

## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 24 November 2021 at 6.00 pm.**

### **Present:**

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Peter Diplock, Tony Freebody and Kshama Shore.

### **Officers in attendance:**

Oliver Dixon (Monitoring Officer and Head of Legal Services), Lee Ewan (Counter Fraud Investigations Manager), Jackie Humphrey (Chief Internal Auditor), Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance) and Elaine Roberts (Committee Officer).

### **26 Minutes**

Following one amendment (see below), the minutes were confirmed (unanimous) as an accurate record, subject to the replacement of the word 'officers' with 'Chief Internal Auditor' as follows:

"In addition, the CIA clarified that the purpose of the reports was to identify and highlight areas of risk,..."

### **27 Apologies for absence/declaration of substitute members**

Apologies were received from Councillor Burton, Councillor Choudhury and Councillor Miah and from Homira Javadi, Chief Finance Officer.

### **28 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.**

There were none.

### **29 Questions by members of the public.**

The Chair reported that no questions had been received from members of the public.

### **30 Urgent items of business.**

There were none.

**31 Right to address the meeting/order of business.**

The Chair reported that no requests to address the meeting had been received.

**32 Annual report on Covert Surveillance Management**

Lee Ewan, Counter Fraud Investigations Manager and RIPA Monitoring Officer (RMO), presented the annual report to the Committee on adherence to the Council's Covert Surveillance Policy, and provided a verbal update regarding the 2019 IPCO (Investigatory Powers Commissioner's Office) inspection.

Highlighted points included:

- An explanation of the strict thresholds that needed to be met to warrant the use of covert surveillance and confirmation that no requests had been made in the period covered by the report.
- CHIS (Covert Human Intelligence Sources) training had been completed. There was no expectation that CHIS would be used.
- A note of the Council's use of overt surveillance activities that fell outside of RIPA (Regulation of Investigatory Powers Act 2000), including use of CCTV, online open sources, and uniformed Neighbourhood First Team (for prevention and monitoring purposes).
- A confirmation that all the recommendations from the IPCO inspection in 2019 (Appendix 1) had now been fulfilled.

The Chair thanked the RMO for the presentation and members considered the report.

Following questions from members, the RMO explained that RIPA (Regulation of Investigatory Powers Act 2000) had provided a framework that all Local Authorities followed, which ensured proper and consistent application of any covert activity.

The RMO described the process for requesting, authorising, carrying out and monitoring any covert activities. This included the kinds of considerations made by the RIPA Monitoring Officer (RMO), as authoriser, and potential liaison with partnership bodies, such as the Police.

The RMO confirmed that reports of any CHIS activity were provided annually, in line with IPCO recommendations, and that Eastbourne Borough Council had never used CHIS and considered it very unlikely it would do so in the future.

**RESOLVED (unanimous)**

1. To note the covert surveillance summary for September 2020 to September 2021; and
2. To note the Council's actions to address outstanding recommendations from IPCO's inspection in 2019.

### 33 Audit and Counter Fraud Work Quarterly Report

Jackie Humphrey, Chief Internal Auditor (CIA) presented the report, in support of the Audit and Governance Committee's duty to keep the Annual Audit Plan under review and to review the probity and effectiveness of internal controls both financial and operational including arrangements for identifying and managing risk.

The CIA noted and explained instances where changes had been made to the presentation of information in the report format and appendices to improve clarity. The CIA invited further suggestions from members, but noted that additional detail was not always appropriate due to considerations over exempt information.

The Chair thanked the CIA and officers provided updates and clarifications to the following questions and comments from the Committee Members.

Officers (The CIA and RMO) explained that it would be difficult to compare the Council's own record of 'savings' with others, due to differences of reporting styles and between housing stock volumes.

The CIA clarified that issues requiring follow up identified in any of the 12 areas of the organisation which were obliged to be audited annually (including debts and payroll) were necessarily covered as part of that annual auditing process.

Following comments regarding content in Appendix B, the CIA clarified how 'client comments' were summarised, and agreed to consider how this information could be expanded for future reporting, along with the potential inclusion of previous and current rating information (from Appendix A) and to provide explanations of acronyms. The CIA explained how the Audit team typically followed up with teams with flagged issues, and provided an update of suggestions made for the specific area of 'arrears collection'.

The RMO provided an update regarding investigations of potential fraudulent application activity for Covid-19 business support, and explained that many flagged potential instances had been found to be non-fraudulent on further investigation.

#### **RESOLVED (unanimous)**

1. To note the information in the report and identified further information requirements: specifically, that the CIA would investigate the possibility of providing an update on arrears for the March committee meeting.

### 34 Treasury Management Quarter 2 Report

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report regarding the activities and performance of the Treasury Management service for the period August to October 2021.

The Chair thanked the DCFO and the Committee considered the report.

