



AUDIT AND STANDARDS COMMITTEE

21 June 2021

Minutes of the Audit and Standards Committee meeting held at the Town Hall, Bexhill-on-Sea on Monday 21 June 2021 at 6:30pm.

Committee Members present: Councillors J. Barnes, Mrs M.L. Barnes, P.C. Courtel, A.K. Jeeawon, Mrs E.M. Kirby-Green, C.A. Madeley and R.B. Thomas.

Audit Independent Person: Mr Patrick Farmer.

Independent Persons: Mrs Rose Durban and Mrs Susan Fellows (Part A Only).

Parish Representative: Councillor Mrs Wendy Miers.

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

Also present: 9 members of the public, via the YouTube live broadcast.

AS21/1. ELECTION OF THE CHAIRMAN

RESOLVED: That Councillor A.K. Jeeawon be elected Chairman of the Committee for the ensuing municipal year.

AS21/2. MINUTES

The Chairman was authorised to sign the Minutes of the meeting of the Audit and Standards Committee held on 22 March 2021 as a correct record of the proceedings.

AS21/3. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Harmer, Mrs Jan Gray, Darren Wells and Trevor Greenlee (Grant Thornton).

AS21/4. DISCLOSURE OF INTERESTS

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

Barnes Agenda Item 11 – Personal interest as Vice-Chairman and Company Executive Director for Alliance Homes (Rother) Ltd.

Thomas Agenda Item 11 – Personal Interest as Company Executive Director for Alliance Homes (Rother) Ltd.

PART A – STANDARDS REPORTS

PART II – DECISIONS TAKEN UNDER DELEGATED POWERS

AS21/5. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING

Members considered the report of the Customer Services Manager that set out the details and outcome of two complaints made to the Local Government Ombudsman since the last meeting of the Committee, covering the period 14 November 2020 to 28 May 2021.

The complaints related to one Council service which was planning. Both were investigated and upheld, and the Customer Services Manager confirmed that remedial measures had been put in place where fault was found. Issues around delays in communication between departments and complainants were being addressed.

For the same period, Rother received 125 non-ombudsman complaints; 76 were non-complaints (treated as department service request), 16 were a stage one complaint, eight were a stage two (responded to formally by Head of Service), 18 were reported to be currently awaiting determination/under investigation and seven were awaiting complaint triage assessment.

RESOLVED: That the report be noted.

AS21/6. 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 (CoC) complaints received since the last meeting and advised the Committee of other standards related matters that had been dealt with since the Committee's last meeting.

Since the last meeting there had been three valid CoC complaints made against three District Councillors, all concerning the use of social media during the recent election campaign for the Bexhill Town Council. As the CoC only applied when Members were acting in their official capacity, this often presented a significant grey area in the context of social media where the line between acting in an official or in a private capacity could be a difficult one to draw and further guidance was considered beneficial in the future. The view of one of the Council's Independent Persons was sought and concurred with the MO's proposed action in each case; details of each case were provided at Appendix 1 to the report. The outcome of the complaint against a District Councillor that was referred for investigation in the previous year had concluded since the last meeting and was also included at Appendix 1.

Two non-valid complaints against three Parish Councillors had also been received, one was concerning a planning appeal, the other publication of consultation comments about a Neighbourhood Plan

concerning the complainant's business. Both related to the Parish Councils as a whole and were not attributable to the behaviour of the individual Parish Councillors.

This meeting was the last meeting for two of the Council's retiring Independent Persons (IPs) whose Terms of Office expired on 10 July 2021. Mrs Susan Fellows and Mrs Jan Gray had been IPs for the Council since 2013, the maximum period allowed under the terms of the Localism Act. Members thanked Mrs Susan Fellows and Mrs Jan Gray, on behalf of the Council, for their services to the Council and for providing invaluable support to the Monitoring Officer in the assessment of complaints made against elected Members of the authority and the Parishes and Towns across the District.

There had been no formal standards related training undertaken since the last meeting due to time constraints and other priority work. It was hoped that a session would be put together for Members in the coming civic year using case examples from neighbouring authorities where possible.

It was noted that following the creation of a new Parish Council for Bexhill-on-Sea, as the principle authority, RDC had become responsible for dealing with any CoC complaints against the 18 new Town Councillors in respect of their CoC.

