

## AUDIT AND STANDARDS COMMITTEE

24 June 2019

Minutes of the Audit and Standards Committee meeting held at the Council Chamber, Town Hall, Bexhill-on-Sea on Monday 24 June 2019 at 6.30 pm.

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

Other Members present: Councillors Mrs C.A. Bayliss, S.J. Coleman and P.C. Courtel.

Advisory Officers in attendance: Executive Director, Executive Director, Assistant Director Resources, Audit Manager, Corporate Transformation Finance Manager, Customer Services Manager and Democratic Services Officer.

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

Also Present: Cathy Nelson (in part) and Gerry Palmer (in part) Procurement Business Partnership Manager, Wealden District Council.

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### AS19/3. **MINUTES**

The Chairman was authorised to sign the minutes of the meetings of the Audit and Standards Committee held on 25 March and 22 May 2019 as correct records of the proceedings.

### AS19/4. **APOLOGIES FOR ABSENCE**

Apologies for absence had been received from Councillors J. Barnes, Mrs M.L. Barnes and Mrs L. Cooper, Monitoring Officer.

### AS19/5. **ROLE AND FUNCTIONS**

As part of the Member Induction process for 2019, it had been agreed that a report outlining each Committee's roles and responsibilities would be presented to the first ordinary meeting of each Committee in the new municipal year. The report of the Executive Director outlined the role, composition and functions of the Audit and Standards Committee (A&SC). The Committee had been created with effect from May 2017 by the merger of two former stand-alone Committees, namely the Audit and Standards Committees and had two discrete functions.

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

### AS19/6. **THE COMMITTEE ON STANDARDS IN PUBLIC LIFE'S REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS**

Members considered the report of the Executive Director detailing the outcome of the Committee on Standards in Public Life's (CSPL) Review of Local Government Ethical Standards. The CSPL's report was published in January 2019 and Audit and Standards Committee Members at that time were sent the link to the report. A brief report for all Members was also made within the March edition of the Members' Bulletin and all Parish Clerks were also sent the link as there were a number of recommendations directed at Parish and Town Councils.

The CSPL had made a total of 26 recommendations to Government, together with 15 best practice guidelines which were directed at local authorities. The recommendations were made to the Government and to specific groups of public officeholders; some of the recommendations required a change to primary legislation, which was subject to Parliamentary timetabling and some to secondary legislation and the Local Government Transparency Code, which could be implemented more swiftly. The recommendations were reproduced at Appendix 1 to the report in their entirety, along with officer commentary.

Best practice recommendations were attached at Appendix 2 to the report, which the CSPL considered to be a benchmark of good ethical practice and that all local authorities could and should implement. It was proposed that officers undertook an assessment of the Council's current practice against the best practice guidelines and report back to the Committee at the December 2019 meeting.

Ahead of the Council's consideration of the best practice guidelines (and any revised model Code of Conduct that may emerge in the future), East Sussex County Council (ESCC) had undertaken a review and had recommended two amendments to the current Code of Conduct as a result of best practice recommendations 1 and 2. The amendments were in respect of ensuring Councillor co-operation with any formal standards investigations and providing a definition of bullying. All the District and Borough Councils across East Sussex had been requested by ESCC to make these amendments as each authority had adopted the same Code of Conduct to ensure continuity across the county, particularly for dual-hatted Members.

Following some discussion about the CSPL's recommendations to Government, the following points were noted:

- whilst the power to suspend councillors, without allowances, for up to six months was welcome, it was hoped that some clarification would be provided with any change in legislation, as to the level of offence leading to such a sanction; and
- recommendation 25 did not encompass those Councillors that did not belong to a political party.

**RECOMMENDED:** That the following proposed additions to the Council's Code of Conduct be approved and adopted:

Under the General Provisions, Introduction and Interpretation:

(6) Councillors are required to comply with any request regarding the provision of information in relation to a complaint alleging a breach of the Code of Conduct and must comply with any formal standards investigation.

AND the following under the General obligations:

(2) (b) bully or harass any person; Bullying may be characterised as: offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Harassment may be characterised as unwanted conduct which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for an individual.

