



## AUDIT AND STANDARDS COMMITTEE

18 May 2020

Minutes of the Audit and Standards Committee held remotely on Microsoft Teams on Monday 18 May 2020 at 6.30pm.

Committee Members present: Councillors K.P. 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: Councillors D.B. Oliver and S.M. Prochak.

Advisory Officers in attendance: Executive Director (MJ), Executive Director (AL), Assistant Director Resources, Head of Service Acquisitions, Transformation & Regeneration, Audit Manager, Finance Manager, Procurement Business Partnership Manager and Democratic Services Officer.

Also Present: Darren Wells – Grant Thornton and 14 members of the public, via the YouTube live broadcast.

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### AS19/41. **MINUTES**

The Chairman was authorised to sign the Minutes, at a later date, of the meeting of the Audit and Standards Committee held on 9 December 2019 as a correct record of the proceedings.

### AS19/42. **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### AS19/43. **DISCLOSURE OF INTERESTS**

There were no declarations of interest.

### AS19/44. **EXCLUSION OF PRESS AND PUBLIC (EXEMPT INFORMATION)**

**RESOLVED:** That the press and public be excluded whilst matters containing exempt information, as prescribed by Part 1 of Schedule 12A of the Local Government Act 1972, as amended and relating to Minute AS19/52 was under consideration. The Appendix submitted in connection with this item and which contains information exempt from publication by virtue of Part 1 of Schedule 12A to the Act shall remain confidential if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **PART A STANDARDS REPORTS – NONE**

### **PART B AUDIT REPORTS**

## **PART I RECOMMENDATIONS TO COUNCIL**

### **AS19/45. APPOINTMENT OF AN AUDIT INDEPENDENT PERSON TO THE AUDIT AND STANDARDS COMMITTEE**

Members received the report from the Executive Director requesting the Audit and Standards Committee to consider the appointment of an Audit Independent Person (AIP) to the Committee. The AIP would be a non-elected member of the public with some experience in the area of audit, similar to the Independent Persons (IPs) appointed under the Localism Act to deal with standards related matters of this Committee's work. The AIP would be a non-voting Member of the Committee and would be there in an advisory/consultative manner.

It was proposed that recruitment was to be on a competitive basis following the Council's employment rules, including an open advertisement and interviews, as undertaken for the IPs appointed under the Localism Act. An advert would be placed on the Council's website and highlighted through social media messages and MyAlerts inviting applications with a closing date to be confirmed once Council had considered the matter. The vacancy would also be notified to all Councillors and all Parish and Town Councils within the Rother area.

The expectation was that the AIP would attend every meeting of the Committee and was likely to have discussions with the relevant officers outside of the formal meetings. It was proposed that an annual allowance of £900 per annum be attached to the role to cover all expenses, including travel to meetings. It was recommended in the report that the AIP was to be appointed for a term of two years with the option of extending for a further two years.

#### **RECOMMENDED:** That:

- 1) a non-voting Audit Independent Person be appointed to the Audit and Standards Committee for a period of two years with the option of extending this for a further two years;
- 2) the role description, skills and competencies and person specification at Appendix A to the report be agreed; and
- 3) the Council's Constitution be amended accordingly.

AND

#### **RESOLVED:** That subject to Council's approval of recommendations 1 to 3 above:

- 4) an Interview Panel be appointed comprising the Chairman of the Audit and Standards Committee, Audit Manager and Assistant Director Resources; and
- 5) the proposed appointee be recommended to the next available meeting of the Audit and Standards Committee for onward recommendation to Council.

## **PART II DECISIONS TAKEN UNDER DELEGATED POWERS**

### **AS19/46. REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - EXTERNAL AUDIT PLAN YEAR ENDING 31 MARCH 2020**

The Chairman welcomed Darren Wells from Grant Thornton to the meeting, who proceeded to summarise the External Auditors' Annual Audit Plan report for the year ending 31 March 2020. The purpose of the report was to highlight and explain the key issues which Grant Thornton believed to be relevant to the audit of the financial statements and use of resources of the Council for the 2019/20 financial year.