Following the adoption of a new CoC at the Annual Council meeting, a Member at that meeting raised the use of the word 'should' rather than 'must' within the Seven Principles of Public Life (the 'Principles'), which were appended to the CoC as the Code had to be compatible with them. The Council was not able to change the wording in the Principles but could ensure that the Council's Code was worded in such a way should it look to adopt a new Code in the future.

One of the Committee's Parish Councillor Representatives, Councillor David Smedley, had recently resigned as a Parish Councillor so there was a vacancy on the Committee. The Rother Association of Local Councils would be nominating a new representative in due course.

RESOLVED: That:

- 1) the report be noted; and
- 2) the Committee formally records its thanks to Mrs Susan Fellows and Mrs Jan Gray, on behalf of the Council for their services to the Council as Independent Persons.

PART B – AUDIT REPORTS

PART II – DECISIONS TAKEN UNDER DELEGATED POWERS

AS21/7. **REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON -
AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Members were led through the report of the External Auditor by the Finance Manager on the progress in delivering Grant Thornton's 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:

- work on the 2019/20 audit was still ongoing due to the awaited valuation of assets from the District Valuer. Initial planning for the 2020/21 audit commenced in March 2021 with work due to commence in August 2021;
- there were no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. However, the extent of additional funding to support the cost of services to offset other income losses along with grant packages to be paid out to support local business, had changed;
- the financial position of local government remained a cause for concern, with many authorities relying on reserves to balance 2020/21 year-end budgets. Many were setting budgets for 2021/22 with limited confidence and which were balanced through cuts to service budgets and the use of reserves;
- the 'Good Practice in Annual Reporting' guide issued in February 2021 by the National Audit Office highlighted the importance of transparent annual reporting to enable stakeholders to understand the impact of the COVID-19 pandemic on an organisation's strategy, plans and operational and financial performance; and
- the CIPFA Resilience Index was a comparative analytical tool which would be used to support good financial management, providing a common understanding within a council of their financial position.

RESOLVED: That the report be noted.

AS21/8. **INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2020/21**

The Council was required to ensure that it had reliable and effective internal control systems in place. The adequacy of these systems was tested by both Internal and External Audit.

In the year up to 31 March 2021, 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 Internal Audit reported 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. In line with the Standards, the Audit Manager was expected to present an annual report on the performance of the Internal Audit Service and to provide an overall opinion on the Council's control environment.

Ordinarily, a risk-based plan was established and agreed prior to the start of the financial year. However, the audit planning process in 2020/21 was disrupted by the coronavirus outbreak and the work plan

originally proposed had to be abandoned. A new approach was approved by the Committee in June 2020 which included replacing the 2020/21 Audit Plan with quarterly work plans and the implementation of a number of shorter, more focused reviews concentrating on the business-critical issues.

Six audit reviews were completed in the final quarter of 2020/21. All provided good or substantial assurance on the overall governance arrangements and an overview of the findings arising from these audits was given in Appendix A to the report. Appendix B to the report provided a summary of all audit reports completed in 2020/21, the level of compliance and assurance rating for each review, and the overall performance of the Internal Audit Team against the plan.

The summary showed 90% of the 2020/21 Audit Plan was completed and only two planned audits (Payroll and CIL Income COVID Risks) were still outstanding at the end of the financial year. Both of these were completed in April 2021.

On face value, both Internal Audit's performance and level of assurance obtained from its work would appear to show an improvement on the previous year. However, no audit reports were issued in the first quarter of 2020/21 due to the impact of the pandemic, and Internal Audit's approach had to be modified in order for it to be able to continue to function. This meant that fewer controls were examined than would normally be the case, and the results could not readily be compared with the performance in previous years.

Appendix C to the report showed a summary of the current position with the progress made on implementing the audit recommendations reported at previous meetings. The situation regarding the old year recommendations was starting to improve and progress continued to be made in respect of most of the remaining cases although the number of long outstanding (i.e. pre-April 2019) recommendations (5) was unchanged since the last quarter. The Chief Executive was being kept informed about the progress on all old year recommendations and was working with the relevant Heads of Service to ensure that they were resolved as soon as possible. All nine recommendations made in the current financial year had been implemented.

The Audit Manager also coordinated the annual National Fraud Initiative (NFI) data matching exercises which had not resulted in any financial savings in 2020/21 because there had been no capacity to analyse and follow up cases due to the pandemic.

