

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, 16 January 2017** at 10.00am

Present:

Councillor M Chartier (Chair)

Councillors S Catlin, N Enever, S Gauntlett, I Linington, R Robertson (Minutes 33 to 36) and T Rowell

Officers Present:

Oliver Dixon, Lawyer (Minutes 33 to 35)

Z Downton, Committee Officer

D Heath, Head of Audit, Fraud and Procurement

S Jump, Head of Finance

Also Present:

J Combrinck, BDO

Minutes

	Minutes	Action
33	<p>Minutes</p> <p>The Minutes of the meeting held on 28 November 2016 were approved as a correct record and signed by the Chair.</p>	
34	<p>Variation in the Order of the Agenda</p> <p><u>Resolved:</u></p> <p>34.1 That Agenda Item 7 entitled “Oversight of the Council’s Surveillance Policy” be taken immediately before Agenda Item 6 entitled “Interim Report on the Council’s Systems of Internal Control 2016/17”.</p>	
35	<p>Oversight of the Council’s Surveillance Policy</p> <p>The Committee received Report No 14/17 which informed councillors of the role of the Audit and Standards Committee in overseeing the Council’s Policy on the use of surveillance and related powers conferred by the Regulation of Investigatory Powers Act (RIPA) 2000.</p>	

The Lawyer explained that Cabinet had, at its meeting on 4 January 2017, agreed the updated Policy (as shown under the Appendix 1 of the Report) on the Council's use of statutory powers to conduct covert surveillance and deploy undercover operatives, known formally as 'covert human intelligence sources' (CHIS). He further explained that Cabinet had considered that the Audit and Standards Committee was the appropriate body to oversee the Council's implementation of, and adherence to, the updated Policy.

The Lawyer informed the Committee that an update to the existing Policy had been necessary to reflect changes in legislation and Home Office guidance on matters including intelligence gathering via social media sites, as detailed under paragraphs 2.2 to 2.4 of the Report.

The Lawyer highlighted that although the Council made little, if any, use of RIPA powers, it was required to maintain a state of readiness. He informed the Committee that since 2008 the Council had not authorised any covert surveillance or CHIS, but circumstances could arise at short notice where use of either procedure may be justified, and the Council needed the tools to deploy them lawfully. Furthermore, he explained that authorisation must be proportionate and a measure of last resort, where all other investigative options were deemed insufficient.

The Lawyer drew the Committee's attention to paragraphs 2.10 and 2.11 of the Report which outlined the internal and external checks in place to review the operational arrangements of the Policy. He added that authorised officers would be undertaking refresher training on the Policy and would also have access to related online training resources.

The Committee queried its role in overseeing the Policy in terms of compliance with the updated procedure and the frequency with which it would receive general updates. Following a discussion, the Committee was satisfied that an annual policy review report would be presented to its first meeting in each calendar year, typically held in January, in cases where the Policy had not been implemented during the prior 12-month period. In circumstances where an authorisation for directed surveillance or the use of CHIS had been made, then an additional report would be brought to the Committee as soon as practicable following the conclusion of any actual operation, at which point procedural and compliance issues could be reviewed. The Lawyer explained that the Policy itself should provide the Committee with the assurance that the judicial process and procedures to be followed by authorised senior officers were in place. He advised that no authorisations would be granted unless there was a genuine necessity to do so and directed surveillance or CHIS was proportionate to the desired ends and the seriousness of the offence in question.

ADL&DS/
Lawyer

Resolved:

- 35.1** That the Council's updated 'Policy Statement on the Use of Powers under Part 2 of the Regulation of Investigatory Powers Act 2000', as set out under Appendix 1 of Report No 14/17, be noted; and
- 35.2** That the role of the Audit and Standards Committee in overseeing

the Council's Surveillance Policy be noted.

36 Interim Report on the Council's Systems of Internal Control 2016/2017

The Committee received Report No 13/17 which informed councillors of the adequacy and effectiveness of the Council's systems of internal control during the first eight months of 2016/2017 and which summarised the work on which that opinion was based.

The Internal Audit function at the Council operated in accordance with the common set of Public Sector Internal Audit Standards (PSIAS) that applied from 1 April 2013, and which had been updated in April 2016.

The Head of Audit, Fraud and Procurement's satisfactory opinion on the overall standards of internal control was based on the work of Internal Audit and the Council's external auditors, BDO, and the Council's work on risk management. In the eight months since the start of the financial year there had been nothing to cause that opinion to change and there had been no instances in which internal control issues had created significant risks for Council activities or services. Prompt corrective action had been taken to address issues noted during an internal audit of the Council's Right to Buy (RTB) processes, as detailed further under paragraph 4.8 of the Report.

The Head of Audit, Fraud and Procurement highlighted table 1, under paragraph 4.2 of the Report, which showed that a total of 462 audit days had been undertaken compared to 427 planned. He advised that the variance of 35 days had largely been due to more of his involvement in more direct audit work than had been originally envisaged. He added further that it was estimated that the audit days would be close to plan by the year end, partly due to the retirement of one of the Council's Senior Auditors and the intention to recruit to fill the vacancy at Auditor level, as detailed under paragraph 4.4 of the Report.

