

Audit and Standards Committee

**Minutes of meeting held in Ditchling Room - Southover House, Lewes on
18 March 2019 at 10.00 am**

Present:

Councillor Mike Chartier (Chair)

Councillors Stephen Catlin, Johnny Denis, Nigel Enever, Stephen Gauntlett and Julian Peterson.

Officers in attendance:

Catherine Knight (Assistant Director of Legal and Democratic Services), David Heath (Head of Audit and Counter Fraud), Brian Mew (Interim Deputy Chief Finance Officer), Jackie Humphrey (Internal Audit Manager), Sarah Lawrence (Senior Committee Officer) and Ben Sheriff (External Auditor - Deloitte).

46 Minute's Silence

The Committee held a minute's silence in honour of those who had lost their lives in the shooting in Christchurch, New Zealand on 15 March 2019.

47 Minutes

The minutes of the meeting held on 21 January 2019 were submitted and approved, and the Chair was authorised to sign them as a correct record.

48 Apologies for absence / declaration of substitute member

Apologies were received from Councillor Loraine.

49 Declarations of interest

There were none.

50 Urgent items

There were none.

51 Written questions from councillors

There were none.

52 Peacehaven Town Council update

The Committee received the report of the Council's Monitoring Officer setting out the actions taken by Peacehaven Town Council as a consequence of recommendations made to it by this Committee on 19 November 2018. It was appreciated that this Committee could only recommend and not require changes.

The Monitoring Officer advised that Peacehaven Council had put together a handbook which was a good start in making clearer the different roles and responsibilities of Town Councillors and officers. However, the Town Council had not progressed further on the other recommendations, such as appointing an external person with the relevant professional skills to review the Town Council's procedures and the Code of Conduct. It was understood that an offer had been made by Sussex Association of Local Councils (SALC) for support.

The Committee welcomed the progress to date, but also expressed its disappointment that Peacehaven Council had not appointed an external consultant or progressed further on the recommendations. However, it was recognised that this could be a resource issue, both in terms of costs and staff time. In addition it was hoped that the upcoming elections would be an opportunity for a fresh approach. It was commented that the list of recommendations set out in the report were a good checklist for any parish or town council to ensure its governance arrangements were in order.

The Monitoring Officer suggested that she write to the Acting Town Clerk to encourage the Council to take the additional steps as set out in the report, with a further progress report back to this Committee in 6 months' time, to give time for further actions to take place after the May elections.

Resolved –

1. To note the update report.
2. To recognise that Peacehaven Town Council is currently experiencing staffing vacancies.
3. That the Monitoring Officer be requested to write to the Acting Town Clerk to encourage the Town Council to take up the offer of external support to the Council and to progress on recommendations made to it by this Committee on 19 November 2018, and bring a further update to this Committee in due course.

53 Climate Change and Investment

The Interim Deputy Chief Finance Officer presented a report setting out a response to the motion on Climate Change and Investment. This was referred to the Committee by Full Council in November 2018, so that the Committee could study the detail and implications of the recommendations in

the motion and consider any further action the Council might reasonably take, and submit its findings back to Full Council.

The Interim Deputy Chief Finance Officer advised that the report was structured in three sections to respond to the different paragraphs of the motion.

Firstly, in relation to the Council's own investments, it was confirmed that at the Council did not invest directly in equities or certificates of deposits that were not issued by banks or building societies, and did not have any investments in fossil fuel companies. The only area where there was a potential for this type of investment was in the two money market funds used by the Council to diversify risks as an alternative to cash. The Committee was satisfied that this was a very small investment percentage at present, and at the time of writing none of the investments were in fossil fuels, although the funds did not preclude this type of investment.

Secondly, the Committee was advised that in relation to the Council's projects that all projects delivered through Clear Sustainable were subject to achieving sustainable targets, in accordance with a strategy agreed by Cabinet. In addition, capital development schemes had a focus on creating spaces that were sustainable for communities and not reliant on carbon fuel.