The report formed a key part of Grant Thornton's communications strategy with the Council which was designed to promote effective two-way communications throughout the audit process. Darren Wells guided Members through the comprehensive plan which gave details of: Key Matters Impacting the Audit; Significant Risks Identified; Other Risks Identified; Other Matters; Materiality; Value for Money Arrangements; Audit Logistics and Team; Audit Fees; and Independence and non-audit services. The following points were highlighted for Members' attention:

- the Council's planning materiality had been set at £880,000;
- key risks included management override of control, valuation of land and buildings and valuation of net pension fund liability; and
- the proposed audit fee was £44,559.

Prior to the meeting, Grant Thornton circulated an update to the Audit Plan as recent events had led them to update their planning risk assessment and reconsider their audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic.

Management and those charged with governance were still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, however the deadline for the preparation of financial statements had now been extended to 31 August 2020 and for the publication of audited financial statements to 30 November 2020.

In order to fulfil their responsibilities under International Auditing Standards (ISAs (UK)), Grant Thornton had revisited their planning risk assessment and would also need to consider implementing changes to the procedures they had planned and reported in their Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it had been confirmed since the Audit Plan was issued that the implementation of IFRS 16 had been delayed for the public sector from 1 April 2020 until 1 April 2021, the Council would not have to account for leases under the new accounting standard until that time.

A new significant financial statement risk had been identified as described in the updated report; Grant Thornton did not identify any

changes to their materiality assessment as a result of the risk identified due to Covid-19.

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

AS19/47. **REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Darren Wells from Grant Thornton led Members through the report of the External Auditor on the progress in delivering their responsibilities to the Council, in addition to a summary of emerging national issues and developments relevant to the Council.

The following points were highlighted for Members' attention:

- considerable debate had taken place within the sector around the nature of audit, the role that audit played within both the private and public sector and whether it was fit for purpose. A report was expected later in the year;
- the National Audit Office had issued a new code of audit practice, which set the framework for local auditors, resulting in an increase in work and scope of the work of auditors each year. This would have an impact on fees, so would fall to the Public Sector Audit Appointments Ltd to reflect this through the scale fee;
- Grant Thornton hoped to be able to meet the extended deadline for the completion of the Council's audit, which was now set to the end of November 2020; and
- the completion of the Council's accounts had been extended to the end of June 2020.

The Chairman thanked Grant Thornton and Council officers for their continuing work under difficult circumstances.

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

AS19/48. **INTERNAL AUDIT REPORT TO 31 DECEMBER 2019**

The Audit Manager led Members through the internal audit report to 31 December 2019, that gave details of audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance.

At the time of writing, Internal Audit was still on target to complete all of the Governance Audits by 31 March 2020, as well as most of the other planned work for 2019/20. However, as indicated at the last report, a few audits had been postponed until 2020/21 due to various reasons beyond the team's control.

The report gave details of the five audits completed in the quarter (Housing Allocations, Debtors, Community Infrastructure Levy, Council Tax and Main Accounting) all had been given good or substantial assurance on the overall governance arrangements.

Under the Accounts and Audit Regulations 2015, ultimate responsibility for maintaining a sound system of internal control rested with the Council, but this had been delegated to the Assistant Director Resources (Section 151 officer). The assessment of the control environment was made by reviewing the recommendations made in Internal Audit reports and by the production of the Annual Governance Statement (AGS) (see Minute AS19/51 below). Two areas had been identified for inclusion in the AGS by the Audit Manager, because the internal control environment had not been satisfactory, namely Property Investment and U4BW ERP System Administration. Other issues that may have had an impact on the Council included:

- U4BW ERP Implementation Project: originally due to complete in April 2018, but was still ongoing. Issues had been experienced with implementing the Human Resources and Self Service modules; work was ongoing to rectify this. It was anticipated that the system would go live in April 2020.
- Risk Management: the document had not been regularly updated therefore there was a requirement for greater corporate oversight of risk management activity.
- Major Projects: the Council would be undertaking and delivering a number of high profile projects across the district. Not all staff had project management experience.
- Staff Morale: it was anticipated that the voluntary redundancies would place additional pressure on remaining staff and that low morale increased the risk of staff turnover, with the loss of knowledge and experience.

Taking all of the factors highlighted in the report and the quarterly reports into account, the draft Internal Audit assessment of the Council's framework of governance, risk management and control was adequate and effective.

Members were requested to approve the revised Internal Audit Charter which was appended to the report at Appendix D, last updated in 2017. Members were advised that paragraph 24 of the Charter (Audit Strategy and Workplan) would need to be reviewed and updated in light of the Covid-19 pandemic, but approval was sought that the document be approved in its current form. Members were happy to approve this recommendation and noted that a review would take place of the lessons learnt in due course.