(c) intimidate or improperly influence or attempt to intimidate or improperly influence any person who is or is likely to be....

AND

**RESOLVED:** That:

- 1) the outcome and recommendations of the Review be noted and welcomed by the Committee;
- 2) the proposed resulting changes to legislation be considered if and when enacted by Government; and
- 3) an assessment of the Council's current practice against the best practice guidelines outlined in the report be made and presented to the Committee at the December 2019 meeting.

AS19/7.

#### **CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS**

The Committee received the report of the Monitoring Officer (MO) which set out brief details of the Code of Conduct complaints received since the last meeting. As agreed by the former Standards Committee, the identity of Members and complainants would only be published where there had been informal action taken, or an investigation and subsequent hearing that had concluded that a Member had breached the Code of Conduct.

It was pleasing to note that there had been no valid Code of Conduct complaints against any Parish, Town or District Councillor received since the last meeting of the Audit and Standards Committee in December 2018.

Members were reminded that within the Committee's functions and delegations was a duty to promote and maintain high standards of conduct by Members of the Council.

Following the elections on 2 May, 17 new Members were elected. In accordance with the Code of Conduct each new Member had been requested to advise the MO of their disclosable pecuniary and other interests and these had been published on the Council's website. All returned Members had also reviewed their existing register of disclosable pecuniary and other interests and made any amendments and additions thereto.

A training session on ethics and probity was taking place on Thursday 25 July to which all Members had strongly been advised to attend, to explore the importance of maintaining high standards of conduct and examine the requirements of the local Code of Conduct, using real case scenarios for Members to discuss. Areas to be explored also included the use of social media, disclosure of confidential information and Member-officer relations.

Members were advised that the MO for Rother District Council (RDC) was also the MO for all 31 Parish and Town Councils across the Rother District in terms of standards related matters. Following the elections in May, a significant number of new parish and town councillors were either elected or co-opted onto their relevant Parish or Town Council and the MO was in the process of receiving, collating and publishing the completed registers of interests.

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

AS19/8. **OMBUDSMAN COMPLAINTS MONITORING**

Members considered the report of the Executive Director that set out the details and outcome of 13 complaints made to the Local Government Ombudsman since the last meeting of the Committee held in March 2019.

The complaints spanned a number of Council services including planning, council tax, waste and environmental health. Two cases were investigated in all and were both upheld; an alleged breach in planning and repeated missed bins. The Customer Services Manager confirmed that both cases had been fully addressed and appropriate measures put in place. The Ombudsman had determined in the remaining 11 cases that it would not investigate.

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

AS19/9. **INTERNAL AUDIT REPORT TO 31 MARCH 2019**

Prior to the introduction of the internal audit report, the Chairman welcomed Gerry Palmer, Procurement Business Partnership Manager,

Wealden District Council to the meeting, who provided Members with an update on the East Sussex Procurement Hub.

The internal audit had found that there was no up-to-date procurement strategy (an issue first raised at the last audit in August 2015) and no service level agreement (SLA) in place to formalise the current arrangements with the East Sussex Procurement Hub (ESPH). A benchmark assessment against each of the key elements of the National Procurement Strategy for Local Government had been completed by the ESPH and council officers and the outcome had been received in February 2019. The Procurement Strategy was being updated and consultation with officers and Members was due to take place over the following months in the form of workshops to be held in the Town Hall, with the revised strategy being presented to Cabinet in September 2019. In addition, a revised SLA was anticipated to be ready for consultation in July 2019.

The Audit Manager led Members through the internal audit report to 31 March 2019. The Council was required to ensure that it had reliable and effective internal control systems in place and the adequacy of these systems was tested by both Internal and External Audit.

The report included an annual report on the performance of the Internal Audit Service. In the year up to 31 March 2019, Internal Audit had operated in accordance with the Public Sector Internal Audit Standards (hereafter referred to as 'the Standards'). It was a requirement of the Standards that a report was made to the Audit and Standards Committee on audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance.

