



## AUDIT AND STANDARDS COMMITTEE

20 June 2022

Minutes of the Audit and Standards Committee meeting held at the Town Hall, Bexhill-on-Sea on Monday 20 June 2022 at 6:30pm.

Committee Members present: Councillors R.B. Thomas (Vice-Chair), J. Barnes, Mrs M.L. Barnes, P.C. Courtel, Mrs E.M. Kirby-Green, L.M. Langlands and C.A. Madeley.

Audit Independent Person: Mr Patrick Farmer.

Parish/Town Council Representatives: Councillor Keith Robertson (in part).

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

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

Also present: Darren Wells, Grant Thornton (in part) and 7 members of the public via the live webcast.

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### AS22/4. **MINUTES**

The Chair was authorised to sign the Minutes of the meetings of the Audit and Standards Committee held on 11 April and 16 May 2022 as correct records of the proceedings.

### AS22/5. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from the Chair of the Committee, Councillor Drayson and Robert Brown, Independent Person.

### AS22/6. **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-Chair and Company Executive Director for the Council's Housing Company.

Thomas        Agenda Item 12 – Personal interest as Chair and Company Executive Director for the Council's Housing Company.

## **PART A – STANDARDS REPORTS**

### **AS22/7. CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS**

The Committee received the report of the Monitoring Officer (MO) which set out brief details of the Code of Conduct (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 six valid CoC complaints made against one District Councillor and five Parish Councillors; of the six cases, four were dismissed and two were referred for investigation. The view of one (or both) of the Council's Independent Persons was sought and concurred with the proposed action in each case; details of each case were provided at Appendix 1 to the report.

Since October 2021, the Council had dealt with five complaints (one reported in December) all originating from Northiam Parish Council (NPC) in connection with NPC's purchase of St. Francis Fields (former Blue Cross site), its current and future use and its management by a Community Interest Company. The conclusion of C21-11 resulted in a finding of a breach of NPC's CoC by Parish Councillor Streatfeild; the MO determined that no more complaints would be entertained from any NPC Councillor or member of the public concerning this matter. The cost of the investigation into these complaints was £10,000, a cost that had to be met by Rother District Council.

The MO had concluded C21-11 by referral to the Parish Council for local resolution, without a local hearing. The outcome of the complaint was shared with all complainants and the Chair of the Parish Council, recommending that training and mediation (if agreeable to all sides) be provided, at the expense of the Parish Council. It was unlikely, given the polarised opinions on this matter, that there would be agreement to any proposed local resolution.

Two non-valid complaints against two District Councillors had also been received for alleged poor performance as a Councillor. Alleged poor performance as opposed to conduct, was not a matter that could be considered as a CoC complaint.

The MO and Deputy MO held a session on the CoC and complaints procedures for the newly established Bexhill Town Council on 20 April 2022, which was well attended by Members of the Town Council and well received.

The Local Government Association guidance on their model Councillor CoC was promoted to all Councillors and Parish Clerks following the last meeting, but no other formal training had taken place since the last meeting. The Independent Persons were keen to see that training was provided to the towns and parishes across the district and this would be considered in the coming 12 months.

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

AS22/8.

## **GOVERNMENT RESPONSE TO THE REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS**

Members considered the report of the Monitoring Officer (MO) detailing the Government's response to the Committee on Standards in Public Life's (CSPL) report which was published on 18 March 2022 and set out in full at Appendix 1 to the report, together with officer commentary.

The CSPL's report was originally published and submitted to Government in January 2019, which this Committee considered with its findings in June 2019. The CSPL made a total of 26 recommendations, the majority of which were for the Government, together with 15 best practice guidelines which were directed at local authorities. In accordance with an initial review undertaken by East Sussex County Council, Rother District Council agreed to two amendments to its existing Code of Conduct (CoC), strengthening the wording around bullying and harassment and the need for Members to comply with any formal investigation in relation to a CoC complaint.

