

AUDIT AND STANDARDS COMMITTEE

27 September 2021

Minutes of the Audit and Standards Committee meeting held at the Town Hall, Bexhill-on-Sea on Monday 27 September 2021 at 6:30pm.

Committee Members present: Councillors J. Barnes, Mrs M.L. Barnes, P.C. Courtel, K.M. Harmer, C.A. Madeley and R.B. Thomas.

Audit Independent Person: Mr Patrick Farmer.

Other Members present: Councillor Dixon

Advisory Officers present: Assistant Director Resources, Head of Service Environmental Services, Licensing and Community Safety, Audit Manager and Democratic Services Officer.

Also present: Trevor Greenlee, Grant Thornton and 13 members of the public, via the YouTube live broadcast.

Prior to the commencement of the meeting, Councillor Barnes, on behalf of the Audit and Standards Committee, thanked Robin Vennard, Assistant Director Resources, for his services to the Committee and to Rother District Council. Robin would be leaving the authority at the end of the year and this would be his last meeting of the Audit and Standards Committee.

AS21/19. **ELECTION OF CHAIRMAN**

RESOLVED: That Councillor J. Barnes be elected Chairman of the Committee for the meeting.

AS21/20. **MINUTES**

The Chairman was authorised to sign the Minutes of the meeting of the Audit and Standards Committee held on 28 July 2021 as a correct record of the proceedings.

AS21/21. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Jeeawon and Mrs Kirby-Green.

AS21/22. **DISCLOSURE OF INTERESTS**

Declarations of interest were made by Councillors and the Audit Independent Person in the Minutes as indicated below:

Barnes, J Agenda Items 6, 8 and 11 – Personal interest as Vice-Chairman and Company Executive Director for Alliance Homes (Rother) Ltd.

Thomas Agenda Items 6, 8 and 11 – Personal Interest as Company Executive Director for Alliance Homes (Rother) Ltd.

Agenda Item 10 – Personal Interest as the Council's appointed representative on the Hastings and Rother Mediation Service.

Mr Farmer Agenda Item 10 – Personal Interest as a Trustee of the Hastings and Rother Mediation Service.

PART A – STANDARDS REPORTS - NONE

PART B – AUDIT REPORTS

PART II – DECISIONS TAKEN UNDER DELEGATED POWERS

AS21/23. REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - THE AUDIT FINDINGS FOR ROTHER DISTRICT COUNCIL

Trevor Greenlee updated Members on the External Auditors' Audit Findings for the Council for the year ending 31 March 2020. The report, originally reported to the Committee in December 2020, 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.

Grant Thornton's work was now complete subject to obtaining and reviewing the management letter of representation and the responses to enquiries from the Audit and Standards Committee. Following review of this information, Grant Thornton would be issuing an unmodified audit opinion on the financial statements.

Grant Thornton had agreed an amendment to Note 4 of the financial statements that disclosed that the Council's share of property assets in the East Sussex Pension Fund and the Council's long term holdings in property funds were also being reported on the basis of 'material valuation uncertainty'.

One issue of material valuation uncertainty had previously 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. Further work in this area identified that the valuation calculations as at 31 March 2020 for two other assets were also incorrect resulting in an understatement of £1,287,000; the 2019/20 accounts had therefore been adjusted. The impact of these measurement errors had also been material in previous years and the accounts for 1 April 2018 and 31 March 2019 had been restated.

During 2019/20, the Council's system administrator for the U4BW ERP finance system was on a period of long term sick leave. In his

absence, a principal accountant in the finance team had exercised system administrator rights. There was no indication of any issues of concern arising from these arrangements, however the control usually provided by a different member of staff holding system administrator rights to the finance system was therefore weakened. Grant Thornton had recommended that arrangements to be put in place in the post-holder's absence be reviewed.

Grant Thornton concluded that the Council had in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

It was noted that the audit had taken longer and the final fee would therefore recognise this impact. All fees in excess of the scale fee would be subject to Public Sector Audit Appointments approval.