The Internal Audit team had successfully completed the majority of the work for 2018/19; however, work on one audit (Software Licensing) was still ongoing at the year end and two other audits (Acquisition & Financial Management of ICT Facilities and Catering - Colonnade Café/Restaurant) did not proceed because the work was either covered elsewhere or no longer required.

The report gave details of the nine audits completed in the final quarter, a summary of all audit reports completed in 2018/19 and progress made on implementing audit recommendations. Seven of these had provided good or substantial assurance on the overall governance arrangements. However, the other two audits (Benefits – Finance Extract and Creditors) only provided limited assurance due to problems with the introduction of a new computer system and the long term absence of a key member of staff. Members requested that an update be provided to the Committee at the September meeting.

An overview of the findings arising from all nine audits was given in Appendix A to the report.

Appendix B to the report provided a summary of all audit reports completed in 2018/19, the level of compliance and assurance rating for

each review, and the overall performance of the Internal Audit team against the plan. The details of all audit reports issued in the first three quarters of 2018/19 have already been reported to the Committee at previous meetings.

Appendix C to the report provided a summary of progress made on implementing the audit recommendations reported at previous meetings. It was reported that most of the long outstanding recommendations had been cleared and only three 2017/18 recommendations were yet to be fully resolved. Good progress also continued to be made on the more recent recommendations.

The Audit Manager had been requested by Members at previous meetings to provide a progress update on the following items:

- **Public Conveniences Cleaning Contract** – The audit report (issued in July 2018) 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 since April 2017. Both documents had since been obtained as a result of management pressure on the East Sussex Procurement Hub and the contractor (Specialist Hygiene Services Ltd) to resolve the issue. The signed contract was eventually obtained in January 2019 and the performance bond in April 2019.
- **Homelessness Prevention Grants and Loans** – The 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 because the new controls were not being consistently applied and management oversight was still found to be inadequate. The Head of Housing and Community provided an update which gave assurance that financial controls are now being followed and that management are overseeing the process.

In addition to compliance work, the Audit Manager also coordinated the National Fraud Initiative (NFI) data matching exercises and the whole Internal Audit team assisted with the process of reviewing the matches. The NFI matched Council data both nationally (to other public sector organisations) and locally (between the authority's own records) to help prevent and detect fraud. The national data match took place once every two years and was last carried out in October 2018. The majority of the matches found (87%) related to housing benefit/council tax reduction cases and needed to be reviewed by the Revenues & Benefits team to either be dealt with in-house or referred to the Department for Work and Pensions for further investigation.

The local data match exercise was carried out every December; it's primary purpose was to identify council tax payers who were wrongly claiming single person discount. The December 2017 review was

completed during 2018/19 and had identified 12 errors resulting in £46,736 in savings. Work on the December 2018 matches was currently underway.

The Internal Audit team had also carried out some Counter Fraud duties during 2018/19. This work primarily focused on council tax and business rates and a number of properties were identified which were either wrongly classified as empty, were in receipt of rate relief they were not entitled to, or required banding/rating by the Valuation Office. This work also uncovered several holiday lets which had not been declared. These cases were followed up with the help of colleagues in the Revenues & Benefits team and an additional £76,095 of revenue income was being collected as a result.

Internal Audit has also secured £20,000 of former Department for Communities and Local Government funding from the East Sussex Counter Fraud Hub for use on counter fraud initiatives. Negotiations were underway with Hastings Borough Council with a view to using the money to jointly fund a fixed-term Investigator post to enhance the Council's capacity in this area. However, it was likely that alternative uses of funding would need to be explored and the Audit Manager would report back to the Committee in due course.

Routine audit work during 2018/19 had also identified £43,897 in confirmed savings/extra income due to financial errors, which included a Section 106 debt which had been underpaid, business rate relief which had been wrongly applied and other debts which had not been billed.

The Audit Manager was pleased to report that evaluation of the Internal Audit team's conformance with the Standards, to assess the efficiency and effectiveness of the service had concluded that there was a high level of overall effectiveness. The team's first external peer review was completed in April 2017; no significant issues were found. Quality assurance questionnaires were also used to capture client feedback, the vast majority of which had been very positive indicating a high level of satisfaction with the quality of the Internal Audit Service.

