

AUDIT AND STANDARDS COMMITTEE

6 December 2021

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

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

Audit Independent Person: Mr Patrick Farmer.

Independent Persons: Mr Robert Brown and Mrs Rose Durban (Part A Only).

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

Also present: Trevor Greenlee, Grant Thornton.

AS21/30. ELECTION OF CHAIRMAN

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

AS21/31. MINUTES

The Chairman was authorised to sign the Minutes of the meeting of the Audit and Standards Committee held on 27 September 2021 as a correct record of the proceedings.

AS21/32. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Chairman of the Committee, Councillor Jeeawon and Parish Councillor Keith Robertson.

AS21/33. DISCLOSURE OF INTERESTS

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

Barnes, J Agenda Item 12 – Personal interest as Vice-Chairman and Company Executive Director for Alliance Homes (Rother) Ltd.

Thomas Agenda Item 12 – Personal interest as Company Executive Director for Alliance Homes (Rother) Ltd.

PART A – STANDARDS REPORTS

PART II DECISIONS TAKEN UNDER DELEGATED POWERS

AS21/34. CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS

The Committee received the routine report of the Monitoring Officer (MO) which set out brief details of the complaints received since the Committee's last meeting held in June where complaints were considered and advised the Committee of other standards related matters arising since the Committee's last meeting.

It was noted that this was the first meeting for the Council's newly appointed Independent Person Robert (Bob) Brown and Parish Councillor Keith Robertson (who had been unable to attend).

Since the last meeting there had been six valid Code of Conduct (CoC) complaints had been made against one district Councillor and five parish or town Councillors, all made by fellow Councillors. 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 at Appendix 1 to the report. During this time, one non-valid complaint had also been received against a district Councillor for alleged poor performance as a Councillor (not a code matter).

Members were advised that the recommended outcome for cases C21/06 and C21/07 involved a local resolution in the form of an apology to the Parish Council. The Subject Member had refused to apologise and, in such cases, the Council's current arrangements was silent on this situation. Members were requested to consider what action, if any, the Council should take in such cases, including referring for an investigation, doing nothing or sending a letter from the Chairman of the Committee. Referring such matters for a formal investigation (if considered serious enough) would result in costs to the Council that were not recoverable and therefore in this particular case it was not considered to be in the public interest (financially) to pursue. Sanctions against Subject Members who were found to be in breach of the Code of Conduct following a Hearing Panel were limited and in the case of Parish Councils, it was up to the Parish Council whether they acted on any recommendation.

If Members were minded to support the prospect of referring a complaint for investigation in these circumstances in consultation with the IPs, it was recommended that the MO be granted delegated authority to amend the "Arrangements" document to incorporate this provision.

After some discussion, Members agreed that, following a Subject Member's refusal to accept a local resolution and it was considered not to be in the public interest to refer the matter on for formal investigation, a letter of rebuke should be written from the Chairman of

the Audit and Standards Committee to the Subject Member and made public.

The MO advised that no formal standards related training had taken place since the Committee's last meeting due to time constraints and other priority work. With the appointment and commencement of the new Deputy Chief Executive and Monitoring Officer in January 2022, it was hoped that there would be increased capacity in the future in this regard.

Bob Brown and the MO had attended the MO Conference in October this year, held remotely, which provided a useful snapshot of the issues across the country. It was clear nationally and in the Council's own experience that a significant proportion of complaints originated from the parish and town councils. Improving support to and offering training to parish clerks and town and parish chairmen could address some of the issues that ended up as complaints.

It was also highlighted that the final new LGA Model Councillor Code of Conduct was published in May and guidance issued in July 2021. Whilst the Council had agreed to retain its existing code until such times as the Government responded to the Committee on Standards in Public Life's 2019 report and to keep continuity across the other East Sussex authorities, the guidance was a useful reference document for the shared common behaviours expected within the Council's own code. The MO would circulate the guidance to all Members.

RESOLVED: That:

- 1) the Committee formally welcomes Mr Robert (Bob) Brown and Councillor Keith Robertson as the newly appointed Independent Person and Parish and Town Council representative on the Audit and Standards Committee;
- 2) the Monitoring Officer be authorised to amend the Council's Arrangements for Dealing with Member Complaints to include provision for a referral to formal investigation, where appropriate, in cases where Subject Members reject a local resolution proposal. If a formal investigation is not appropriate, a letter of rebuke to be written from the Chairman of the Audit and Standards Committee to the Subject Member and be made public; and
- 3) the report be noted.