It was encouraging that the Government had agreed to look at a number of issues as a result of the review's recommendations, but, overall, it seemed that there would be no fundamental changes to the current decentralised approach and available sanctions for Members who had been found to have breached the CoC for the foreseeable future.

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

- Members requested that training in the use of social media for Councillors be explored by the MO and Deputy MO;
- the Council's current CoC did not include any references to social media. The Committee had previously considered the Local Government Association (LGA) CoC which did include conduct on social media but had decided not to adopt it. Members requested that a working group be established to consider an amendment to the Council's CoC to include reference to social media, using the LGA's wording;
- the Independent Person (IP) present agreed with the Government and the Council's stance on recommendation 9 of the CSPL's review. Rother IPs were consulted at the assessment stage of any Member complaint and post investigation in cases that were investigated; and
- the Seven Principles of Public Life (also known as the Nolan Principles) underpinned the standards that councillors should uphold and formed the basis of the Code of Conduct. Whilst fundamental to the Code of Conduct, the principles were not part of the rules of the code and it was not possible therefore to bring a complaint based solely on one of the principles.
- Complaints that called into question the honesty of Members could usually be considered under paragraph 5, as bringing their office or authority into disrepute.

**RESOLVED:** That:

- 1) the report be noted; and
- 2) a working group be established to consider an amendment to the Council's CoC to incorporate the use of social media and Member training in the use of social media and when the code may be engaged be explored by the Monitoring Officer and Deputy Monitoring Officer.

AS22/9. **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING**

Members considered the report of the Customer Services Manager (CSM) that set out the details and outcome of five complaints made to the Local Government Ombudsman (LGO) since the last meeting of the Committee, covering the period 18 November 2021 to 27 May 2022.

The complaints related to three Council services which were Environmental Services, Neighbourhood Services and Planning. One was investigated and upheld, and the CSM confirmed that remedial measures had been put in place where fault was found. Four could not be investigated.

For the same period, Rother received 67 non-ombudsman complaints: 28 were non-complaints (treated as department service requests); seven were resolved at initial stage (non-formal complaint resolution); 18 were a stage one complaint of which four were upheld, eight were not upheld and six were partially upheld; there had been no stage two complaints (responded to formally by Head of Service); and 13 were reported to be currently awaiting determination/under investigation.

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

- the CSM would include a comparison of the number of complaints received during the period of the report to the previous period and to the previous year in future reports;
- the number of complaints made to the LGO was low;
- learning outcomes from complaints could not always be shared with complainants, but a summary would be included in future reports; and
- initial contacts with complainants and less complex matters were resolved by telephone.

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

**PART B – AUDIT REPORTS**

**PART II – DECISIONS TAKEN UNDER DELEGATED POWERS**

AS22/10.

**REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - ANNUAL AUDIT REPORT 2020/21**

The Chairman welcomed Darren Wells from Grant Thornton (GT) to the meeting, who proceeded to summarise the External Auditor's Annual Audit Report 2020/21. GT were required under the Local Audit and Accountability Act to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The report gave details of the Council's overall arrangements, as well as improvement recommendations. There were four categories covered, namely Financial Sustainability; Governance; Improving Economy, Efficiency and Effectiveness; and COVID-19 arrangements.

An unqualified opinion on the financial statements had been given on 20 May 2022. The Council had provided draft accounts in line with the national deadline and provided a good set of working papers. No significant risks had been identified during the Value for Money audit and seven improvement recommendations were made.

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

- GT had suggested that consideration be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided. Officers felt that, whilst it would be possible to estimate the costs, any split would be to a certain degree arbitrary and not clear cut. The approach would be considered as part of the 2023/24 budget setting process and further detail would be provided to Members after the meeting;
- Councillor Barnes said that the transfer of services to the Bexhill Town Council would likely result in small savings to the Council only as the Bexhill Special Expenses would be forfeited, which Members felt had not been correctly interpreted by GT;
- although some of the Council's Key Performance Indicators were not being met, GT understood that performance was reviewed and reported on regularly and under discussion by Senior Management; and
- the transfer of services to parish and town councils featured in the Financial Stability Programme was now resourced, led by the Deputy Chief Executive. An update would be given at the Cabinet meeting scheduled for 25 July 2022.