The Committee Officer confirmed that information from the recent Treasury Management training session for members (training pack and session recording) would be shared with those Councillors who had not been able to attend the event.

The DCFO confirmed that the Treasury Management report sought to provide Members with a summary and indicator information and that other Council reports, such as the Corporate Performance Q2 Report to Cabinet (Financial Appraisal Appendix 2), provided more detailed breakdowns of particular areas such as for the General Fund capital project programme.

The DCFO said that he would rename the 'Q2 actual Indicator' column to 'projected actual' to better reflect the projected position for the year end, He explained the difficulties in making projections for some areas, such as the General Fund capital expenditure, compared to others, and offered to bring a more detailed report of the capital project programme to a future meeting.

**RESOLVED (unanimous)**

1. To note the report and recommend that the Committee accepts that Treasury Management Activity for the period 1 August to 31 October 2021 had been in accordance with the approved Treasury Management strategies.

**35 Arrangements for Appointing External Auditors**

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report and outlined the timeline and options available to the Council for appointing an External Auditor when the current arrangements reach an end in 2023.

In addition, the DCFO concluded his presentation with a short verbal update that summarised the recent deliberations of Lewes District Council's (LDC) Audit and Standards Committee on the same issue.

Namely that:

- Officers had been instructed to survey the nine eligible auditing companies regarding potential interest in independent contracts outside of the PSAA (Public Sector Audit Appointments Limited) scheme.
- The results of the survey would be shared at an informal briefing for members of LDC Audit and Standards Committee. In addition, a representative from PSAA would be invited to attend, to discuss the revised scheme following recommendations of the Redmond Report.
- The LDC Audit and Standards Committee had deferred making a recommendation to Full Council until January 2022.
- That the briefing could be offered as a joint event with Eastbourne Borough Council's Audit and Governance Committee, in consideration of Option 2.

The Committee considered the report. Following questions and comments from Members the DCFO confirmed that:

- A recommendation would need to be presented to the Full Council meeting on 23 February 2022 in order to meet the PSAA's opt-in deadline.
- Auditing costs were expected to increase with any of the three Options outlined in the report. Costs for the PSAA scheme were not available. The Local Government Association had published estimates of circa £25,000.00 to run an independent Auditors Panel (Options 1 and 2). However, that cost could be shared between the participating Councils in the Option 2 model. More information to understand potential costs for setting up and running an Independent Panel could be included within a joint briefing.
- A template form to help members 'weigh' and analyse the benefits and risks of the three options had been devised and shared with Committee members via email, as requested at the informal briefing on 8 November 2021.
- The deadline for survey responses from the nine auditing firms was 3 December 2021.
- Officers had sought to engage with other Councils and shared what feedback had been received to date, including any levels of interest for the Option 2 shared Independent Panel model. In addition, the DCFO reported that only one District Council had previously opted out of the PSAA scheme to set up its own Panel, but that Council had not responded to an invitation to share its experiences as yet
- For the current appointing period, covering audits of the accounts for 2018/19 to 2022/23, there were 510 bodies opted-in and 10 organisations (of which 6 were Councils) who had made their own local arrangements. Of these 6 Councils, 5 were unitary / London Borough / Metropolitan District Councils; East Hampshire District Council was the only District Council to opt out.
- As there was a joint staff arrangement between Lewes District Council and Eastbourne Borough Council, there would be resource efficiencies if the two Councils decided on the same auditing arrangement.
- The Committee could, if it chose to opt in to the PSAA scheme, formally request that the same auditor be appointed for both Eastbourne and Lewes Councils. Officers also advised that the Committee could submit a request regarding specific auditors, but that officers understood that PSAA was not under any obligation to agree such requests.

Members thanked Officers for all their research work, including reaching out to other Councils.

Members noted that, in addition to costs, considerations for ensuring open communication and accountability for poor service, were also important when identifying the best value option.

It was agreed that the pending information from the Officers' investigation should be considered as part of the Committee's deliberations for the future external auditing arrangements. The Committee also welcomed the opportunity to receive a briefing alongside the Lewes District Council Audit and Standards Committee on the Audit Panel arrangements and to hear from the PSAA.

**RESOLVED (unanimous)**

To request Officers to:

1. Find a suitable date in December for an informal joint briefing with the LDC Audit and Standards Committee, to take place remotely via Microsoft Teams;
2. That a representative from the PSAA be invited to attend that briefing; and
3. That an additional meeting of the Audit and Governance Committee be scheduled for January, in order for the Committee to make a recommendation on the audit arrangements to Full Council on 23 February 2022.

**36 Date of the next meeting**

The date of the next meeting would be arranged by Officers for January 2022, as per the resolution under Agenda Item 10, and Members would be informed by email.

The meeting ended at 7.42 pm

Councillor Robin Maxted (Chair)