings Borough Council. The Assistant Director Resources was considering ongoing technical support from an independent organisation in addition to that provided by Unit 4 in the longer term.

**RESOLVED:** That the verbal update be noted.

AS19/27. **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 2019/20 municipal year. The following additions were made to the programme:

- 9 December 2019 – Appointment of a Parish/Town Council Representative
- 9 December 2019 – Appointment of an Independent Person
- 9 December 2019 - Review of UK Exit from the European Union (BREXIT)

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

CHAIRMAN

The meeting closed at 7.53 pm