

AUDIT AND STANDARDS COMMITTEE

7 December 2020

Minutes of the Audit and Standards Committee meeting held remotely on Monday 7 December 2020 at 6:30pm.

Committee Members present: Councillors A.K. Jeeawon (Chairman), J. Barnes, Mrs M.L. Barnes, K.M. Harmer, Mrs E.M. Kirby-Green (in part), C.A. Madeley, Rev H.J. Norton and R.B. Thomas.

Independent Person: Mrs Rose Durban (Part A Only).

Advisory Officers in attendance: Assistant Director Resources, Customer Services Manager, Audit Manager, Finance Manager, Monitoring Officer (in part) and Democratic Services Officer.

Also Present: Trevor Greenlee and Darren Wells – Grant Thornton UK LLP and 16 members of the public, via the YouTube live broadcast.

AS20/28. **MINUTES**

The Chairman was authorised to sign the Minutes, at a later date, of the meeting of the Audit and Standards Committee held on 28 September 2020 as a correct record of the proceedings.

AS20/29. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Susan Fellows – Independent Person, Jan Gray – Independent Person and Malcolm Johnston – Chief Executive.

AS20/30. **DISCLOSURE OF INTERESTS**

Declarations of interest were made by Councillors in the Minutes as indicated below:

Barnes J Agenda Item 6 – Personal Interest in so far as he was the Chairman of a Parish Council and would be assisting with mentoring.

Harmer Agenda Item 12 – Personal Interest in so far as she was in receipt of a Business Grant.

PART A STANDARDS REPORTS

PART II DECISIONS TAKEN UNDER DELEGATED POWERS

AS20/31. **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING**

(5)

Members considered the report of the Customer Services Manager that set out details of the complaints made to the Local Government and Social Care Ombudsman (LGSCO). As a result of COVID-19, the LGSCO had suspended all complaint casework from 26 March 2020; this was resumed on 29 June 2020. Five complaints had been received, one was not upheld and four were not investigated.

Previously the Committee asked for information on complaints that the Council handled in addition to the LGSCO complaints. There were 157 complaints made by residents from 28 May 2020 to 13 November 2020. Of these, 111 were non-complaints, 22 were resolved at the initial stage, three were a stage one complaint, nine were a stage two complaint and 12 were awaiting determination/under investigation. Concern was raised that over 50% of stage 2 complaints related to planning and environmental enforcement issues. The Customer Services Manager advised that, in general, these types of complaints were more complex and therefore required more detailed consideration and were handled by the Head of Service. The Committee requested data on the trend of re-complaints; the Customer Services Manager agreed to forward this information to Members after the meeting.

The time taken to respond to complaints had been extended from 20 to 40 days and priority given to complaints where there was a risk to public health and safety. The average complaint response time was 23.19 working days.

The LGSCO was behind in their casework and it was expected that the Council would receive further decisions over the coming months.

Overall, the level of complaints was very low which reflected well on the Council and its operating standards.

RESOLVED: That the report be noted.

AS20/32. **CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS**

(6)

The Committee received the routine report of the Monitoring Officer (MO) which advised that five valid Code of Conduct (CoC) complaints had been made against two Parish Councillors and three District Councillors since the last meeting. One of the complaints against a District Councillor had been referred for investigation which was still to be concluded. In accordance with the wishes of the Committee, as none of the complaints had resulted in an investigation and a finding of fault, they were presented anonymously. The view of the Council's Independent Persons (IPs) had been sought and concurred with the Monitoring Officer's proposed action; details of each case had been provided at Appendix 1 to the report.

During this time, one non-valid complaint had also been received against a Parish Councillor who had resigned from the Parish Council

in May. As a result of the COVID-19 pandemic, the Clerk had failed to notify the District Council, therefore the complaint was invalid.

The MO and one of the IPs had attended an on-line Annual Standards Conference delivered by Hoey Ainscough Associates Limited in conjunction with Wilkin Chapman Solicitors on 4 November 2020. The following themes were considered: overview of new Local Government Associations new model CoC; local government ethical standards; legal updates and case notes; update on standards work; MO's perspective of implementing the new CoC; and working with Parish Clerks on helping them to help themselves.

The MO advised that no formal standards related training had taken place since the Committee's last meeting. Contact was still to be made with other local authorities regarding swapping case studies for learning purposes. It was anticipated that a learning and development session would be held at the end of the current civic year.

