

## AUDIT AND STANDARDS COMMITTEE

19 June 2023

Minutes of the Audit and Standards Committee meeting held at the Town Hall, Bexhill-on-Sea on Monday 19 June 2023 at 6:30pm.

Committee Members present: Councillors B.J. Drayson (Chair), J. Barnes (MBE) (Vice-Chair), A.E. Biggs, P.J. Gray, A.P. Hayward, S.B. McGurk (remote), C. Pearce and R.B. Thomas.

Audit Independent Person: Mr Patrick Farmer.

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

Advisory Officers present: Interim Chief Executive, Interim Deputy Chief Executive, Director – Place and Climate Change, Audit Manager, Corporate Programme and Improvement Manager, Deputy Monitoring Officer (in part), Head of Digital and Customer Services and Democratic Services Officer.

Also present: 11 members of the public via the live broadcast.

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### AS23/4. **MINUTES**

The Chair was authorised to sign the Minutes of the meetings of the Audit and Standards Committee held on 20 March and 24 May 2023 as correct records of the proceedings.

### AS23/5. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Chair of Council, Councillor Mrs Cook and Parish and Town Council Representative, Parish Councillor Mrs Miers.

### AS23/6. **DISCLOSURE OF INTERESTS**

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

Thomas            Agenda Item 10 – Personal Interest as Chair of Rother DC Housing Company Ltd.

### AS23/7. **ROLE AND FUNCTIONS**

As part of the Member Induction process, a report outlining each Committee's roles and responsibilities would be presented to the first ordinary meeting of each Committee in the new municipal year. The report of the Interim Chief Executive outlined the role, composition and functions of the Audit and Standards Committee (A&SC).

The Committee was made up of eight Members appointed in accordance with political balance rules, excluding Members of the Executive, and had two discrete functions as outlined at Appendix A to the report.

Members noted that the Committee had responsibility for monitoring the governance arrangements of the Rother DC Housing Company which, although not explicitly mentioned in the report, was contained within the Audit Functions section of the constitution: 'To consider the governance arrangements for the management and monitoring of the Council's significant partnerships and wholly or partly owned council commercial entities'. It was agreed that should a similar report be made in 2027, the Committee's role in monitoring the governance arrangements of the Council's wholly or partly owned Council commercial entities would be included within the narrative of the report, given its importance.

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

## **PART A – STANDARDS REPORTS**

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

#### **AS23/8. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING**

Members considered the report of the Head of Digital and Customer Services 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. All five could not be investigated.

For the same period (11 November 2022 to 24 May 2023), Rother had received 69 non-ombudsman complaints. Of these, 25 were non-complaints, 17 were resolved at the initial stage, 23 were a stage one complaint and four were a stage two complaints.

There had been a total of 32 Stage 1 complaints, of which 10 were resolved at the initial stage, two were upheld, 13 were not upheld and seven were partially upheld.

A total of four complaints were Stage 2 complaints (responded to formally by Head of Service), of which two were not upheld and two were partially upheld.

Members were pleased to note the average response times to complaints and suggested that the report could be enhanced in the future by including overall learning outcomes by the Council. The Head of Digital and Customer Services would include this information in future reports.

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

## **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 complaints received since the Committee's last meeting, held in December 2022, where complaints were considered and advised the Committee of other standards related matters arising since the Committee's last meeting.

Since the last meeting, six valid Code of Conduct (CoC) complaints had been made against one district Councillor (involving two complaints) and four parish Councillors. Of the six cases, one was dismissed (C22-16), four other local resolutions involving apologies, facilitated meetings, advice and guidance and consultancy (C22-14, C22-15, C22-17, C22-18) and one refusal to co-operate with requested local resolution (C22-19), which was not resolved. The view of one (or both) of the Council's Independent Persons (IPs) was sought and concurred with the proposed action in each case. Details of each case were identified at Appendix 1 to the report.

There were two further cases that were outstanding (C22-10 and C22-10B) which were referred for investigation last year, concerning a district Councillor, the outcome of which was still awaited. No further details would be disclosed until such time as the final report had been received and Members were assured that all possible efforts to conclude the complaints were being taken.

Following a number of complaints originating from Northiam Parish Council (NPC), it was advised at the December 2022 meeting that Rother District Council had commissioned external consultants to work with NPC and work through the issues that were currently giving rise to the copious complaints. The timetable for the work was unfortunately delayed due to the timing and outcome of the elections. The final report was sent to NPC in May 2023 with the expectation that the report would be discussed in full by NPC and made available on their website and a plan developed to implement its recommendations. A full update, including a copy of the report and NPC's resulting plan, would be reported to the Committee at its meeting in December 2023.

