

Audit and Standards Committee

Minutes of a meeting of the **Audit and Standards Committee** held in the **Ditchling Room, Southover House, Southover Road, Lewes** on **Monday, 22 January 2018** at 10.00am

Present:

Councillor M Chartier (Chair)

Councillors S Catlin, N Enever, S Gauntlett, A Loraine and R O’Keeffe MBE (Minutes 36 to 41)

Officers Present:

O Dixon, Lawyer (Minutes 33 to 36)

Z Downton, Committee Officer

D Heath, Head of Audit and Counter Fraud

S Jump, Deputy Head of Finance

Also Present:

L Kodjo, Audit Manager, BDO

Minutes

33 Minutes

The Minutes of the meeting held on 27 November 2017 were approved as a correct record and signed by the Chair.

34 Apology for Absence

An apology for absence had been received from Councillor J Denis.

35 Urgent Item

The Chair advised that he had agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972, that the report entitled “Annual Treasury Management Strategy Statement and Investment Strategy 2018/2019 to 2020/2021” (agenda item 10 refers), be considered as a matter of urgency in order that the Committee could take its decisions based on the most recent information which was available.

36 Annual Report on Use of Covert Surveillance

Action

The Committee received a report on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 ('RIPA') to authorise the use of covert surveillance during 2017; and to brief the Committee on (1) an internal review of Council online surveillance and (2) an external inspection into the Council's governance arrangements for authorising the use of covert surveillance. In addition to the report, the Lawyer tabled at the meeting an extract from the Office of Surveillance Commissioners' Annual Report 2016/17, and a copy of which is contained in the Minute Book.

Members' discussion included:

- What difference, if any, was there between covert surveillance and entrapment?
- Whether evidence gained as part of investigations conducted under RIPA would ever be handed over to the police.

Officers responded that:

- The Lawyer explained that covert surveillance was for the purposes of seeking information, as opposed to purposeful intent to entrap. He stated that, should the Council need to deploy CHIS (Covert Human Surveillance Sources), it would be to gather information, for example, overcoming an individual's privacy settings on Facebook in order to gain information about what that individual might be saying about their personal life.
- What happened to the evidence gathered as a result of covert surveillance depended on the type of fraud being committed. The Lawyer clarified that, if a local authority was not the prosecuting authority, then the evidence would be handed over to the relevant authority, such as the police.

Resolved:

1. That the incidence of Council authorisations under RIPA for covert surveillance operations during 2017, be noted;
2. That the findings and recommendations of an interim review by Internal Audit into the Council's use of online surveillance, be noted; and
3. That the outcome of the recent inspection into the Council's use of RIPA powers to conduct covert surveillance, conducted by the Investigatory Powers Commissioner's Office, be noted.

Reason:

It was part of the Audit and Standard Committee's remit to review the Council's governance arrangements for conducting covert surveillance and to provide assurance to the Council that if/when carried out, surveillance of that type complied with the relevant policy and legislation. Also, the Investigatory Powers Commissioner expected all local authorities to keep its members informed of those matters at least annually, to enable them to

oversee the arrangements.

37 Charter for Internal Audit and Counter Fraud

The Committee considered the report which presented to councillors the proposals for a revised version of the Internal Audit Charter. The new version would include the Counter Fraud service and would be applied to the shared service for Audit and Counter Fraud at Lewes District Council (LDC) and Eastbourne Borough Council (EBC).

Members' discussion included:

- A request that the Charter; (1) be included on the agenda of the first meeting of the Committee held after a local election, ie post elections in 2019, and (2) be sent to new members joining the Committee, for information purposes.
- A suggestion that, once the summary of the Charter had been posted on the Council's Intranet site, that a link to the full document should also be provided to enable staff to easily access the whole Charter.

Officers responded that:

- The points raised by the Committee, as detailed above, would be actioned accordingly.

HACF/
CO

Resolved:

1. That the results of the review of current professional practice for Internal Audit and Counter Fraud, as shown under paragraphs 3.1 to 3.2 of the report, be noted;
2. That the proposed revised version of the Charter for Audit and Counter Fraud, set out in appendix A of the report, be approved; and
3. That it be noted that a revised version of the Guide to Internal Audit and Counter Fraud will be added to the LDC Intranet for the guidance of staff and councillors, as set out under paragraphs 5.1 to 5.3 of the report.