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

AS22/11.

**REPORT OF THE EXTERNAL AUDITORS, GRANT THORNTON - EXTERNAL AUDIT PLAN YEAR ENDING MARCH 2022**

Darren Wells from Grant Thornton (GT) summarised the External Auditors' Annual Audit Plan report for the year ending 31 March 2022. The purpose of the report was to highlight and explain the key issues which GT believed to be relevant to the audit of the financial statements and use of resources of the Council for the 2021/22 financial year.

The report formed a key part of GT's communications strategy with the Council, which was designed to promote effective two-way communications throughout the audit process. Darren Wells guided Members through the comprehensive plan which gave details of: Key Matters Impacting the Audit; Significant Risks Identified; Other Risks Identified; Accounting Estimates and Related Disclosures; Other Matters; Materiality; IT Audit Strategy; Value for Money Arrangements; Audit Logistics and Team; Audit Fees; Independence and non-audit services; and Digital Audit. The following points were highlighted for Members' attention:

- the Council's planning materiality had been set at £1.19m;
- key risks included management override of controls, valuation of the pension fund net liability, valuation of land and buildings and investment properties; and
- the proposed audit fee was £65,934.

The Council's financial position in 2021/22 had continued to be challenging amidst the outbreak of new variants of COVID-19, which had a major impact on the Council's finances and services.

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

#### AS22/12. **INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2021/22**

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 2022, 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.

Eight audit reviews were completed in the final quarter of 2021/22. Five provided good assurance on the overall governance arrangements, however, three audits (Creditors, BACS/BACSTEL-IP Computer System and Debtors) received a limited assurance rating meaning that improvements in controls or in the application of controls were required. The reasons for the assessments were outlined in the report, but explained in more detail in Appendix A to the report.

Appendix B to the report provided a summary of all audit reports completed in 2021/22, 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 91.3% of the 2021/22 Audit Plan was completed and only two planned audits (ICT Governance and Payroll) were still outstanding at the end of the financial year. Both of these audits had since been completed and good/substantial assurance were obtained in each case. Internal Audit's overall performance in 2021/22 was therefore comparable to that achieved in the previous financial year.

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 Years Recommendations had not changed since the last quarter, with three recommendations still outstanding. Progress was being made in all of these cases, but the issues highlighted by the recommendations were yet to be fully resolved. Good progress continued to be made on the 2021/22 recommendations, with almost two-thirds already completed and work having commenced in all remaining cases.

In addition to compliance work, Internal Audit also allocated time each year to undertake counter fraud duties. On the council tax side, three unbanded dwellings had been identified and on the business rates side, two businesses where small business rate relief was being wrongly applied and two unrated business premises. All cases were followed up with the help of colleagues in the Revenues and Benefits Team and an additional £30,147 of revenue income was being collected as a result.

Counter Fraud work was also carried out on the Community Infrastructure Levy (CIL) to identify any cases where the development had commenced without notifying the Council, or exemptions that were no longer appropriate. A number of cases had already been found and passed to the new Principal CIL Officer for investigation, however no additional income had so far been collected as a result.

The Audit Manager also coordinated the annual National Fraud Initiative data matching exercises which had not resulted in any financial savings in 2020/21.

Routine audit work often highlighted financial errors which could result in savings (or increased income) once corrected. Savings totalling £41,104 were identified in 2021/22 comprising of temporary accommodation charges not being covered by the customer's benefit claim due to a system glitch, four cases of business rate liability being incorrectly incurred and two duplicate invoice payments which had since been recovered.