RESOLVED: That the report be noted.

AS21/24. **STATEMENT OF ACCOUNTS 2019/20**

In December 2020, the Audit and Standards Committee (A&SC) approved the 2019/20 accounts and granted delegated authority to the Assistant Director Resources, in consultation with the Chairman of the A&SC, to make minor changes to the Statement. At the same meeting the Council's external auditors, Grant Thornton, submitted their 2019/20 audit findings.

Grant Thornton identified further changes, which required a revised Statement of Accounts for 2019/20 and were presented in Appendix A to the report and summarised for Members as follows:

- due to the uncertainty arising from the pandemic, assumptions made about the future and other major sources of estimation uncertainty note had been amended to include the Council's property fund investments and its share of property assets in the East Sussex Pension Fund;
- errors in floorspace measurements held in the Council's Asset Register resulted in an understatement in fixed asset values of £1,287,000 in 2019/20 and £1,694,000 in 2018/19. However, compensating entries had been made to the non-useable property revaluation reserve shown in the bottom half of the Balance Sheet. Therefore, the 2019/20 accounts had been amended and in order to comply with accounting standards, the values had been restated as at 1 April 2018 and 31 March 2019; and
- several other small changes had been made to the disclosure notes which were covered in greater detail in Grant Thornton's audit findings report.

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

- Members requested a more detailed explanation of the staffing summary which the Assistant Director Resources would supply after the meeting;
- the budget was continuously revised and any virements above the agreed level of delegation to officers would be referred to Cabinet for approval;
- the Disabled Facilities Grant had been increased in the revised budget column to reflect Government grants which were unknown at the time of setting the budget;
- the Pension Fund liability was a long-term financial assessment of a possible shortfall based on its current performance and was explained in further detail in the Notes to the Accounting Statements in the report; and
- the reduction in the staffing structure over time had been updated further in the current Medium Term Financial Plan.

The Council aimed to publish a Statement of Accounts with an unqualified audit opinion and the expectation was that this would still be the case for 2019/20.

RESOLVED: That the Council's 2019/20 revised Statement of Accounts be approved.

(When it first became apparent, Councillor J. 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).

AS21/25. **INTERNAL AUDIT REPORT TO 30 JUNE 2021**

The Audit Manager led Members through the internal audit report to 30 June 2021 that gave details of audit matters and any emerging issues, not only in relation to audit but risk management and corporate governance.

An annual Audit Plan was once more in place and disruption from the COVID-19 pandemic reduced. The operation of the Internal Audit team had now returned to a near 'business as usual' basis in the current financial year, albeit with certain limitations due to remote working. Progress on the 2021/22 Audit Plan was currently running approximately one month behind target, largely due to delays experienced in completing certain audits, a recent office move, and additional time required for Government grant work.

Three audit reports were issued in the quarter and an overview of the findings arising from each was given in the Executive Summaries in

Appendix A to the report. All of these audits provided good or substantial assurance on those areas reviewed.

Other activity during the quarter included providing advice on the adequacy of the governance arrangements for Alliance Homes (Rother) Ltd, the coordination of an additional data upload for the National Fraud Initiative, counter fraud work/whistleblowing referrals, and the completion of weekly Government returns for Business Support Grants to assist colleagues in Finance.

Appendix B to the report updated Members on the progress made on implementing the audit recommendations reported at the previous meetings. Progress on the older year recommendations had been slow, with no cases having been resolved in the latest quarter. The Chief Executive was aware of this situation and had reminded the relevant Heads of Service of the need to ensure all outstanding items were resolved as soon as possible. Members requested that these items be resolved by the end of the year.

The position regarding the recommendations made in 2020/21 was far more positive, with most being implemented within a reasonable timescale.