Following the Committee's endorsement and subsequent approval by full Council in May 2023, the Council had adopted a new CoC, based on the Local Government Association's (LGA) model. It was considered that the new Code was easier to understand and interpret by officers, Members, and the public, and was accompanied by training resources, provided by the LGA.

The MO advised that one of the IPs had attended an in-person conference for IPs on 19 April 2023 in London and had met with the MO and Deputy MO to consider the feedback and any proposed resulting change in practice. The session covered the role of IPs, best practice in case handling and understanding the difficult areas.

As this was an election year, there were several standards related training sessions within the Induction Programme, the first one held just

prior to the meeting concerning the CoC and Complaints Procedures, for Members of the Committee only. There was also a session on the CoC for all Members on 3 July 2023.

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

AS23/10.

## **DRAFT ANNUAL REPORT TO COUNCIL - ETHICAL STANDARDS MATTERS**

Members received the annual report of the Monitoring Officer (MO), which provided a summary of the ethical standards matters that had been considered by the Audit and Standards Committee (ASC) during the preceding 12 months, for onward submission to full Council, with the intention of raising the profile of such matters. The production of the annual report was a new requirement in the Constitution, and it was agreed that the Committee would consider the annual report at the June meeting in year for submission to the July meeting of full Council.

The report detailed the main activity which had included: recommending to Council that the Local Government Association's model Code of Conduct (CoC) should be adopted, which was duly approved by full Council in May 2023; a summary of all elected Member complaints received in the 2022/23 civic year; the training sessions that had been held; amendments to the Council's Arrangement for Dealing with Member Complaints, and consequential amendments to the Investigations and Hearings Procedures clarifying the role of the IPs in complaint handling.

Members of the ASC suggested that, in order to raise awareness, the report also highlight the fact that there were only limited sanctions available that could be imposed on any Councillors who were found to be in breach of the relevant CoC, following an investigation and that recourse was essentially via public disclosure and through the ballot box. It was agreed that the Chair agree the final wording with officers. It was noted that any sanction imposed on a Parish or Town Councillor was subject to the approval of the Parish or Town Council.

It be **RESOLVED:** That:

- 1) this Committee's annual report be made to the July meeting of full Council each year;
- 2) the contents of the draft report be approved for submission to full Council, as amended; and
- 3) the Chair be authorised to approve the final draft in consultation with officers for submission to full Council.

## **PART B – AUDIT REPORTS**

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

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 2023, 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.

Five audit reviews were completed in the final quarter of 2022/23. All audits provided substantial assurance on the overall governance arrangements. An overview of the findings arising from the audits was given in Appendix A to the report.

Appendix B to the report provided a summary of all audit reports completed in 2022/23, 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 that only 73.6% of the 2022/23 Audit Plan was completed due to challenges faced by the Internal Audit Team during the year. This included a higher than usual volume of the audits with serious control issues, which led to audit overruns, and long-term absences both inside and outside of the Team. Three planned audits had not taken place to accommodate the situation (as outlined in Appendix B to the report) and two Governance audits (Debtors and ICT Governance) were still in progress at the end of the financial year.

Appendix C to the report gave a detailed update on the current position of all projects in the Capital Programme, as requested by Members at the Audit and Standards Committee meeting on 5 December 2022 in light of the current financial situation.

Appendix D to the report showed a summary of the progress made on implementing the audit recommendations reported at previous meetings. The number of old year recommendations had only reduced by one since the last quarter, meaning there were seven recommendations currently outstanding. An update on the two longest outstanding recommendations, one of which (Procurement) had shown some recent movement, was provided, together with an update on the 2021/22 Estates Income recommendation, as the Audit Manager was concerned the focus had been on replacing the ePIMS asset management system with an in-house solution, rather than updating and maintaining the tenancy records as per the audit recommendation.

Steady progress continued to be made on the 2022/23 recommendations, with three quarters already implemented and work underway in most of the remaining cases.

In addition to compliance work, Internal Audit also allocated time each year to undertake counter fraud duties, primarily focused on council tax and business rates and the Community Infrastructure Levy (CIL). A total of 20 cases were referred for further investigation in 2022/23 (14 council tax and business rates and six CIL) but this had only generated £5,588 worth of additional income to date, as the majority of the cases were yet to be pursued, due to resourcing issues and a marked increase in the time taken by the Valuation Office Agency (VOA) to band/rate properties. The Planning department had started to take further action on CIL referrals and it was hoped that savings/additional income in the next financial year would therefore be far greater.

The Audit Manager also coordinated the annual National Fraud Initiative data matching exercises which had not resulted in any financial savings in 2022/23.

Routine audit work often highlighted financial errors which could result in savings (or increased income) once corrected. Savings totalling £50,320 were identified in 2022/23, which was mostly comprised of two items; one in respect of a CIL liability notice which had been overlooked (£28,795) and an error found at the Payroll audit regarding an overpayment of the pension contributions to East Sussex County Council (£19,400). Both issues had since been rectified.