RESOLVED: That the report be noted.

(Councillor J. Barnes declared a Personal Interest as he was the Chairman of a Parish Council and would be assisting with mentoring and in accordance with the Members Code of Conduct remained in the meeting during the consideration thereof).

AS20/33.

LOCAL GOVERNMENT ASSOCIATION - NEW MODEL CODE OF CONDUCT

(7)

The revised draft model Code of Conduct (CoC) was considered by the Local Government Association's (LGA) Councillors' Forum on 22 October 2020. Following discussion at the forum, a final model CoC would be prepared for submission to the LGA Board for approval on 3 December 2020 and then published; to date the document had not been published. It was proposed that the Monitoring Officer (MO) alert Members of the new model as soon as it was published and reported to the next meeting of the Audit and Standards Committee scheduled to be held on 22 March 2021.

Members were advised of the headline issues from the LGA consultation which included using plain English; the word 'civility' be replaced with 'respect'; equalities; supporting guidance; CoC a tool for councillors; gifts and hospitality; obligation to co-operate with an investigation process; and when a councillor was acting as a councillor and when acting in a private capacity. Two specific issues were raised that were outside the immediate scope of the CoC namely applying appropriate sanctions and should those on the Sex Offenders Register be automatically removed as Councillors. The MO advised that the LGA had already made representation to the Government on these two specific issues.

As a result of the consultation, the LGA planned to develop further guidance for councillors to explain the CoC and provide working examples.

During the discussion, the following was noted:

- Mixed views were expressed regarding the word “civility” being replaced by “respect”. The words “courtesy or politeness” were considered neutral, as views might not be treated respectfully; respect could be abused. It was considered important that there was a clear distinction, particularly when individuals were expressing their views.
- Concern was expressed that the use of the first person would make the CoC less accessible to the general public. Third person would be preferred, as it was considered that the CoC was a public document.

The MO reminded Members that the LGAs CoC would be a model document only; it would be up to Members to discuss the document and decide whether the Council should adopt it as it stood or modify as appropriate. Members would have the opportunity to consider the document at the next meeting.

RESOLVED: That the report be noted and a further report be submitted to the March meeting with regard to the possible introduction of a proposed new Code of Conduct.

AS20/34.
(8)

INDEPENDENT PERSONS RECRUITMENT

Chapter 7, Section 28 of the Localism Act 2011 placed a duty on the Council to appoint one or more Independent Persons (IP):

- to give the Council views on any allegations it had decided to investigate, before a decision was reached;
- at the discretion of the Council, to give the Council views on any other allegations; and
- at the discretion of a Member, co-opted Member or member of a Parish or Town Council (P&TC), to give the Member views on any allegations relating to the behaviour of that Member.

The report of the Monitoring Officer (MO) detailed the proposed recruitment process for the appointment of the IPs. At present, the Council had three IPs. Two of the IPs terms of office were scheduled to expire on 11 July 2021 and were not renewable as both had served a consecutive 8-year period. Therefore, should the Council wish to retain three IPs it would be necessary to commence a recruitment process in the new year to appoint two IPs to start in July 2021. It was noted that the current process was satisfactory, and Members agreed that the appointment continued to be for a period of 4-years, the role description, personal specification and allowance be unchanged as recommended in the report.

It was proposed that an advert be placed on the Council’s website, highlighted through social media and placed on ‘MyAlerts’ inviting applications with a closing date of Friday 29 January 2021. The vacancy would be notified to all Councillors and P&TCs within the Rother area but would not be available to any employee of the Council

or a P&T Councillor, or those who had been so within the last five years. It was proposed to contact the excellent candidates who were unsuccessful at the last interview process, to establish whether they would be interested in reapplying for one of the positions; a streamlined approach would be adopted.

The report recommended that the Interview Panel comprise of the Monitoring Officer, the Chairman of the Audit and Standards Committee (A&SC) and the Chief Executive. The Panel would make a recommendation to the A&SC at the March meeting for onward recommendation to full Council on 17 May 2021.

As the workload was not considered too arduous, the A&SC agreed that the Council only appoint one IP, at this time making a total of two IPs. Should the workload significantly change, then another appointment could be made in the future. It was important that the MO was fully supported; having two IPs in place allowed her to attain more than one perspective and to be able to bounce ideas etc. It was also agreed that equality and diversity principles be considered when recruiting the new IP.