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

- high risk audits were reported to the Committee in full, all others were covered in the summary report;
- consideration would be given to auditing Alliance Homes (Rother) Ltd in the audit plan for the following year;
- the Audit Manager would provide Members of the Committee with written detail of the advice given on the adequacy of the governance arrangements for Alliance Homes (Rother) Ltd as mentioned in the report after the meeting; and
- the Council's Data Protection Officer was seeking advice as to whether Alliance Homes (Rother) Ltd was required to be registered separately with the Information Commissioner's Office.

RESOLVED: That:

- 1) the Internal Audit report to 30 June 2021 be noted; and
- 2) outstanding audit recommendations be resolved by the end of the year.

AS21/26. **TREASURY MANAGEMENT UPDATE**

Council approved the Council's 2021/22 Investment Strategy in February 2021. The Investment Strategy required regular reports to be presented to this Committee on the Council's treasury management activities. Members were also reminded that investment activity was also reported through the Members' Bulletin. In managing its treasury management activities, the Council followed the Ministry of Housing,

Communities and Local Governments' investment guidance and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

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

- The Council made its own investments through the use of call and deposit accounts with major financial UK institutions. It also held investments totalling £8m in Property Funds (£5m in the Churches, Charities, Local Authorities' (CCLA) Property Investment Fund and £3m into the HERMES Property Investment Fund).
- As at 30 September 2021, the Council's total investments were estimated to be about £44m with £18m invested in short term call accounts and Property Funds. The remaining £26m was held in the General account. Since the last quarter, additional borrowing of £6.3m had been taken out. Members requested that a range for total investments be reported in future rather than an end of period figure, which would provide a better understanding of the market.
- The total income from investments was forecast at £326,000, mainly achieved from the property funds, which were delivering an average rate of return on investments of between 3.31% and 3.77%.
- There was £18.110m of borrowing at 30 September 2021 and the expected Capital Financing Requirement (CFR) was forecast to increase to £64.096m by 31 March 2022.
- The Council's capital programme, estimated CFR requirement for 2021/22 and borrowing portfolio were shown in Appendix B to the report. It had been forecast to exceed the operational financial boundary, but this now appeared unlikely due to the slippage in the capital programme. The projections were being updated and a recommendation for a revised borrowing limit would be made to full Council if required.
- The budget for rental income from all investment properties was £1,766,780. This equated to a 6.25% gross return. Rent arrears arising as a result of the pandemic had so far been minimal, but economic conditions remained challenging and further write-offs could not be ruled out.
- Economic activity continued to bounce back towards pre-lockdown levels and the support packages announced in the Chancellor's 3 March 2021 budget statement had either finished or were due to finish by the end of October 2021. It remained to be seen whether there would be a further negative impact on the Council's cash position, but officers continued to monitor the situation and report back to Members.
- The Chancellor was due to announce his Autumn budget statement on 27 October 2021, which would also include a three-year spending review statement that could have had a further impact on the Council's cash position.
- The Bank of England base rate remained unchanged at 0.10% and Public Works Loan Board rates remained very low, hence the decision to borrow up to the maximum CFR position.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

RESOLVED: That the report be noted.

(When it first became apparent, Councillor J. 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).

AS21/27. **RISK MANAGEMENT UPDATE**

Members considered the update report that covered major issues in risk management during 2021/22. 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, a global pandemic and ongoing substantial financial pressures.

2021/22 continued to be dominated by dealing with the impact of the COVID-19 pandemic both in terms of the Council's operations and the support given to the community. The report did not review the Council's response as this had been previously covered. However, Heads of Service had been consulted on the continued impact of COVID on their service areas and this was shown at Appendix B to the report.

The Corporate Risk Register (CRR) had been updated to reflect the most recent review by the Corporate Management Team (CMT), including the lead officer, to reflect the new staffing structure. The main changes to the risks included the Government's spending review, loss of staff/recruitment and failure of partner public bodies following on from the spending review.