Members had the opportunity to ask questions and the following points were noted:

- an offer of employment had been made and verbally accepted for a Deputy Systems Administrator for the Unit 4 Enterprise Resource Planning system;
- the annual review of the risk register was to be discussed later on the agenda and priorities had shifted in light of the Covid-19 pandemic;
- staff morale was being addressed through regular meetings with UNISON Staffside and regular monitoring and assistance with a new way of working in the current climate. A staff survey was

due to be circulated to seek views on what adaptations could be considered. Any staffing issues would be taken up through the Licensing and General Purposes Committee;

- an offer of employment had been offered and accepted for a new CIL Officer, who was due to start in the next couple of weeks;
- Car Park Income had been given a limited assurance rating due to issues with parking penalties at Camber Western car park. The contract has since ended; and
- Property Investment had been given a limited assurance rating due to teething problems, but the Audit Manager was not unduly concerned.

**RESOLVED:** That:

- 1) the Internal Audit report to 31 December 2019 (including the Audit Manager's draft overall assessment of the Council's internal control systems and draft opinion on the control environment) be noted; and
- 2) the revised Internal Audit Charter at Appendix D to the report, be approved.

AS19/49. **INTERNAL AUDIT PLAN 2020/21**

Members received the report of the Executive Director which set out the Internal Audit work originally planned for the 2020/21 financial year, based on the risks known at that time. However, the situation had changed significantly since the plan was first drawn up and the Internal Audit team had been operating with reduced staff resources since the outset of the crisis. It had become increasingly difficult for any routine audit work to be carried out, as resources across the Council had been focussed on other areas.

As a result, the 2020/21 Audit Plan was unable to go ahead in its current format, as the risks to be focussed on for the rest of the year (and beyond) would be very different from the ones previously predicted. Members were advised that the report would be withdrawn as the existing plan was no longer deliverable and a new set of proposals were outlined:

1. Replace the 2020/21 Audit Plan with a quarterly plan – covering both existing high-risk priorities and those that emerged as a result of the current crisis. A rolling six-month indicative plan would also accompany this, detailing other work which could be undertaken.

It was noted that all plans for the immediate future would mainly be comprised of short audits and consultancy work. New risks could include:

- Information security risk as a result of working remotely.
- Health and Safety risks when employees were working in the front line or social distancing in the office.

- Financial risks as the result of additional obligations or where revenue streams had dried up.
  - Sustainability risks where concerns were raised around the future provision of services.
  - Crisis management risks relating to concerns around operational resilience.
  - Regulatory risks/challenges around meeting regulatory obligations and future impact.
  - Exit strategy.
2. Devise a faster mechanism for reporting audit findings – e.g. reduce the scope of Internal Audit’s work to focus only on the business-critical issues and report findings via less formal routes such as Microsoft Teams, which would result in fewer conventional audit reports issued during the year.
  3. Remind management that Internal Audit were there to help – Internal Audit needed to re-engage with management by emphasising that traditional audits would not be resumed in the short term and that Internal Audit would not hinder the Council’s response to the Covid-19 pandemic.
  4. Temporarily halt follow-up action - a three-month stop on all audit recommendation follow-ups was to be put in place, except where they were business-critical, or this action could impact on the Council’s response to the Covid-19 pandemic.
  5. Make allowances for potential redeployment – during the Covid-19 pandemic, Internal Audit had offered their services to be redeployed into other areas of Council work for short periods of time. If this resulted in stepping into roles and tasks that took away audit independence, this would be reported to the Audit and Standards Committee and taken into consideration when providing the Audit Manager’s annual audit opinion. One such area was to be with the approval and processing of Business Grants.

The proposals outlined to Members had been discussed previously with the Chairman of the Audit and Standards Committee and senior management, whom had broadly approved the new approach. Discussions were taking place with Heads of Service to put together a new plan, which would provide for a more flexible approach to audit work and better reflect the current needs of the Council. Further details would be provided, together with the first quarterly plan at the next meeting of the Audit and Standards Committee on 22 June 2020.