RESOLVED: That:

- 1) the proposed arrangements for the recruitment of one Independent Persons for a term of four years in accordance with equality and diversity principles be approved;
- 2) an Interview Panel be appointed comprising the Monitoring Officer, the Chairman of the Audit and Standards Committee and the Chief Executive; and
- 3) the proposed appointee be recommended to the Audit and Standards Committee in March 2021 for onward recommendation to Council on 17 May 2021 to take effect from 12 July 2021.

PART B AUDIT REPORTS

PART II DECISIONS TAKEN UNDER DELEGATED POWERS

AS20/35. THE AUDIT FINDINGS FOR ROTHER DISTRICT COUNCIL - GRANT THORNTON (EXTERNAL AUDITORS)

(9)

Darren Wells summarised the External Auditors' Audit Findings for the Council for the year ending 31 March 2020. The report summarised the key issues arising from the work that had been carried out by Grant Thornton during the year in the areas of Financial Statements, Value for Money (Use of Resources) and Independence and Ethics, as well as the effects of the COVID-19 pandemic.

As a result of the COVID-19 pandemic, Members were reminded that the national deadline for the preparation of the 2019/20 financial statements had been extended to 31 August 2020, and for the

publication of the audited financial statements to 30 November 2020. The Council had published its draft financial statements on 3 July 2020.

Subject to the completion of some outstanding work, Grant Thornton would be issuing an unqualified audit opinion on the financial statements. The financial statements prepared for audit were of a very high standard and Grant Thornton commended the Council considering the unprecedented national situation created by the pandemic. One issue of material valuation uncertainty had been identified which referred to an incorrect valuation of two Council properties; the net impact of this error was not material and the accounts had not been adjusted.

In 2019/20, Grant Thornton concluded that the Council had in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources, and therefore anticipated issuing an unqualified value for money conclusion.

As at 31 March 2020, the Council had a total general fund and earmarked reserves of £14,970,000. Grant Thornton was satisfied that the Council had a comprehensive 5-year Medium Term Financial Plan in place to account for the impact of the pandemic.

It was noted that the final fees charged for the audit was £51,243 an increase of £6,684 from the proposed fee. The increase was attributed to additional planning and resources required, as a result of COVID-19.

In summary, Grant Thornton assured Members that the finances of the Council were being well managed and that the audit findings would be completed by the end of the year.

RESOLVED: That the report be noted.

AS20/36.
(11)

STATEMENT OF ACCOUNTS 2019/20

In accordance with the Accounts and Audit Regulations 2003, the Council's accounts were required to be approved by the Council, or its delegated Committee, each year. The report of the Assistant Director Resources discussed the main issues affecting the Council's draft Statement of Accounts and provided a commentary on the core financial statements. The full statement would be circulated to Members when available.

At the time of writing the report, the Council's external auditors, Grant Thornton, had largely completed their work on the accounts for 2019/20. The published accounts included a Narrative Report and the Annual Governance Statement approved by the Audit and Standards Committee at its meeting on 18 May 2020. The Code of Practice had required no major changes in the presentation of the accounts.

The Finance Manager led Members through the draft Statement of Accounts and highlighted the following salient points:

- The Code of Practice had required no major changes in the presentation of the accounts for this year.
- The Movement in Reserves statement showed the movement in the year on the different reserves held by the Council (analysed between 'usable' and unusable). The deficit of £2.428m on the provision of services showed the true economic cost of providing the Council's services.
- The net change of £2.392m before transfers to Earmarked Reserves showed the statutory General Fund Balance before any discretionary transfers to earmarked reserves was made by the Council.
- The Balance Sheet showed the balances and reserves at the Council's disposal, its long-term indebtedness, the net current assets employed in its operations and summarised information on the fixed assets held. The net worth of the Council had increased by £15.2m and the useable cash resources had increased by £0.6m however useable reserves had reduced by £2.4m.
- The Pension Fund liability of £17.85m was a long-term financial assessment of a possible shortfall based on its current performance and therefore no immediate action was required.
- Overall the Collection Fund balance was in surplus for the year by £1.9m; this balance was made up of both Council Tax and Business Rates. For Council Tax, the Fund was in surplus by £0.471m as at 31 March 2020, with East Sussex County Council entitled to the majority of this amount. For Business Rates, the Fund was in surplus by £1.452m, with the Government receiving the highest amount followed by this Council.