Finally, in relation to the investments of the East Sussex Pensions Fund Committee, a full response had been received from East Sussex County Council confirming that the primary duty of the fund was to secure the best realistic return over the long-term, whilst at the same time keeping employer contributions as low as possible. In addition, it considered that restricting the fund to specific investment types would deny the opportunity for the Fund to influence companies' environmental, human rights and other policies by positive use of shareholder power. However, the Pensions Committee had reserved the right to apply ethical or environmental criteria to investments where relevant and appropriate on a case by case basis. In addition, in relation to impact of climate change, the Committee had commissioned a measurement service to provide data on the levels of carbon emissions and exposure to fossil fuel assets across the Fund's range of equity investments, to inform its future decisions.

Councillors noted that the response received from the Pensions Committee was as comprehensive might have been received if writing as a result of the motion, and that the implications of climate change were being considered in its investment strategy.

Members were satisfied with the information provided in relation to the report on the steps that the Council was itself taking at this time. However, it was requested that this Committee receive regular updates on these considerations as part of its treasury management oversight. The Committee would then be able to make recommendations to Cabinet, as and when

required, on any changes which might be required to take account of ethical and climate change implications of investment decisions.

Resolved –

- 1) To report to the next Full Council on the outcome of the Committee's consideration of the motion on Climate Change and Investment.
- 2) That as part of its treasury management monitoring, the Audit and Standards Committee receive a regular update on the implications of the Council's investments on climate change, and make recommendations to Cabinet on these matters as and when required.

54 Annual Audit Letter 2017/18

The Committee received the annual audit letter for the year ended 31 March 2018, from the Council's former external auditors BDO. Janine Combrinck (BDO) had sent apologies to the meeting. The Head of Audit and Counter Fraud advised that the publication of the audit letter was later than expected due to a delay in a completion of the audit for 2017/18. However, the summary of the audit opinion as at 16 January 2019 included:

- An unmodified opinion on the financial statements.
- One material presentational misstatement in the notes to the financial statements, which had been corrected in the final financial statements.
- An unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- Confirmation that the Council had appropriate arrangements to continue to remain financially sustainable over the period of the Medium Term Financial Strategy (MTFS).

The Head of Audit and Counter Fraud advised that it was a requirement that the audit letter was published on the Council's website following this meeting.

Members commented that the delay had been in part because the Committee had not felt it had sufficient time to comment and question the audit findings last year, and hoped that this would be addressed in the timetable for this year's audit.

Resolved -

1. To note the annual audit letter for the year ended 31 March 2018.
2. That thanks be sent to Janine Combrinck of BDO for her work as the Council's External Auditor over the last few years.

55 Interim report on the Council's Systems of Internal Control 2018/19

The Head of Audit and Counter Fraud presented the report, and confirmed that for the first eleven months of 2018/19 the overall standards of internal control in the Council were generally satisfactory, based on the work of

Internal Audit, the internal assurance framework, external reviews, and the Council's work on risk management.

The Head of Audit and Counter Fraud advised that:

- As part of the Joint Transformation Programme stage 3 completed in February 2019, he would be retiring and Jackie Humphrey had been appointed to a new post of Chief Internal Auditor. The Committee thanked David Heath for his help, support and professionalism over many years.
- In total, 619 audit days have been undertaken compared to 617 days planned in the first 11 months of the year, and it was anticipated that the number of audit days would be on target by the end of the financial year.
- The housing benefit subsidy work was ongoing for the year 2017/18 and this would be audited by the outgoing external auditors, BDO.
- Arun District Council had carried out the Council's peer review.
- As part of its involvement with the National Fraud Initiative the Council had submitted its data for matching, and 1,654 potential matches had been identified to check for fraud. These were being checked in priority order.
- The work of the counter fraud team continued at pace with 6 Council properties having been returned to stock this year. The team was looking to widen its focus to other areas including right to buy applications.
- The risk register was regularly reviewed at this Committee and at Corporate Management Team.
- Deloitte had been appointed as part of the Council's new external auditors and the Committee welcomed Ben Sheriff to the meeting.