AS21/35. **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING**

Members considered the report of the Customer Services Manager that set out details of the five complaints made to the Local Government and Social Care Ombudsman (LGSCO) which had been determined since the Committee's last meeting. One was not upheld (no fault found in the Council's actions) and four could not be investigated.

For the same period (28 May 2021 to 17 November 2021), Rother had received 107 non-ombudsman complaints. Of these, 73 were non-complaints, 11 were resolved at the initial stage, 13 were a stage one complaint of which seven were not upheld, one was upheld and five were partially upheld. Two were a stage two complaint, both of which were not upheld, and eight were awaiting determination/under investigation.

The Customer Services Manager explained that there had been learning outcomes from the complaints received and necessary steps taken to address them. In the cases of planning complaints where customers had been aggrieved at decisions made, improving the management of customer expectations and communication throughout the process were required.

The Customer Services Manager agreed to provide further details after the meeting to Members of the Committee of the non-ombudsman complaints that were upheld and partially upheld and to include such information in reports to the Committee going forward.

RESOLVED: That the report be noted.

PART B – AUDIT REPORTS

PART I – RECOMMENDATIONS TO COUNCIL

AS21/36. EXTERNAL AUDIT CONTRACT FROM 2023/24

Members received the report of the Assistant Director Resources which gave details of the procurement process to appoint external auditors covering audits from 2023/24 to 2027/28.

During Autumn 2021, all local government bodies needed to make important decisions about their external audit arrangements from 2023/24, either through their own procurement processes to make the appointment themselves or in conjunction with other bodies, or they could join and take advantage of the national collective scheme administered by Public Sector Audit Appointments (PSAA).

The report proposed that the sector-wide procurement conducted by the PSAA would produce better outcomes, be more cost efficient and be less burdensome for the Council than a procurement undertaken locally. If the Council wished to take advantage of the national auditor appointment arrangements, it was required under the local audit regulations to make the decision at full Council. The opt-in period started on 22 September 2021 and closed on 11 March 2022. To opt into the national scheme from 2023/24, the Council needed to return completed opt-in documents to PSAA by 11 March 2022.

RECOMMENDED: That:

- 1) the Public Sector Audit Appointment's invitation to opt into the sector-led option for the appointment of external auditors to

principal local government and police bodies for five financial years from 1 April 2023 be accepted; and

- 2) the Chief Finance Officer be authorised to opt in to the national scheme for auditor appointments for the provision of external audit services starting with the audit of the 2023/24 accounts.

AS21/37. **FINANCIAL PROCEDURE RULES UPDATE**

Members received the report of the Assistant Director Resources detailing updates to the Council Financial Procedure Rules (FPRs) to reflect changes made to the senior management team and to improve the operational efficiency of the Council and clarify any rules that were out of date or no longer applicable. Any changes to the Constitution currently were required to go to Council via the Overview and Scrutiny Committee (OSC). The revised FPRs would therefore be submitted to the OSC in the new year for ratification.

The most significant change that was proposed to the FPRs related to the approval and reporting arrangements for the writing out of the accounts (write off) of debts that cannot be or are unlikely to be collected, as shown in section Q. The thresholds for requesting Member approval to the write off were proposed to be increased significantly, which would reduce the reporting to Members and increase internal process efficiency. However, it was proposed that these increased thresholds were restricted to those circumstances where the Council effectively had no choice but to write off, e.g. in the event of liquidation of a company or a debt relief order is granted to the debtor. There was a requirement to report to Cabinet the total write offs made in a year under the various categories to ensure transparency. Members requested that further information be provided concerning the scale of higher-level debts that had been written off in the past, which the Chief Finance Officer (CFO) would provide by way of email after the meeting.

Rule G35 had also been updated to better reflect its original intention regarding the need to carry out a review by Members of the specifications for the Council's major service contracts, such as Waste Collection. As such, the value threshold had been increased to an annual cost of £500,000. It was also proposed to amend the process and that the initial review should be undertaken by Cabinet who would then pass to the Overview and Scrutiny Committee for their views and recommendations back to Cabinet. Members expressed concerns about an increase in the value threshold to £500,000 and agreed to recommend that this be amended to £250,000.

A new section, U, had been added to cover the responsibilities for officers when establishing a subsidiary company. This did not extend to the detailed requirements of the company, which would form part of their own internal governance arrangements. After some discussion, it was agreed by Members to recommend that the CFO discuss rewording rules U8 and U9 with the Chief Executive, as the dual roles of officers left them in an advisory capacity in these circumstances only.