AS19/50. **REVIEW OF INTERNAL AUDIT 2019/20**

The Public Sector Internal Audit Standards (PSIAS) required the Council to conduct periodic self-assessments of the effectiveness of Internal Audit. The Council’s Audit Manager considered it beneficial for this review to be carried out annually and for Members to review the findings prior to 31 March of the financial year to which it related, as approval ahead of the preparation of the Annual Governance

Statement allowed documentation to place reliance on the effectiveness of Internal Audit.

The Public Sector Internal Audit Standards (the Standards) aimed to achieve consistent industry standards for Internal Audit and included a Quality Assurance and Improvement Programme which stipulated the need for both internal and external assessments.

The Audit Manager carried out an annual self-assessment review of the Internal Audit function using a comprehensive checklist; the results of the review for 2019/20 had been summarised and were appended to the report for Members' consideration. Members were able to see a full copy of the compliance report on request. It was noted that no areas of material non-compliance with the Standards had been found.

Members were reminded that an external peer review had been completed in 2017/18 and the results were reported to the Audit and Standards Committee on 26 June 2017. No significant issues were found and the Assessment Team concluded that the Council's internal audit service conformed to the PSIAS and general good practice for the profession.

The results of the assessment and peer review demonstrated that the Council's internal audit service continued to achieve a good level of compliance with the Standards and none of the areas of partial compliance were significant in nature.

Members had the opportunity to ask questions and the following points were noted during discussions:

- Governance received a Partial Compliance as an exclusive full review had never been undertaken. Governance had been covered within other audits;
- the Council's ethics-related objectives and behaviours had been reviewed a couple of years previously in accordance with the Framework and had highlighted areas for improvement; results of this review could be shared with Members as a reminder. An independent review by Internal Audit had yet to be carried out.

**RESOLVED:** That the Review of Internal Audit 2019/20 be approved.

#### AS19/51. **ANNUAL GOVERNANCE STATEMENT 2019/20**

The Accounts and Audit Regulations required the Council to review, at least annually, its governance arrangements and, following this review, to agree an Annual Governance Statement (AGS). It was also a requirement for the Council to demonstrate awareness of where weaknesses existed within the governance arrangements and to develop and implement appropriate improvement plans.

The AGS appended to the report at Appendix A comprised an assessment of governance arrangements and internal controls across the whole organisation against the Council's Code of Corporate

Governance and whether these were supported by robust assurance processes. The review included:

- the robustness of the Council's risk management, performance management, financial management, legal and regulatory, IT and human resources processes and having the evidence to support that these were in place;
- the governance arrangements in place for the management of partnerships;
- the work and effectiveness of the internal audit function; and
- assurances from those managing the business (i.e. Heads of Service) that the processes within their areas were robust and complied with.

The outcome of the review was set out within the Statement and the significant governance issues were summarised within the report. Members were advised that the Statement would be updated with an addendum to take into account the effect of the Covid-19 pandemic and the implications that may have on the Council's finances and any governance issues as a result and were requested to approve the report as written.

There were no outstanding issues from previous years, however the internal control environment was not satisfactory and action was needed as follows:

- Property Investment: a number of control issues required strengthening and transparency improved.
- U4BW ERP System Administration: the amount of dedicated resource had reduced. The Council would be employing specific expertise to effectively administer the system.

Other issues and areas of emerging risk that might impact on the Council included Local Government Funding Review and Business Rate Retention Scheme (deferred for another year), achieving a balanced budget, new Corporate Plan, joint working, loss of staff and recruitment, property investment, U4BW ERP Implementation Project, risk management, major projects, post BREXIT, pandemic flu, climate change emergency and joint waste contract.

Members were given the opportunity to ask questions and the following points were noted:

- loss of income at the current time through, for example the closure of car parks and delays and deferrals in Council Tax, were of particular concern;
- Business Rate changes were being funded through central Government grants and were not expected to be severely impacted;
- the Council's loss of income reported to central Government to date was at approximately £3.5m, the impact of which would be accounted for in the 2020/21 financial year. Representation had been made to central Government and the Council had received approximately £1m in grant support at that time;

- cash flow was positive due to the Government grants received, but there was the possibility that unspent funds could be clawed back towards the end of the year; and
- unallocated reserves could be used to support the Council in the short term, but this would have an impact on the financial plan and Council services. Members would be kept updated.