In other counter fraud duties, on the council tax side a number of unbanded dwellings had been identified and discounts/disregards that were no longer applicable removed. On the business rates side, small business rate relief had been wrongly applied and unrated holiday lets identified. All cases were followed up with the help of colleagues in the Revenues and Benefits Team and an additional £37,878 of revenue income was being collected as a result.

The Audit Manager's latest self-assessment of his team's compliance with the Standards (Review of Internal Audit 2020/21) was approved by Members on 22 March 2021. The review did not identify any significant issues and concluded that there was a high level of effectiveness overall. Quality assurance questionnaires would ordinarily have been used to capture client feedback both from operational management and Heads of Service. However, no questionnaires were issued in 2020/21 due to the limited scope of many of the audits carried out during the COVID-19 pandemic. No data was therefore available to measure customer satisfaction on this occasion, but client feedback would be reintroduced in 2021/22 following a return to more traditional audit coverage.

Performance Measures set for the Audit Team demonstrated that two of the targets for 2020/21 were met or exceeded. The governance audit target was not met on this occasion because the Payroll audit was still in progress at year end. However, the work was almost complete, and the audit report was issued on 15 April 2021. No "high" risk recommendations were made during the year.

The work carried out by Internal Audit in 2020/21 did not highlight any significant concerns regarding the internal control environment.

Taking all of the factors highlighted in this and the quarterly reports into account, the Audit Manager's overall opinion on the Council's framework of governance, risk management and control in 2020/21 was therefore that it was adequate and effective.

An update on the Whistleblowing Policy activity in 2020/21 was provided in Appendix D to the report. In summary, a total of 34 whistleblowing cases were reported to the Audit Manager in 2020/21. This represented a 61% increase in the number of cases received in the previous financial year, but much of the growth could be attributed to COVID-19-related activity. The latest cases included a range of allegations, the majority of which focused on either Benefit/Council Tax Fraud or Housing Issue/Tenancy Fraud. A recent exercise had also resulted in the reporting of Unregistered Food Businesses. All cases were initially reviewed by the Audit Manager and then either referred to the relevant Council officer for further investigation or reported to the appropriate authority.

RESOLVED: That:

- 1) Internal Audit's activity and performance in 2020/21 be noted; and
- 2) the Audit Manager's opinion on the control environment (paragraph 37) be approved.

AS21/9. **TREASURY MANAGEMENT UPDATE REPORT**

Cabinet had approved the Council's 2020/21 Investment Strategy on 10 February 2020; 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 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:

- Since the Quarter 3 report to Members, the Council had slightly diversified its investment portfolio in order to spread risk and earn a small amount interest income. It continued to hold investments of £14.054m in Call accounts and now also held £5.0m in an interest earning call account and £3.0m in a 31-day Notice account. All these investments were with the major financial UK institutions. The Council continued to hold £8.0m in Property Funds.
- The Council held £32.047m of treasury investments as at 31 March 2021. There was £11.869m of borrowing and the Capital Financing Requirement (CFR) was £18.168m at 31 March 2021.
- The total income from investments was £324,000 which was £16,000 lower than the previous forecast. The largest investment returns were from property funds averaging between 3.64% and 4.14%, however their market values fluctuated considerably during the pandemic.
- As at 31 March 2021, the Council held £14.1m in its General Account (GA) which included Government funding for individuals and businesses in response to the pandemic; the unspent balance was £7.465m and would be returned to the Ministry of Housing Communities and Local Government in June. GA funds would also need to be kept available for other large payments such as Council Tax and Business Rates payments.
- As at 31 March 2021, the Council had borrowed £11,869,117.
- Since the Quarter 3 report, Net Financing Costs as a proportion of the Net Revenue Stream had reduced slightly from 0.84% to 0.82%.
- 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 had not made any further property purchases in 2020/21, however negotiations were continuing with several parties and acquisitions expected in 2021/22. The budget for rental income from all investment properties was £1,919,840; the draft actual outturn for 2020/21 was £1,860,620, which was £59,220 below budget due to factors such as void periods. Tenants were being pursued for rent arrears and there were minimal write-offs in 2020/21 as a result of the pandemic. However, economic conditions were still difficult and further rent write-offs could not be ruled out. After allowing for borrowing costs the expected return on Property Investment Strategy (PIS) properties was 2.82%.
- The continued success of the vaccination rollout programme continued to have a positive bearing on the markets and economic forecasts had been revised accordingly. The latest

Office for Budget Responsibility had forecast Gross Domestic Product (GDP) to increase by 7.5% in 2021 (previously 7.3% by mid-2022), although continued growth was expected to flatten out by the first quarter of 2022. These predictions were also borne out by an increase in the Purchasing Managers Index (PMI), which had recently risen from 60.7 to a record high of 62.0 in April, (the PMI was regarded by economists as a strong barometer of future GDP growth).