Reasons:

At its meeting in March 2013, the Audit and Standards Committee approved changes to the working methods, documentation and reporting arrangements for Internal Audit that had arisen from key changes in the Public Sector Internal Audit Standards (PSIAS) 2013. The PSIAS had been updated, with new standards published in April 2017. The Head of Audit and Counter Fraud had reviewed the PSIAS for their impact on Internal Audit and Counter Fraud at Lewes, and was advising the Audit and Standards Committee of the results of the review.

The meeting of the Committee in March 2013 also examined the impact of the PSIAS on two documents – the Charter for Internal Audit and the Guide

to Internal Audit. Those documents had been revised to take account of PSIAS 2017, and to take account of the setting up of the shared Audit and Counter Fraud service.

38 Interim Report on the Council's Systems of Internal Control 2017/18

The Committee received the report which informed councillors on the adequacy and effectiveness of the Council's systems of internal control during the first nine months of 2017/18, and which summarised the work on which that opinion was based.

Members' discussion included:

- A request for an update on the anticipated start date for the planned audit of the procedures for managing the Housing Register.
- In relation to the audit report on ethics (set out in the appendix to the report), a query on the threshold amount above which councillors were required to declare gifts or hospitality received.
- An observation of the volume of work undertaken by Internal Audit and the proactive nature of the team.

Officers responded that:

- No actual start date had been set in respect of the planned audit of the procedures for management the Housing Register, although preliminary work had been undertaken.
- The audit on ethics stated that councillors were required to record gifts and hospitality valued at more than £50 on the Council's hospitality register. The limit for officers was £25.

Resolved:

1. That it be noted that the overall standards of internal control were satisfactory during the first nine months of 2017/18, as shown in Section 3 of the report.

Reason:

The remit of the Audit and Standards Committee included the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.

39 Treasury Management

The Committee considered the report which presented details of recent Treasury Management activity between 1 November 2017 and 31 December 2017, and which confirmed that those activities had been in accordance with the approved Treasury Strategy for that period.

Members' discussion included:

- A request that details of investments made by the Council into the North Street Quarter project, if and when any such investments were made, be reported to the Committee directly.
- A request that members be kept informed on the performance of commercial activity of the Council, such as the recent purchase of retail units in Lewes, in terms of revenue returns and impact on the Council's Capital Expenditure.

Officers responded that:

- As requested by the Committee, the Treasury Management activity reports would be enhanced to include details about the performance of non-financial investments and loans to Council-owned companies.

Dep.
Head of
Finance

Resolved:

1. That it be confirmed to Cabinet that Treasury Management activity between 1 November 2017 and 31 December 2017 had been in accordance with the approved Treasury Strategies for that period, as set out in the report.

Deputy
Chief
Executive

Reasons:

The Council's approved Treasury Strategy Statement required the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.

40 Annual Treasury Management Strategy Statement and Investment Strategy 2018/2019 to 2020/2021

The Committee received the report which presented the draft Treasury Management Strategy Statement and Investment Strategy 2018/2019 to 2020/2021.

Members' discussion included:

- A request for regular updates on the forecasted figures set out in the table under paragraph 6.6 of the report; a table which compared the Capital Financing Requirement with the amount that the Council held in balances and reserves, as well as working capital (such as day to day movements as well as grants, developer contributions and capital receipts held pending use) up until 2020/2021.

Officers responded that:

- It would be necessary to monitor the Council's position closely and updates would be brought back to the Committee.

Dep.
Head of
Finance

Resolved:

1. That the draft Treasury Management Statement and Investment Strategy 2018/2019 to 2020/2021, as set out in the appendix to the report, be received and noted.

Reasons:

The Council had adopted the CIPFA Code of Practice on Treasury Management. In accordance with the Code of Practice, the Cabinet approved an updated Annual Treasury Strategy Statement before the start of each financial year. That included an Investment Strategy for the year ahead (which Government guidance notes should be adopted by full Council) as well as 'Prudential Indicators' which were required to be set in order to comply with the 'Prudential Code for Capital Finance in Local Authorities' (The Prudential Code).

It was appropriate for the Audit and Standards Committee to review and comment on the draft Strategy before it was approved by Cabinet as part of the overall budget cycle, rather than to carry out that function after the Strategy had been formally adopted.

41 Date of Next MeetingResolved:

1. That the next scheduled meeting of the Audit and Standards Committee to be held on Monday, 19 March 2018 at 10.00am in the Ditchling Room, Southover House, Southover Road, Lewes be noted.

All to note

The meeting ended at 11.30am.

M Chartier
Chair