The Committee welcomed the report. A question was asked as to why the East Sussex Counter Fraud Hub was being wound down. The Head of Audit and Counter Fraud advised that the new systems had been put in place and officers trained up as a result of the hub, but it was felt that money could now be best spend embedding these activities in each authority, although dialogue between East Sussex officers would continue.

A request was made that the next Committee in the new municipal year, received a flowchart of the decision making structures for both Lewes and Eastbourne Councils to assist the Committee in its work.

Resolved – To note that the overall standards of internal control were generally satisfactory during the first eleven months of 2018/19 (as shown in section 2 of the agenda report).

56 Audit and Counter Fraud Annual Plan 2019/20

The Head of Internal Audit and Counter Fraud presented that Annual Plan for 2019/20 for approval. It was highlighted that for the first time this was a fully integrated plan covering audit and counter fraud activity across both Eastbourne Borough Council and Lewes District Council. Appendix A to the report set out where audits would be specific to one or other authorities or

conducted jointly. It was confirmed that in the past the Committee had approved a 3 year plan, but this had not been possible due to changes in the Council as part of the joint transformation programme, but it was hoped to move back to a 3 year strategic plan in the near future. The plan had been presented to the Eastbourne Audit and Governance Committee on 6 March and approved.

In response to Councillors' questions it was confirmed that although the audit for cash and banking was listed as a joint audit, the financial arrangements and banking for each authority remained separate. In addition, it was agreed that Appendix 1 would be corrected so that the audit of 'theatres' applied only in Eastbourne Borough Council. A question was asked as to the risk rating against 'stage door' as this was listed as 'request'. It was confirmed that this was because the service had requested an audit this year, but that it would have been prioritised for an audit this year regardless due to the changes taking place in the service.

Resolved - To agree the Annual Plan for 2019/20 (as shown at Appendix 1 to the report) subject to the correction that the 'theatres' audit related solely to Eastbourne Borough Council.

57 Treasury Management

The Committee received the report presenting details of recent Treasury Management activity from 1 January to 28 February 2019, which was in accordance with the approved Treasury Strategy. The Committee noted that key investments including use of fixed term deposits and money market funds. It was highlighted that the Council currently had only one loan to a Council-owned company which was £10k to Aspiration Homes Ltd.

The Acting Deputy Chief Finance Officer advised that there was understandably a level of volatility in the economic position at the moment, but the Council's treasury advisors Arlingclose had not recommended any changes to the strategy at this stage.

Resolved – To confirm to Cabinet that Treasury Management activity from 1 January to 28 February 2019 has been in accordance with the approved Treasury Strategy for the period.

58 Planning report for the year ending 31 March 2019

Ben Sheriff of Deloitte, the Council's External Auditors, attended the meeting to present the planning report for the year ending 31 March 2019. It was confirmed that this report was in its final form, subject to approval by the Committee.

He advised that there had been a good handover with the previous external auditors, BDO, and discussions had taken place with the finance team to plan the audit. He explained the key elements of the external auditors work including setting the materiality level (2% of gross expenditure), and

considering key areas of operation of the Council including expenditure and financial systems, value for money, accounting of property and assets, management override control, pension liability, accounting for commercial activities and implementation of new international financial reporting standards.

In response to a question it was confirmed that the reporting level for the external audit was £90k for the majority of systems, which was the materiality level, and was calculated on the basis of 2% of gross expenditure.

Resolved –

1. To welcome Ben Sheriff and thank him for his report.
2. To approve the External Auditor's planning report for the year ending 31 March 2019.

59 Date of next meeting

Resolved – To note that the next meeting of the Audit and Standards Committee is schedule to be held on Tuesday 16 July 2019 at 10 am in the Ditchling Room, Southover House.

60 Thanks to Officers and Members

The Chair offered his thanks to all the officers and members for their support over the last 4 years and for making it a successful and challenging Committee.

Finally, the Chair joined with other members of the Committee in offering his thanks to David Heath, Head of Audit and Counter Fraud for his professionalism, commitment and knowledge in assisting the Committee over many years and wished him happiness in his retirement.

The meeting ended at 11.11 am

Councillor Mike Chartier (Chair)