The report demonstrated the robust approach the Council took to ensure good governance. The issues highlighted through inspection, both internal and external, provided assurance that the controls and procedures in place provided Members with a high degree of assurance. The report highlighted the areas where improvement was required and the risks to the Council and its partners resulting from the poor economic climate and the associated impact on funding in the public sector.

**RESOLVED:** That:

- 1) the Annual Governance Statement be approved, subject to an addendum on Covid-19; and
- 2) the Statement be signed by the Leader of the Council and the Executive Directors.

AS19/52. **ANNUAL PROPERTY INVESTMENT UPDATE**

On 18 December 2017 (Minute C17/46 refers), Council approved the creation of a Property Investment Strategy with a £7m initial budget as part of the capital programme and the establishment of the Property Investment Panel (PIP) who would oversee and authorise the various investment opportunities.

On 26 February 2018 (Minute C17/65 refers), Council approved the capital programme up to 2022/23, which included a revised budget of £35m to enable economic regeneration through property investment which was to be funded through borrowing.

Property investments that had been considered as part of the Strategy fell into two main categories; investments in existing properties and development opportunities. Investments in existing properties provided an immediate financial return for the authority and were likely to consist of built commercial space with an existing rent-paying tenant. Development opportunities were sites or land that were acquired for the purposes of development/redevelopment and achieving a longer-term income.

Once opportunities were identified, they were recorded by officers and were then subject to a seven stage acquisition process outlined in Appendix 1 to the report. Progress through the various stages was then monitored and recorded onto a spreadsheet at confidential Appendix 2 to the report.

Following an initial screening, a high level financial appraisal of the site was undertaken and where necessary a site visit conducted. Officers

had screened 39 properties since the beginning of the programme and 16 since the last report to the Committee in March 2019. Identified properties were then progressed for discussion by the Property Investment Group (PIG), consisting of the Executive Director, Assistant Director Resources, Head of Service Acquisitions Transformation and Regeneration, Property Investment Manager and other property and finance officers as necessary. The Group met weekly to consider the potential return on investment, economic benefit to the district, evaluate the risk and set parameters for negotiation.

Following agreement on the purchase price and heads of terms, a report was written for consideration by the PIP which provided a detailed site description, rationale for acquisition, details on any existing tenants, details on the valuation agreed, provisional reports on title, the return on investment appraisal and associated financial, legal, environmental and planning risks. Following approval of the PIP, officers and Legal undertook the necessary due diligence required for exchange and completion.

The current Property Investment Strategy (PIS) was adopted by the Council in May 2018 and was attached at Appendix 3 to the report. The objective of the PIS was to support and safeguard the economy of the Rother area through the long-term protection of existing and the creation of new employment space, through investment in land and property in the Rother economic area. A review of the PIS was to be presented to Cabinet on 8 June 2020, with a request to approve an increase in the number of Members appointed to the PIP from five to six, (three Executive and three non-Executive Members) to allow more flexibility when convening meetings of the PIP at very short notice.

Members were advised that, since the previous report in March 2019, the Council has acquired a further three properties with a total value of £11.125m. The total value of the properties purchased by the Council as part of the PIS was £13.625m, with a further £10m approved from borrowing to implement development at Barnhorn Green. Members noted, as detailed in confidential Appendix 2, that there were a number of properties currently under consideration, negotiation, or undergoing the due diligence process.

The Council's internal auditors had recently reviewed the Council's processes for acquiring properties and identified no serious risks. However, some recommendations were made to assist the process in future, which officers had taken on board and these were being actioned.

An increase of 1% placed on the Public Works Loan Board rate by the Treasury in the autumn of 2019 had narrowed the viability margin for investment acquisitions, resulting in the Council rendered less effective when competing in the marketplace. In general, the UK investment market had been slow in recent years, meaning that there was keen competition for good quality investments. The Council had direct experience when bidding for local investments where the eventual sale price had been significantly in excess of a level that would be affordable to the Council.

It was unlikely that the Council would meet the Medium Term Financial Plan income targets through property acquisitions under the current PIS.

The work of the PIP had allowed swift action to facilitate acquisitions that may otherwise have been lost to other investors. Rother District Council was becoming known to agents as being in the market for acquiring property and sites were being brought to the Council's attention. However, opportunities that met the criteria of the PIS were few and far between and a more proactive approach would be required to identify premises. Both the officers and the PIP would continue to assess each opportunity on its own merits.