The Audit Manager's latest self-assessment of his Team's compliance with the Standards (Review of Internal Audit 2021/22) was approved by Members on 21 March 2022. The review only identified one new issue and concluded that there was a high level of effectiveness overall. As more than five years had elapsed since the last external quality assessment a further review was now due, and the Audit Manager was in the process of obtaining competitive quotes to carry out another review during the current financial year. In parallel to this, the Audit Manager was also in discussion with the Internal Audit departments in

neighbouring authorities to explore the possibility of carrying out the work on a reciprocal basis.

Quality assurance questionnaires were used to capture client feedback and recipients were invited to rate the service provided as either 'good', 'fair' or 'poor' and encouraged to comment where improvement was required. All of the feedback received was very positive indicating a high level of satisfaction with the quality of the Internal Audit Service.

Performance Measures set for the Audit Team demonstrated that all but one of the targets for 2021/22 was met or exceeded. The governance audit target was not met on this occasion because the ICT Governance and Payroll audits were still in progress at year end as a result of overruns on earlier audits. However, both had since been completed and the results would be reported to this Committee at the next meeting.

The work carried out by Internal Audit in 2021/22 did highlight some concerns regarding the internal control environment, but only one audit (BACS/BACSTEL-IP Computer System) resulted in a high risk recommendation being made. There was no need to include this point in the Annual Governance Statement as the issue that resulted in this recommendation had since been addressed. Two other areas (Creditors and Debtors) were also considered for inclusion in the Annual Governance Statement because of their limited assurance rating. However, neither were currently considered significant.

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 2021/22 was therefore that it was adequate and effective.

An update on the Whistleblowing Policy activity in 2021/22 was provided in Appendix D to the report. In summary, a total of 26 whistleblowing cases were reported to the Audit Manager in 2021/22. The vast majority of these focused on either Benefit/Council Tax Fraud or Housing Issue/Tenancy Fraud. 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. The Audit Manager was not able to report on outcomes of any cases as these were not fed back to him.

The Audit Manager's role in the Council's risk management was as facilitator only. The ownership of risk management lay with the Corporate Management Team and a workshop for Members to look at risk appetite would be held in the coming weeks. The Risk Management Update report coming to the Committee in September would include a named officer against each risk.

**RESOLVED:** That:

- 1) Internal Audit's activity and performance in 2021/22 be noted;  
and



- 2) the Audit Manager's opinion on the control environment (paragraph 37) be approved.

AS22/13. **2021/22 STATEMENT OF ACCOUNTS – AUDIT PLANNING RISK ASSESSMENT**

The Council's external auditors Grant Thornton (GT) were required to adopt International Standards in Auditing (ISA) when completing their work, to ensure that the Council received value for money and high-quality audit outcomes. Auditing standard ISA 540 was revised in December 2018 to provide auditors with more robust guidance aimed at increasing audit quality. It required auditors to scrutinise more closely defined areas of risk.

In order to comply with the revised standard, GT requested information on certain management processes and the oversight of those processes by the Audit and Standards Committee (ASC). For the 2021/22 accounts audit, the Council had provided this information in the form of a completed questionnaire and the responses were shown at Appendix A to the report. A key requirement of IAS 540 required the auditors to confirm that the management responses included at Appendix A were consistent with the understanding of 'Those Charged With Governance', i.e. the ASC, and their input evidenced by the auditors to inform their work on the 2021/22 accounts audit.

Appendix B to the report included a range of questions asked in respect of the six areas detailed in the report and the ASC were requested to consider whether the responses were consistent with their own understanding. Members agreed that the management responses were in line with their own understanding.

**RESOLVED:** That Members confirm that the management responses in Appendix A are in line with their own understanding.

AS22/14. **TREASURY MANAGEMENT UPDATE - 2021/22 OUTTURN**

The Council's 2021/22 Investment Strategy required regular reports to be presented to the Audit and Standards Committee on the Council's treasury management activities. In managing these, the Council had implemented the Department of Levelling Up, Housing and Communities investment guidance and followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

The investment activity to date conformed to the approved strategy and the Council had had no liquidity difficulties. Investment activity was also reported to Members through the monthly Members' Bulletin. Members noted that the 2021/22 outturn figures were draft and also subject to audit, although no material changes were anticipated at that point in time.