Internal Performance Measures set for the Audit Team also demonstrated that most of the targets for 2018/19 had either been met or exceeded.

The summary of completed audits showed that six audit reports were given a limited or minimal assurance rating. Whilst this appeared to be a disappointing result when compared to the previous year, Members noted that several of the areas reviewed faced a particularly challenging year owing to either the implementation of a major new computer system (Unit4 Business World) or increased demand as a result of changes in Housing legislation. Only five of the 85 control objectives examined during the year was not "met" at least in part, and two of the affected audits (Benefits - Finance Extract and Public

Conveniences Cleaning Contract) only received a limited assurance rating because of a specific issue which had since been resolved.

It was requested and agreed that officers would provide an update on the Unit 4 Systems Administration and that the Audit Manager would report back on the Whistleblowing policy.

Taking into account all the factors within the report and the routine quarterly reports, it was confirmed that the Audit Manager's overall opinion on the Council's framework of governance, risk management and control was that it was adequate and effective.

**RESOLVED:** That:

- 1) the Internal Audit report to 31 March 2019 be noted;
- 2) the Audit Manager's opinion on the control environment be approved; and
- 3) updates on the Unit 4 Systems Administration and the Whistleblowing policy be added to the Work Programme.

#### AS19/10. **TREASURY MANAGEMENT REPORT - 2018/19 OUTTURN**

Cabinet had approved the Council's 2018/19 Investment Strategy on 26 February 2018, which required an annual report describing the Treasury Management activity in the past year compared to the Strategy.

The report provided an update on a number of areas including the Council's strategy for 2018/19, the Council's Capital Expenditure and Financing, borrowing, a review of investment performance and overall investment return for 2018/19. The following points were noted:

- at the end of 2018/19 the Council's total investments were £22,098,707;
- the total income from investments was £446,302 compared to a budget of £512,000. This was mainly due to the delay in the purchase of the HERMES property fund due to having to wait for someone to exit the fund in order to invest;
- there was £901,539 borrowing at 31 March 2019 and the Capital Financing requirement was £3.756 million;
- the investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties;
- the average rate of return on investments was 1.5%;
- the capital expenditure outturn for 2018/19 was £4,800,000; and
- the expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018/19, and after UK Gross Domestic Product growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investments were,

therefore, kept shorter term in anticipation that rates would be higher later in the year.

**RESOLVED:** That the investment outturn performance for 2018/19 be noted.

AS19/11. **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 for the remainder of the 2019/20 municipal year.

The following additions to the Work Programme were noted:

- Revised Procurement Strategy – 23 September 2019
- Unit 4 System Administration – 23 September 2019
- Whistleblowing report – items for consideration

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

**CHAIRMAN**

The meeting closed at 7.54 pm

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## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2019 - 2020</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Wednesday 24 July 2019</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 2018/19</li> <li>• Statement of Accounts 2018/19</li> <li>• Treasury Management Monitoring Report – Quarter 1 2019/20</li> </ul>
<b>Monday 23 September 2019</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 2019</li> <li>• Treasury Management Report</li> <li>• UK Exit from the European Union (BREXIT)</li> <li>• Revised Procurement Strategy</li> <li>• Unit 4 Systems Administration</li> </ul>
<b>Monday 9 December 2019</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 2018-2019</li> <li>• Review of Local Government Ethical Standards – Assessment of the Council's Best Practice</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• BDO – Annual Audit Letter 2018-19</li> <li>• Internal Audit Report to 30 September 2019</li> <li>• Annual Risk Management Update</li> <li>• Treasury Management Update Report</li> </ul>
<b>Monday 23 March 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 – Grant Claim Certification for the year ended 31 March 2019</li> <li>• Grant Thornton – Audit Plan 2019-20</li> <li>• Internal Audit Report to 31 December 2019</li> <li>• Internal Audit Plan 2020-21</li> <li>• Review of Internal Audit 2019-20</li> <li>• Treasury Management Report</li> </ul>
<b>ITEMS FOR CONSIDERATION</b>	
Whistleblowing report	

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