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

(Appendix 2 to this matter was considered exempt from publication by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended).

AS19/53. **TREASURY MANAGEMENT UPDATE**

Cabinet had approved the Council's 2019/20 Investment Strategy in February 2019; 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. The report had been prepared in compliance with CIPFA's Code of Practice on Treasury Management.

The treasury management strategy covered two main areas: the management of day to day cash flow/investments and treasury management issues.

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

- the United Kingdom had officially left the European Union. A trade deal was anticipated by the end of 2020;
- a review of the current base rate of 0.1% was due to be reviewed on 18 June 2020;
- inflation remained low at 1.1%;
- the Council held investments totalling £8m in Property Funds;
- as at 30 November 2019, the Council's total investments were £28,798m;
- investment performance for the year was approximately £20,000 under budget. This was likely to be put under considerable pressure in the low interest environment;
- as at 29 February 2020, the Council's borrowing was £11,984m and capital financing requirement (CFR) was £17,267m;
- the total income from investments was estimated at £512,000 with an average 1.83% return rate;
- the capital programme assumed new borrowing in 2019/20 of £13.062m;
- the Council had maintained an under-borrowed position in 2019/20, which meant that the CFR was not fully funded with

- loan debt; instead cash supporting reserves, balances and cash flow was used; and
- the Hermes Property Fund and CCLA Local Authority Property Fund were longer term investments, however these could be used to recover the Council's finances if required.

The Council continued to invest in the economic regeneration of Rother through its Property Investment Strategy; the net income was estimated to be £537,918. Since the last meeting, additional properties had been purchased. The overall rental income for all properties was budgeted at £1,939,750m which equated to a 5.6% gross return; after borrowing costs 2.54% return was expected.

The overall borrowing policy would be reviewed as part of the year-end and as interest rates were at approximately 2.5% for borrowing over a 50-year period, it was likely that the Council would look to increase borrowing, rather than using cash, and lock in the current low interest rates. Work was in progress to establish the Council's housing company.

Members noted that the investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

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

#### AS19/54. **ACCOUNTING POLICIES 2019/20**

Members received the report of the Executive Director which presented the accounting policies that would be used in the preparation of 2019/20 Statement of Accounts and summarised the changes from 2018/19 introduced as a result of amendments to the Code of Practice (CoP) on Local Authority Accounting 2019/20 or as part of the Council's annual review process. The report also explained the requirement to include notes on the critical judgements used in the production of the Statement of Accounts which had been presented alongside the accounting policies in line with best practice. The Council's External Auditors, Grant Thornton UK LLP had been consulted.

The Council's accounting policies were the specific principles, conventions, rules and practices that were applied in the production and presentation of the annual Statement of Accounts. These policies had to be disclosed as a note to the annual accounts; a copy of the policies was attached at Appendix A to the report.

The CoP on Local Authority Accounting for 2019/20 had been reviewed which resulted in no significant changes compared to the previous year. However, some minor wording and presentations amendments had been made to the Council's policies to align them with disclosure requirements.

In line with the International Financial Reporting Standards and the CoP, judgements that management had made in the process of applying the Council's accounting policies that had the most significant

effect on the amounts recognised in the financial statements, were shown at Appendix B to the report.

National issues that might have had a bearing on the preparation of the accounts were:

- high degree of uncertainty in respect of future levels of funding for local government;
- financial impact of the United Kingdom leaving the European Union. It was likely that interest and inflation rates, labour costs and property and rental values would be affected; and
- impact of the Covid-19 pandemic on the value of assets and pensions.

**RESOLVED:** That the Council's proposed accounting policies be approved and adopted in completing the 2019/20 Statement of Accounts and the critical judgements be noted.

#### AS19/55. **ANNUAL RISK MANAGEMENT UPDATE**

Members considered the annual update report that covered progress in Risk Management during 2019/20, which had been written before the Covid-19 pandemic. 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. Preparation for BREXIT and the uncertainties it held for the Council had been dominant during the year. The Corporate Risk Framework (CRF) and associated plans were regularly reviewed and updated. It was noted that the Council was supported by its insurers to provide training and guidance to staff.

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:

- Adjustment of some of the risk ratings in the light of new information.
- Pandemic – coronavirus.
- Spending Review and Business Rate reset by Government.
- Property Investments.
- Delivering savings and income targets as set out in the Medium Term Financial Plan.
- Loss of staff and recruitment.
- Major Projects.