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

- As at 31 March 2022, the Council's total investments were approximately £51m, with investments of £18m in Call accounts and Property Funds. The remaining £33m was held the General account, Members were asked to note that a significant element of this balance related to cash owed to other public bodies, e.g. council tax precepts, shares of business rates, unspent Government grants. Officers reviewed interest rates on accounts daily.
- The Council's investments yielded interest income of £350,000 in 2021/22 mainly from its Property Funds, which yielded returns of between 3.41% and 3.68%. The investment portfolio and Property Fund values were detailed in Appendix A to the report.
- The Council's Capital Financing Requirement (CFR) showed how much of its capital expenditure was financed by borrowing and it was summarised in Appendix B to the report. The pandemic again slowed the pace of the capital programme delivery in 2021/22 so the CFR only increased by £7.492m against a budget of £48.764m.
- The value of outstanding loans as at 31 March 2022 was £27.312m. This was £1.864m higher than the CFR meaning the Council was 'over-borrowed,' but this was only for a short period of time until further capital expenditure was incurred in 2022/23. The reason for this was reported previously and related to new borrowing taken out during the last financial year.
- The ratio of Net Financing Costs to the Net Revenue Stream was 1.74%, which was 6.69% lower than the original budget due to the delay in the capital programme delivery.
- The Council's non-treasury investments were detailed in the report and split between existing assets and those purchased through the Property Investment Strategy (PIS). Non-PIS assets yielded a 5.05% return on investment and PIS assets a 3.17% return. It was explained that the difference in yields was because non-PIS assets had no outstanding financing costs attached to them. Appendix D gave further detail, including the total cost of purchase as well as running costs.
- The Bank of England's announcement since the previous report to increase the base rate to a 13 year high of 1%, (increased by a further 0.25% more recently) had been mirrored by an increase in the Public Works Loans Board lending rates, which would make future borrowing more expensive. Officers would continue to monitor closely any future changes and factor them into the Council's Medium-Term Financial Plan, which would be reported to Members later in the financial year.
- Other economic issues such as the recent procurement of a new electricity supply contract, the cost of living crisis possibly impacting council tax collection rates and global events, such as the Russian invasion of Ukraine, could have significant impact on the Council.

Members congratulated the Chief Finance Officer on his foresight to borrow in advance at low interest rates.

The investment activity 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-Chair and Company Executive Director for the Council's Housing Company 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 Chair and Company Executive Director for the Council's Housing Company and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

AS22/15. **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 2022/23 municipal year.

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

**CHAIR**

The meeting closed at 8:26pm

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## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2022 – 2023</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Wednesday 27 July 2022</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Constitution Review – Responsibility for Functions Part 3</li> <li>• Wholly owned Council Housing Company Governance Monitoring</li> <li>• Statement of Accounts 2021/22</li> <li>• Annual Governance Statement 2021/22</li> <li>• Treasury Management Update – Quarter 1</li> </ul>
<b>Monday 26 September 2022</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 30 June 2022</li> <li>• Treasury Management Update – Quarter 2</li> <li>• Risk Management Update</li> </ul>
<b>Monday 5 December 2022</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Complaints Monitoring and other Standards Matters</li> <li>• Local Government Ombudsman Complaints Monitoring and Annual Review 2021/2022</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Report to 30 September 2022</li> <li>• Treasury Management Update – Quarter 3</li> </ul>
<b>Monday 20 March 2023</b>	<p><b>Part A – Standards Reports (none scheduled)</b></p> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Progress Report and Sector Update</li> <li>• Grant Thornton – External Audit Plan 2022/23</li> <li>• Internal Audit Report to 31 December 2022</li> <li>• Internal Audit Plan 2023/24</li> <li>• Review of Internal Audit 2022/23</li> <li>• Annual Property Investment Update</li> <li>• Treasury Management Update</li> <li>• Accounting Policies 2022/23</li> <li>• Risk Management Update</li> </ul>

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