The Audit Manager had been responsible for facilitating all strategic risk management activity in 2022/23, which included maintaining the Risk Management Policy and collating and reporting on updates to the Corporate Risk Register. During the year the Audit Manager (with the assistance of Zurich Municipal), oversaw a number of improvements to the format and scoring of the Corporate Risk Register, and completely revised and updated the Council's Risk Management Policy which now included consideration of risk appetite for the very first time. With effect from April 2023, the role of Risk Management Co-ordination passed to the Corporate Programme and Improvement Manager.

The Audit Manager's latest self-assessment of his Team's compliance with the Standards (Review of Internal Audit 2022/23) was approved by Members in March 2023. The review identified no new action points for 2023/24 and concluded that there was a high level of effectiveness overall.

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 were also encouraged to comment where improvement was required. All of the feedback received was positive indicating a high level of satisfaction with the quality of the Internal Audit Service.

Performance measures set for the Audit Team demonstrated that only two of the targets for 2022/23 were met or exceeded for the reasons set out in the report.

Under the Accounts and Audit Regulations 2015, ultimate responsibility for maintaining a sound system of internal control rested with the Council, but this had been delegated to the Interim Chief Finance Officer (as Section 151 Officer). The assessment of the control environment was made by reviewing the recommendations made in Internal Audit reports and by the production of the Annual Governance Statement. The Annual Governance Statement would be considered by the Committee at its next meeting. The work carried out by Internal Audit in 2022/23 had highlighted concerns in a number of areas, which were outlined in the report. Whilst many issues had been addressed, some areas of concern remained.

Taking all of the factors highlighted in the annual and the quarterly reports into account, the Audit Manager's overall opinion on the Council's framework of governance, risk management and control in 2022/23 was therefore that it was adequate and effective. However, concern was expressed that this opinion may change in future years if the number of limited/minimal assurance ratings continued to rise.

An update on the Whistleblowing Policy activity in 2022/23 was provided in Appendix E to the report. In summary, a total of 13 whistleblowing cases were reported to the Audit Manager in 2022/23. 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.

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

- following the target for high-risk recommendations not being met, more focus was being given by the Senior Leadership Team on the issues raised by Internal Audit;
- the recommendation made at the Property Investment audit to urgently review the financial viability for the Barnhorn Green site had not been accepted due to the timing of the review, as different sets of data were used;
- a financial viability assessment had now been carried out on the Barnhorn Green scheme, which highlighted viability issues due to rising interest rates and the scheme had therefore gone out to tender. Any concerns about the scheme's viability following the tender process would be taken to Cabinet and full Council;
- procurement training was currently being provided by the Procurement Hub, as recommended following the Creditors Audit;
- two audits had identified that arrears were not being promptly monitored, which had been due to the long-term sickness of a key manager, resulting in lack of supervisory checks. Payment of arrears were, however, being received;
- recommendations from Internal Audit would now be built into a Performance Framework for the Council, with a senior officer-led

Performance Board to be set up to track the recommendations and focus on Capital Projects, with risk management embedded in its work;

- a review of outstanding CIL receipts had been carried out and developers engaged with. An action plan had been developed to address pre-2019 receipts, but an enforcement plan had not started yet;
- an ICT Disaster Recovery Plan was currently in draft form;
- the Beeching Road hotel and food store development was at the final stage of ascertaining costs and potential income, with delegated authority to agree given to the Property Investment Panel;
- a Loan Funding agreement for the Rother DC Housing Company was currently in draft form to be agreed by lawyers in order to facilitate future funding;
- a number of improvements were being made to the presentation of the Capital Programme, so that the total spend on a scheme was clear and catalogued; and
- the £35m allocated to the Property Investment Strategy had been spent, resulting in a net gain of between £850k and £900k. The Strategy would not yield the same results now, so a shift in emphasis was required.

**RESOLVED:** That:

- 1) Internal Audit's activity and performance in 2022/23 be noted; and
- 2) the Audit Manager's opinion that the control environment is currently adequate and effective be approved.

(Councillor Thomas declared a Personal Interest in this matter as Chair of Rother DC Housing Company Ltd and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

## AS23/12. **INTERNAL AUDIT - PEER REVIEW**

Members received the report of the Audit Manager which gave details of the latest peer review of Rother District Council's Internal Audit Service. It was a requirement of the Public Sector Internal Audit Standards that an external quality assessment of the Council's Internal Audit Service be carried out at least once every five years, the last review being in April 2017.