The Balance Sheet showed that overall the financial position of the Council remained sound, however the COVID-19 pandemic continued to exacerbate financial pressure on the Council in 2021/21 and beyond. It was therefore essential that the Council recognised all financial pressures and continued to deliver the target savings and income set out in the Medium Term Financial Plan in order for the Council to continue to balance its budget.

Concern was raised regarding the valuation error (£650,000) of the Council's properties and clarity was sought on how this situation had occurred. The Finance Manager advised that this had been a typographical (human) error on the floor space data used on two assets. Unfortunately, the valuations had been calculated using this data. The data was included in the audit test sample and the error had been identified by the External Auditors. It did not affect the Council's cash position. True valuations would only be known once properties were taken to the open commercial market. At present, the Council had no intention of selling these properties. The Finance Manager pointed out that the External Auditors had described the overall quality of the accounts working papers as high, as reported earlier in the meeting.

The Committee approved the 2019/20 Statement of Accounts and agreed that delegated authority be granted to the Assistant Director Resources, in consultation with the Chairman of the Audit and

Standards Committee to make minor non-consequential changes to the Statement.

RESOLVED: That:

- 1) the Council's 2019/20 Statement of Accounts be approved; and
- 2) delegated authority be granted to the Assistant Director Resources, in consultation with the Chairman of the Audit and Standards Committee to make minor non-consequential changes to the Statement.

AS20/37.
(12)

INTERNAL AUDIT REPORT TO 30 SEPTEMBER 2020

The Audit Manager led Members through the internal audit report to 30 September 2020 that gave details of audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance.

Seven audits were completed in the quarter (Joint Waste Contract, ICT Governance, Estates Income, Business Support Grants, Car Park Cash Income, Community Infrastructure Levy Income and Risk Management), all of which had been given good or substantial assurance on the overall governance arrangements. Other activity during the quarter included counter fraud work, assisting with Discretionary Business Grants and providing audit advice.

All long-standing recommendations had been reviewed and the Assistant Director Resources had agreed to accept the risk of closing three cases unresolved. These were in respect of Data Protection, ICT Governance and Payroll. All three were considered low/minimal risk. Clarity was sought on two matters identified in the ICT Governance Audit which had yet to be completed, namely ICT Continuity Plan and Disaster Recovery Exercise. Both issues had been recommended in 2016/17 and 2017/18 audits respectively. Assurance was given by the Assistant Director Resources that the Council's overall ICT strategy was robust and that both issues had been further delayed as a result of the COVID-19 pandemic. Members would be kept abreast of developments.

Appendix C to the report provided an update on the remaining outstanding cases. Work had stalled on these as a result of other priorities and the Council's response to the COVID-19 pandemic. The Chief Executive would be closely monitoring progress over the next few months to ensure these matters were resolved.

The Audit Manager advised that progress on recommendations made in 2019/20 might improve during the next quarter as a number of outstanding issues were scheduled to be resolved.

RESOLVED: That the Internal Audit report to 30 September 2020 be noted.

(Councillor Harmer declared a Personal Interest as she was in receipt of a Business Grant and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

AS20/38. **INTERNAL AUDIT PLAN UPDATE**
(13)

Consideration was given to the report of the Audit Manager which updated Members on the Internal Audit Plan (IAP). The Standards required that the Audit Manager communicated the IAP and resource requirements, including significant interim changes, to senior management and the Audit and Standards Committee (A&SC) for review and approval. Due to disruption of the COVID-19 pandemic, it was agreed at the June meeting that quarterly updates would be reported.

As a result of good progress being made on the governance audit, the Audit Manager advised that no changes had been made to the IAP for the third quarter. However, none of the priority audits/consulting work activities specified in the IAP had so far come to fruition.

The fourth quarter 2020/21 IAP was detailed at Appendix A to the report. Governance audits would need to be completed before the end of the financial year. The IAP had been reviewed by the Strategic Management Team and would be kept under review by the Audit Manager. Any significant changes would be reported to the A&SC.

An indicative plan for the next six month period had not been produced, as it was hoped that it would be possible to return to an annual IAP approach from 1 April 2021. It had not been possible to properly quantify the audit needs and it had to be assumed that the existing staff resources would be sufficient.