Members noted the national shortage of HGV drivers that had led to the problems delivering fuel to petrol stations at the current time and that this could also lead to staffing difficulties for the Council's waste contractor. It was recommended and agreed that a contractor losing key staff or experiencing difficulties with recruitment be added to the risk register.

Members raised concerns that the initial assessed risk rating for Major Projects was understated, as the impact on the Council if not delivered would be significant. Sound processes were in place to mitigate the risk and projects such as Blackfriars had been phased to limit liability. The Assistant Director Resources would liaise with the Director of Place and Climate Change responsible for the projects to review how the risk was scored, particularly in light of the recent changes made to

the capital programme, and information would be included in the next report to the Committee.

The Council continued to learn the lessons from the continuing pandemic from a risk management perspective. This was, and would continue to be, an on-going process, but Members were assured that the Council was well placed to deal with the challenges it might face, albeit acknowledging the pressures this could place on business as usual service provision.

RESOLVED: That:

- 1) the report be noted; and
- 2) loss of staff and recruitment difficulties for a contractor be added to the risk register.

AS21/28.

RISK MANAGEMENT - RISK REGISTER FOR ENVIRONMENTAL SERVICES

Members received and considered the report of the Assistant Director Resources on the Environmental Services risk register, which provided insight for Members to better understand service specific risks and how they were managed within the service area. A copy of the Environmental Service risk register was shown at Appendix A to the report and details of the services that were provided at Appendix B. The Head of Service Environmental Services, Licensing and Community Safety was also in attendance.

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

- vacancies for professional posts were advertised on environmental health specific job sites in addition to public sector sites, LinkedIn and in the local press;
- recent adverts for COVID Information Officers had not attracted any applications and this was thought to be due to individuals being able to return to their usual jobs;
- recruitment tended to be more difficult in coastal towns as the search area was only 180 degrees;
- the Council maintained a healthy training budget which enabled the Environmental Service to be able to train staff from within the Council. A new apprentice had recently been taken on for a four year apprenticeship course, costs of which were met by the apprenticeship levy. The service had a good reputation as an employer and many of the professional officers were known nationally through speaking at conferences;
- the UK air quality standards were the same as the EU standards. The Council monitored for air quality across both Rother and Wealden districts for nitrogen dioxides, particulates and ozone;
- fly tipping was difficult to detect as the use of covert surveillance was restricted and required a magistrate's order necessary to be able to install equipment. Evidence contained within rubbish

was examined by officers and any documentation leading back to the owner would be used to issue a fixed penalty notice. Police-stop operations were also used on the A21 and A259; and

- new legislation impacted on the service as existing staff had to be trained quickly and often take on new areas of work.

RESOLVED: That the report be noted.

(Mr Farmer declared a Personal Interest in this matter as a Trustee to the Hastings and Rother Mediation Service).

(Councillor Thomas declared a Personal Interest in this matter as the Council's appointed representative on the Hastings and Rother Mediation Service and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

AS21/29. **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.

Members discussed how to monitor and audit the work of Alliance Homes (Rother) Ltd and whether to set up a sub-committee of the Audit and Standards Committee, as two of the Board Members were also Members of the Audit and Standards Committee. Members suggested that an annual report be made to the Committee alongside the Council's Annual Statement of Accounts (the Alliance Homes (Rother) Ltd accounts would be consolidated into the Council's accounts). Advice would be sought and reported back to the Committee.

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

(When it first became apparent, Councillor J. 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).

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CHAIRMAN

The meeting closed at 8:25pm

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AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2021 – 2022	
DATE OF COMMITTEE	SUBJECT
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 • Risk Management Service Area Update - TBC • Treasury Management Update
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
Monday 21 March 2022	<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 Strategy and Plan 2022/23 to 2024/25 • Review of Internal Audit 2021/22 • Annual Governance Statement • Annual Property Investment Update • Treasury Management Update • Accounting Policies 2021/22 • Annual Risk Register Update

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