- Future update reports would include details of the primary purposes of borrowing, rather than just the reference numbers as given in the table at paragraph 16 in the report and also more information on acquisitions to be made as part of the Capital Programme.

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 2.82% 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.

AS21/10. **ANNUAL GOVERNANCE STATEMENT 2020/21**

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 in the Statement under the heading of Significant Governance Issues.

There were no outstanding issues from previous years and the work carried out by Internal Audit in 2020/21 did not highlight any significant concerns regarding the internal control environment.

Other issues and areas of emerging risk that might impact on the Council included Local Government Funding Review and Business Rate Retention Scheme reset , achieving a balanced budget, emerging new Corporate Plan, joint working, loss of staff and recruitment, property investment, U4BW ERP Implementation Project, major projects, trading with European Union and Northern Ireland, pandemic, climate change emergency and joint waste collection and street cleaning contract.

Members requested and it was agreed that, under the section in the Statement on emerging risks, the Emerging new Corporate Plan item be amended to include the Council's aim to be customer centric, and that in the Major Projects item, more detail be given on the role and responsibilities of the Directors of Alliance Homes (Rother) Ltd.

Members noted that the six-monthly review of the corporate risk register would be reported to the September meeting of the Committee, along with the first service risk registers. The relevant Heads of Service would be present to answer any Member questions. Each major project also had its own risk register managed by officers, but if Members wished to consider an individual project's register, it could be brought before the Committee.

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, as amended, be approved; and
- 2) the Statement be signed by the Leader of the Council and the Chief Executive.

(When it first became apparent, Councillor Barnes declared a Personal Interest in this matter as Vice-Chairman and Company Executive Director for Alliance Homes (Rother) Ltd. and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

(When it first became apparent, Councillor Thomas declared a Personal Interest in this matter as a Company Executive Director for Alliance Homes (Rother) Ltd. and in accordance with the Members'

Code of Conduct remained in the meeting during the consideration thereof).

AS21/11. **WORK PROGRAMME**

Consideration was given to the Work Programme which contained details of the reports to be considered by the Audit and Standards Committee for the 2021/22 municipal year.

A Risk Management report from Environmental Health was added to the September meeting.

It was noted that the new Independent Person (Standards), Mr Robert Brown, would commence his appointment on 10 July 2021, but there were no Standards Matters on the Work Programme until December. (His appointment is when the two IPs cease).

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

CHAIRMAN

The meeting closed at 7:41pm

AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2021 – 2022	
DATE OF COMMITTEE	SUBJECT
Wednesday 28 July 2021	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Governance Report 2020/21 • Statement of Accounts 2020/21 • Treasury Management Report
Monday 27 September 2021	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 30 June 2021 • Internal Audit Plan Update • Treasury Management Report • Risk Register Update • Service Area Risk Management Update – Environmental Health
Xx November 2021 (provisional date if required)	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Governance Report 2020/21 • Statement of Accounts 2020/21
Monday 6 December 2021	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring • Local Government Ombudsman Complaints Monitoring and Annual Review 2020-2021 <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Audit Letter 2020-21 • Internal Audit Report to 30 September 2021 • Internal Audit Plan Update • Risk Management Update - TBC • Treasury Management Report
Xx January 2021 (provisional date if required)	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Governance Report 2020/21 • Statement of Accounts 2020/21

WORK PROGRAMME 2021 – 2022

DATE OF COMMITTEE	SUBJECT
<p>Monday 21 March 2022</p>	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none">• Grant Thornton – Audit Progress Report and Sector Update• Grant Thornton – External Audit Plan 2021-22• Internal Audit Report to 31 December 2021• Internal Audit Plan 2022-23• Review of Internal Audit 2021-22• Annual Governance Statement• Annual Property Investment Update• Treasury Management Update• Accounting Policies 2021-22• Annual Risk Register Update