Paragraphs 4.5 to 4.12 summarised the work undertaken by Internal Audit during the reporting period.

A Statement of Internal Audit work and key issues was shown under Appendix A1 of the Report, in respect of audit work carried out on 'Newhaven Enterprise Centre', 'Cemeteries' and 'Insurance'. In relation to the audit work on Cemeteries, the Committee expressed concern over the areas of risk identified during the audit work, namely insufficient procedures and lack of action plan to deal with known risks. The Committee sought assurance that the service area was not falling behind in its duty. In response, the Head of Audit, Fraud and Procurement explained that the issues identified as a result of the audit work had been raised and accepted by management. He advised further that Internal Audit would follow up on the measures being taken to address the gaps in the control processes and he would report back to the Committee with updates, as further details were known.

The Committee asked for its concerns in respect of the risks to the Council as identified within the Internal Audit Report on Cemeteries, and the need for those issues to be addressed as a matter of urgency, to be relayed to

Head of
Audit,
Fraud &
Proc.

Committee
Officer

the appropriate Cabinet Member.

The work of the Council's Investigations Team was detailed under paragraphs 8.4 to 8.7 of the Report. The main focus of the team's work in 2016/17 had been in continuing to address tenancy issues. The Committee extended its congratulations to officers whose investigations had resulted in two properties being returned to the Council's housing stock.

Resolved:

- 36.1** That it be noted that the overall standards of internal control during the first eight months of 2016/17, as shown in Section 3 of the Interim Report No 13/17, were satisfactory.

37 Treasury Management

The Committee considered Report No 15/17 which presented details of recent Treasury Management activity between 1 November 2016 and 31 December 2016.

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.

The Head of Finance highlighted the following points contained within the Report:

- The table under paragraph 1.3 showed the fixed term deposits held at 31 December 2016 and identified the long-term credit rating of each counterparty at the date of investment.
- In addition to the fixed term deposits, the Council had made use of interest bearing accounts during the reporting period, as detailed under paragraph 1.5 of the Report.
- The Council's use of Money Market Fund accounts and Treasury Bills held at 31 December 2016 were shown under paragraphs 1.6 and 1.7 respectively.
- The table under paragraph 1.9 showed the Tradeable Investments held at 31 December 2016 and activity during the reporting period. The Head of Finance drew the Committee's attention to the investment with Unilever Plc. This was the Council's first investment with a corporate institution and had been purchased with the backing of Arlingclose, the Council's Treasury advisers.
- The chart under paragraph 1.10 summarised the Council's investment position during the reporting period. It showed the total sums invested each day as Fixed Term deposits, Treasury Bills, amounts held in Deposit accounts, Money Market Funds and Tradeable Investments.

Resolved:

37.1 That it be confirmed to Cabinet that Treasury Management activity between 1 November 2016 and 31 December 2016 had been in accordance with the approved Treasury Strategy for that period; and

37.2 That Report No 15/17 be noted.

Deputy
Chief
Executive

38 Annual Treasury Management Strategy Statement and Investment Strategy 2017/2018 to 2019/2020

The Committee considered Report No 16/17 which presented the draft Treasury Management Strategy Statement and Investment Strategy 2017/2018 to 2019/2020.

It was appropriate for the Audit and Standards Committee to review and comment on the draft Strategy Statement, as set out under Appendix 1 of the Report, 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.

The Head of Finance highlighted to the Committee, as explained under paragraph 1.3 of the Report, that it was important to note that the values shown in the draft Strategy Statement (for example capital expenditure, use of reserves and capital financing requirement) were best estimates at the time of preparing the report, and might be revised when draft budget papers were finalised for consideration by Cabinet at its meeting on 8 February 2017. Any revisions were expected to be immaterial, with no bearing on the Strategy proposed.

Proposed changes to the Investment Strategy were detailed under Section 3 of the Report. The Head of Finance drew the Committee's attention to the proposal to increase the limit for the total of long-term investments of more than one year to £3m from the current limit of £2m, following advice from Arlingclose, the Council's Treasury advisers.

The Head of Finance explained that the Council's Borrowing Strategy, as referred to in Section 4 of the Report, would effectively remain unchanged from the current financial year.

Resolved:

38.1 That the draft Treasury Management Statement and Investment Strategy 2017/2018 to 2019/2020, as shown under Appendix 1 of Report No 16/17, be noted; and

38.2 That Report No 16/17 be noted.

39 Date of Next Meeting

Resolved:

- 39.1** That the next scheduled meeting of the Audit and Standards Committee to be held on Monday, 20 March 2017 at 10.00am in the Ditchling Room, Southover House, Southover Road, Lewes be noted.

**All to
note**

The meeting ended at 11.10am.

M Chartier
Chair