As two Members of the Audit and Standards Committee were also Board Members of Alliance Homes (Rother) Ltd (AH), Members recommended and agreed that a report be brought to the next meeting of the Committee to consider setting up a sub-committee specifically for further scrutiny and monitoring of AH.

RECOMMENDED: That, subject to the concurrence of the Overview and Scrutiny Committee:

- 1) the revised Financial Procedure Rules set out at Appendix A be approved and adopted, subject to the value threshold for the Council's major service contracts being amended to £250,000 from a £500,000 limit in rule G35 and the Chief Finance Officer to discuss rewording rules U8 and U9 with the Chief Executive to reflect the dual roles of officers in these circumstances; and
- 2) the Chief Executive be granted delegated authority to make minor changes consequent to the finalisation of the Council staffing restructure;

AND

RESOLVED: That a report on the setting up of a sub-committee of the Audit and Standards Committee to scrutinise and monitor the work of Alliance Homes (Rother) Ltd be brought to the next meeting.

(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).

(Councillor Thomas declared a Personal Interest in this matter as 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).

PART II – DECISIONS TAKEN UNDER DELEGATED POWERS

AS21/38. REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - ANNUAL AUDIT LETTER 2019/20

The Chairman welcomed Trevor Greenlee from Grant Thornton to the meeting who proceeded to summarise the External Auditors' Annual Audit Letter for the year ended 31 March 2020. The External Auditors' Annual Audit Letter summarised the key issues arising from the work that had been carried out by Grant Thornton in the areas of Financial Statements and Value for Money.

Financial Statements – Grant Thornton issued an unqualified opinion on the Council's financial statements on 1 October 2021. As a result of the COVID-19 pandemic, the audit had taken longer to complete and additional work had been required to address property asset

valuations, as well as the Council's net pension liability. The Council's accounts were prepared to a high standard.

Value for Money – Grant Thornton was satisfied that in all significant respects, the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Grant Thornton had not identified any matters which required them to exercise their additional statutory powers. One risk was considered in the issue of Value for Money, but was found to be sufficiently mitigated.

The fees charged for services were detailed at the end of the letter. Due to the requirement for additional work to be carried out over and above that originally envisaged in the audit plan, there was a proposed fee variation which was subject to approval by the Public Sector Audit Appointments.

In summary, Grant Thornton assured Members that the finances of the Council were being well managed by a well-run team.

The Chairman thanked the Chief Finance Officer and his team and the auditing team at Grant Thornton for their work.

RESOLVED: That the report be noted.

AS21/39. **REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON -
AUDIT FINDINGS REPORT 2020/21**

Trevor Greenlee from Grant Thornton clarified that this report would be presented at the next meeting of the Audit and Standards Committee scheduled to be held on Monday 21 March 2022.

AS21/40. **REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON -
AUDIT RISK ASSESSMENT 2020/21**

Trevor Greenlee from Grant Thornton clarified that this report would no longer be required.

AS21/41. **INTERNAL AUDIT REPORT TO 30 SEPTEMBER 2021**

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

Progress on the 2021/22 Audit Plan was currently running a few weeks behind schedule, but the position had improved since the last quarter and continued to do so.

Two 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. Both audits provided substantial assurance on those areas reviewed.

Several audits were also nearing completion at the end of the quarter and had since been issued – these included reviews of the Grounds Maintenance Contract, the Blackfriars Project and Income Management. The Executive Summaries for these reviews and any other audit reports completed in the third quarter would be included in the next progress report.

Appendix B to the report updated Members on the progress made on implementing the audit recommendations reported at the previous meetings. Six of the older year recommendations remained outstanding; three of these (Council Tax, ICT Network Security and ICT Governance) were now at an advanced stage and were all scheduled to be completed by March 2022 at the latest. However, progress on the other three cases (Procurement and the two Creditor recommendations) remained slow, and this was due in part to resourcing issues. The Chief Executive had been informed of the situation and was monitoring progress. However, the Head of Service responsible for all six issues was soon retiring meaning that the responsibility for resolving these outstanding matters would now fall to the relevant line managers.

Of the current year recommendations, almost half of these had already been implemented and work had begun on all other cases.

Every three years Internal Audit had traditionally produced a Strategic Audit Plan setting out the audits it intended to carry out over the next three-year period. However, the need for a more responsive, adaptable approach to audit planning was brought into sharp focus during the COVID-19 pandemic, but, even in normal times, the rigid structure of a Strategic Audit Plan model did not cope well with major change. With the new Strategic Audit Plan due to be reported to the Committee in the next quarter, it was therefore proposed that the 3-year Strategic Audit Plan be dropped in favour of standalone, annual audit plans. The Audit Manager would continue to use a risk assessment to determine what audits were included in the annual plan, but the move away from the existing model would provide greater flexibility and better use of limited resources.