Progress against the IAP would be monitored by the Audit Manager and reported to the A&SC at the next meeting.

RESOLVED: That the Internal Audit Plan for 2020/21 (Quarter 4) be approved.

AS20/39. **TREASURY MANAGEMENT UPDATE**
(14)

Cabinet had approved the Council's 2020/21 Investment Strategy in February of this year; this required regular reports to be presented to the 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 the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

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

- The Council continued to hold investments in call accounts with major financial UK institutions and also held investments totalling £8m in Property Funds (PF).

- The Council held £32.430m of treasury investments as at 30 September 2020. There was £11.927m of borrowing and the Capital Financing Requirement (CFR) was estimated to be £40.287m by 31 March 2021.
- The total income from investments was forecast at £302,000 which was £50,000 higher than the previous forecast. The largest investment returns were from property funds averaging between 3.47% and 3.86%. Market values had been adversely impacted by the COVID-19 pandemic; the future overall economic situation was uncertain.
- As at 30 September 2020, the Council held £24.4m in its General Account (GA); this included £7.6m which was the balance of Government funding for payment of Business and Discretionary Grants during lockdown. GA funds would also need to be kept available for other large payments such as Council Tax and Business Rates payments.
- In 2020/21, the Capital Programme included new borrowing of £23.412m.
- The Council's borrowing position remained unchanged from the previous quarter.
- Due to the increase in forecast interest income, net financing costs as a proportion of the net revenue stream had reduced from 3.89% to 3.57%.
- The Council continued to maintain an under-borrowed position, which meant the CFR was not fully funded by loan debt but managed by using reserves and balances. As returns remained low, this was a prudent strategy that also minimised the counterparty risk associated with placing investments. The Council's Treasury Management advisors were supportive of this approach.
- The Council had not made any further property purchases however, negotiations were continuing with several parties and acquisitions were anticipated over the next few months. The budget for rental income from all investment properties was £1,919,840; the latest estimated outturn for 2020/21 was £1,719,840 a shortfall of £200,000. This equated to a 6.27% gross return and after allowing for borrowing costs the expected return on the Council's Property Investment Strategy (PIS) properties was 2.71%. Retaining and investing in property, in the long-term would generate income to support the Council's financial position and strengthen regeneration of the district.
- As a result of the second national lockdown, the Government announced several support packages including cash injections for local authorities, business grants, 'test and trace' payments for low income households and extended the furlough scheme until March 2021.

The investment activity conformed to the approved strategy, and the Council had no liquidity difficulties. The investment environment for treasury activities remained difficult with absolute returns continuing to be very low. The diversification into PFs had increased the overall return but did come with a greater degree of capital risk than other investments and was less liquid. The Council's PIS was expected to generate net returns of 2.7% however the risks associated with the

long-term commitment to repay borrowing and the operational management of properties would remain

RESOLVED: That the report be noted.

AS20/40.
(15)

WORK PROGRAMME

Consideration was given to the Audit and Standards Committee's Work Programme and it was noted that the following reports would be presented at the meeting scheduled to be held on 22 March 2021:

- Local Government Association – new Model Code of Conduct.
- Recruitment of the new Independent Person.
- Annual Audit Letter 2019/20 – Grant Thornton (External Auditors).
- Appointment of the Audit Independent Person – post recruitment process.

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

On behalf of the Committee, the Chairman thanked the External Auditors, the Assistant Director Resources and his team for their hard work in producing the Audit Findings and Statement of Accounts and for their management of the Council's finances. He wished everyone a Happy Christmas.

CHAIRMAN

The meeting closed at 8:12pm.

AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2020 – 2021	
DATE OF COMMITTEE	SUBJECT
Monday 22 March 2021	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Local Government Association – new Model Code of Conduct • Recruitment of the new Independent Person <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Audit Letter 2019/20 • Grant Thornton – Audit Progress Report and Sector Update • Grant Thornton – External Audit Plan 2020-21 • Internal Audit Report to 31 December 2020 • Internal Audit Plan 2021-22 • Review of Internal Audit 2020-21 • Annual Governance Statement • Annual Property Investment Update • Treasury Management Update • Accounting Policies 2020-21 • Annual Risk Management Update • Appointment of the Audit Independent Person – post recruitment process