The Committee noted that the CRF was a live document and the likelihood, impact and ratings could change frequently depending on many factors. Members were advised that a larger review of working practices would be undertaken, as would a review of the Business Continuity Plan which would be ongoing through the Covid-19

pandemic. A report would be brought to committee later in the year and the risk register revisited.

Members noted that a Covid-19 report would be presented to Cabinet on 8 June 2020, together with a report to recommend setting up a steering group to look at the economic recovery plan.

Members expressed their thanks and praised officers of the Council for their effective and speedy response to the Covid-19 pandemic. Councillor Oliver, Leader of the Council, reiterated the message and praised Members and officers for working so well together to identify and deal with the issues faced by the Council as a result.

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

AS19/56. **PROCUREMENT STRATEGY**

The Council's current Procurement Strategy (PS) required updating. In July 2019, East Sussex Procurement Hub (ESPH) held a workshop with Members to consider and develop the new PS to ensure that it met legal requirements and policy objectives. It was noted that ESPH consisted of a three-way partnership between Hastings Borough Council, Rother District Council and Wealden District Council who were the hosts.

The Business Partnership Procurement Manager led Members through the report and draft PS that had been developed using the Procurement Strategy for Local Government in England 2018 toolkit and was appended to the report at Appendix A. It explained how the Council would continue to develop and benefit from the professional expertise of the ESPH, what the Council wanted to achieve and provided reassurance that public money would be spent fairly and accountably. It also set out the key responsibilities for Members and officers and contained a number of reportable key performance measures. The PS would be updated annually and Members would be kept abreast of any significant issues.

Members had the opportunity to ask questions and the following points were noted:

- the Council ensured that local businesses were used wherever possible, which was currently 30 - 40% of total purchases;
- a Social Value Policy was being developed to ensure social value was always considered as part of the procurement/commissioning process and would include the issue of Climate Change; and
- Procurement was included in the development of the Council's Environment Policy.

Members were supportive of the document.

**RESOLVED:** That Cabinet be requested to recommend to Council that the draft Procurement Strategy at Appendix A to the report, as amended, be approved and adopted.

AS19/57. **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 July 2020.

The following additions to the Work Programme were noted:

- Impartiality of Internal Audit – 22 June 2020;
- Risk Management Update – September/December 2020 TBC;  
and
- Appointment of the Audit Independent Person – Items for Consideration after the recruitment process has taken place.

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

CHAIRMAN

The meeting closed at 8.32pm

## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2020 – 2021</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Monday 22 June 2020</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring</li> <li>• Ombudsman Complaints Monitoring</li> <li>• Public Interest Test</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 31 March 2020</li> <li>• Internal Audit Plan Update</li> <li>• Impartiality of Internal Audit</li> </ul>
<b>Wednesday 29 July 2020</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Governance Report 2019/20</li> <li>• Statement of Accounts 2019/20</li> <li>• Treasury Management Report – 2019/20 Outturn</li> </ul>
<b>Monday 28 September 2020</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 30 June 2020</li> <li>• Internal Audit Plan Update</li> <li>• Treasury Management Report</li> <li>• Risk Management Update – TBC</li> </ul>
<b>Monday 7 December 2020</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring</li> <li>• Local Government Ombudsman Complaints Monitoring and Annual Review 2019-2020</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Annual Audit Letter 2019-20</li> <li>• Internal Audit Report to 30 September 2020</li> <li>• Internal Audit Plan Update</li> <li>• Risk Management Update - TBC</li> <li>• Treasury Management Report</li> </ul>
<b>Monday 22 March 2021</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Grant Thornton – External Audit Plan 2020-21</li> <li>• Internal Audit Report to 31 December 2020</li> <li>• Internal Audit Plan 2021-22</li> </ul>

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|  | <ul style="list-style-type: none"><li>• Review of Internal Audit 2020-21</li><li>• Annual Governance Statement</li><li>• Annual Property Investment Update</li><li>• Treasury Management Update</li><li>• Accounting Policies 2020-21</li><li>• Annual Risk Management Update</li></ul> |
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<b>ITEMS FOR CONSIDERATION</b>	
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| <ul style="list-style-type: none"><li>• Appointment of the Audit Independent Person – post recruitment process</li></ul> |  |
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