Owing to the imminent retirement of the Assistant Director Resources, the Audit Manager had taken on responsibility for Risk Management Policy and for collating and reporting on updates to the Corporate Risk Register. The Audit Manager's role was limited to that of Risk Management Co-ordinator and it did not include any responsibility for managing risk, which remained the responsibility of Management. Members had considerable concerns about the Audit Manager's role in the Risk Management process and questioned who would ultimately be responsible for managing/mitigating Council-wide risks going forward. Members recommended that it would seem necessary for a senior officer to be identified to take responsibility for managing risk. Members requested and agreed that their concerns be taken back to senior officers.

The Audit Manager updated Members on two issues raised previously on the Corporate Risk Register – an additional risk had been added to cover the loss of staff and recruitment issues experienced by contractors delivering key Council services; and the unmitigated risk score for major projects had been increased from 9 to 15, indicating a high priority.

The Audit Manager confirmed that issues found in the Waste Contract audit concerning cleansing of roads exceeding 40 miles per hour limit detailed in Appendix A to the report would be followed up six months after the audit was issued, and that the waste team were aware and in contact with the contractor. Members recommended and agreed that the Audit Manager request further information on progress from the Head of Neighbourhood Services.

RESOLVED: That:

- 1) the Internal Audit report to 30 September 2021 be noted;
- 2) the proposal to replace the 3-year Strategic Audit Plan with standalone, annual audit plans be approved;
- 3) the Committee's concerns regarding the Audit Manager's role in the Risk Management process be taken back to senior officers to consider identifying one senior officer to take responsibility for managing/mitigating Council-wide risks; and
- 4) the Audit Manager request a progress update from the Head of Neighbourhood Services regarding negotiations with the contractor to remove the 100 km cap on the cleansing of roads with a speed limit exceeding 40 miles per hour.

AS21/42. **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 remainder of the 2021/22 municipal year and 2022/23.

An additional meeting was added for 11 April, as the agenda for the March meeting had become too full. The following amendments to the Work Programme were made:

- a report on the setting up of a sub-committee of the Audit and Standards Committee to scrutinise and monitor the work of Alliance Homes (Rother) Ltd – 21 March;
- Grant Thornton – Audit Progress Report and Sector Update – moved from 21 March to 11 April;
- Grant Thornton – External Audit Plan Year ending March 2022 - moved from 21 March to 11 April;
- Grant Thornton – Annual Audit Report 2020/21 - moved from 21 March to 11 April;
- Annual Property Investment Update - moved from 21 March to 11 April; and

- Treasury Management Presentation added to 11 April.

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

CHAIRMAN

The meeting closed at 8:08pm

AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2021 – 2022	
DATE OF COMMITTEE	SUBJECT
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 Findings Report 2020/21 • Statement of Accounts 2020/21 • Internal Audit Report to 31 December 2021 • Internal Audit Strategy and Plan 2022/23 to 2024/25 • Review of Internal Audit 2021/22 • Treasury Management Update • Accounting Policies 2021/22 • Annual Risk Register Update • Risk Management Service Area Update • Creation of a sub-committee to monitor Alliance Homes (Rother) Ltd
Monday 11 April 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 Year ending March 2022 • Grant Thornton – Annual Audit Report 2020/21 • Treasury Management Presentation • Annual Property Investment Update
WORK PROGRAMME 2022 – 2023	
Monday 20 June 2022	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Ombudsman Complaints Monitoring <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit – Annual Report and Opinion 2021/22 • Treasury Management Update – 2021/22 Outturn • Annual Governance Statement • Annual Property Investment Update • Risk Management Service Area Update
Wednesday 27 July 2022	<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 2021/22 • Statement of Accounts 2021/22 • Treasury Management Update

<p align="center">Monday 26 September 2022</p>	<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 2022 • Treasury Management Update • Risk Management Service Area Update
<p align="center">Monday 5 December 2022</p>	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Local Government Ombudsman Complaints Monitoring and Annual Review 2021/2022 <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 30 September 2022 • Risk Management Service Area Update • Treasury Management Update
<p align="center">Monday 20 March 2023</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 2022/23 • Internal Audit Report to 31 December 2022 • Internal Audit Plan 2023/24 • Review of Internal Audit 2022/23 • Annual Property Investment Update • Treasury Management Update • Accounting Policies 2022/23 • Annual Risk Register Update • Risk Management Service Area Update