When the standards first came into effect in April 2013, the Sussex Audit Group, which was comprised of Audit Managers from the local authorities in East and West Sussex, decided to carry out peer reviews rather than external assessments and to carry out this work on a reciprocal basis to avoid any financial cost. This work was planned to ensure that neighbouring authorities did not audit each other. A similar approach was adopted this time with a reciprocal arrangement between Hastings Borough Council (since replaced by Chichester District Council), Lewes District and Eastbourne Borough Councils, Wealden District Council, and Rother District Council.



A full review of Rother's Internal Audit Service was carried out by the Chief Internal Auditor at Lewes District and Eastbourne Borough Councils, hereafter referred to as "the Assessor", using a framework first devised by the London Borough Councils.

The first part of the peer review consisted of a detailed examination of Internal Audit's policies and procedures and was designed to assess the section's purpose and positioning, its structure and resources, and its working methods against accepted good practice. The second part of the process involved the Audit Manager (a) reviewing the findings in the Assessor's draft report and responding to any recommendations for improvement, and (b) adding his own assessment of how well the Internal Audit team was performing, taking into account the comments made in the customer feedback section.

The Assessor's final report was attached at Appendix A to the report. The outcome of the review was a good one, with no significant issues found. The overall finding was that "Rother's Internal Audit function "generally conforms" with the standards". The peer review made a total of six recommendations (referred to as 'remedial actions' in the report) and with the exception of one, all of the points made in the report had been accepted and would be implemented. Two of the recommendations had already been addressed prior to the report being issued.

A revised Quality Assurance and Improvement Programme action plan had been produced to incorporate actions to be taken following the peer review, which was attached at Appendix B to the report.

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

- the Chair had now had the opportunity to meet with the Audit Manager to discuss his concerns about how the audit function was viewed and would be meeting the Internal Audit Team in due course;
- the Council was going through a cultural shift and there would be a greater focus on Performance Management and the monitoring of recommendations from Internal Audit; and
- Members agreed that the Internal Audit Peer Review was a very good report, which highlighted the excellent work of the Internal Audit function and its importance to the Council.

**RESOLVED:** That:

- 1) the information in the report be noted; and
- 2) the excellent work of the Internal Audit function and its importance to the Council be recognised.

**2022/23 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 2022/23 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 2022/23 accounts audit.

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

- in order to help prevent, deter, or detect fraud, the Council operated a Scheme of Delegation upon which segregation of duties was based. This meant that officers were unable to authorise a transaction that they had raised themselves; and
- the Fair Value report was written by the Council's external consultants, Link Treasury Services, and would be made available to Members after the meeting.

Members agreed that the management responses were in line with their own understanding.

**RESOLVED:** That the management responses in Appendix A to the report were in line with the Committee's understanding.

**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 2023/24 municipal year and the following points were noted:

- the Internal Audit Report to 30 June 2023 to be presented at the October meeting would include an audit of the governance arrangements of the Rother DC Housing Company Ltd; and

- the next annual Self-Assessment of the Audit and Standards Committee would take place as an informal meeting in March 2024 with a report to the Committee thereafter.

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

**CHAIR**

The meeting closed at 8:10pm

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## AUDIT AND STANDARDS COMMITTEE

<b>WORK PROGRAMME 2023 – 2024</b>	
<b>DATE OF COMMITTEE</b>	<b>SUBJECT</b>
<b>Wednesday 26 July 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 – External Audit Plan 2022/23</li> <li>• Statement of Accounts 2022/23</li> <li>• Annual Governance Statement 2022/23</li> <li>• Treasury Management Update – 2022/23 Outturn</li> <li>• Treasury Management Update</li> <li>• Self-Assessment of the Audit and Standards Committee</li> </ul>
<b>Monday 2 October 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>• Internal Audit Report to 30 June 2023</li> <li>• Treasury Management Update</li> <li>• Risk Management Update</li> </ul>
<b>Monday 4 December 2023</b>	<p><b>Part A – Standards Reports</b></p> <ul style="list-style-type: none"> <li>• Local Government and Social Care Ombudsman Complaints Monitoring</li> <li>• Code of Conduct Complaints Monitoring and other Standards Matters</li> <li>• Self-Assessment of RDC Owned/Leased Accommodation Complaints Handling</li> </ul> <p><b>Part B – Audit Reports</b></p> <ul style="list-style-type: none"> <li>• Grant Thornton – Audit Findings Report 2022/23</li> <li>• Internal Audit Report to 30 September 2023</li> </ul>
<b>Monday 25 March 2024</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 – Annual Audit Report 2022/23</li> <li>• External Auditor - External Audit Plan 2023/24</li> <li>• Internal Audit Report to 31 December 2023</li> <li>• Internal Audit Plan 2024/25</li> <li>• Review of Internal Audit 2023/24</li> <li>• Risk Management Update</li> <li>• Property Investment Strategy Update</li> <li>• Treasury Management Update</li> </ul>

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