

## **Audit and Standards Committee**

**Minutes of the remote meeting held (via Microsoft Teams) on 14 September 2020 at 10.00am**

**Present:**

Councillor Julian Peterson (Chair)

Councillors Stephen Gauntlett (Vice-Chair), Christine Brett, Phil Davis, Christine Robinson and Adrian Ross

**Officers in attendance:**

Oliver Dixon (Senior Lawyer and RIPA Monitoring Officer)

Lee Ewan (Counter Fraud Investigations Manager)

Jackie Humphrey (Chief Internal Auditor)

Jennifer Norman (Committee Officer, Democratic Services)

Ola Owolabi (Deputy Chief Finance Officer - Corporate Finance)

**36 Introductions**

The Chair introduced members of the Committee via roll call, and those officers present during the remote meeting.

**37 Apologies for absence/declaration of substitute members**

An apology for absence had been received from Councillor Roy Burman.

**38 Declarations of interest**

There were none.

**39 Minutes**

The minutes of the meeting held on 20 January 2020 were submitted and approved, and the Chair was authorised to sign them as a correct record.

**40 Urgent items**

There were none.

**41 Written questions from councillors**

There were none.

## 42 Covert Surveillance Policies

The Committee considered a report which sought its approval of the proposed changes to the Council's Covert Surveillance Policy.

The RIPA (Regulation of Investigatory Powers Act 2000) MO (Monitoring Officer) summarised the report and the proposed policy on the Use of Covert Surveillance and/or Covert Human Intelligence Sources as set out in Appendix 1 and the proposed policy on the Acquisition of Communications Data as set out in Appendix 2.

The RIPA MO explained that the draft policies were in response to the Investigatory Powers Commissioner's Office's (IPCO) inspection of Lewes District Council (LDC) and Eastbourne Borough Council (EBC) in December 2019. IPCO was a national body which monitored the compliance of public bodies in relation to surveillance activities, both of which were regulated under the RIPA.

IPCO recommended that the Councils' Covert Surveillance Policy provided guidance on the use of a Covert Human Intelligence Source (CHIS), including arrangements for the appointment of persons fulfilling the role of 'handler' and 'controller' if and when a CHIS is deployed. IPCO further recommended that the policy explained how the role of CHIS differs from a person volunteering information to the Council.

IPCO also recommended that Lewes and Eastbourne Councils included in their Covert Surveillance Policy their stance on the use of communications data for investigative purposes, as permitted under the Investigatory Powers Act 2016. Due to the different statutory framework (i.e. RIPA on the one hand, and the 2016 Act on the other), officers considered it more appropriate to draw up a separate policy on the acquisition and use of communications data.

The RIPA MO highlighted that local authorities were restricted as to what communications information they were permitted to acquire. The information was limited to the 'who' and 'where' of the communication, including the type of device used to send or receive information. The content of the information, however, was not something local authorities had the authority to collect. In addition, when the Council wanted to use these powers, it had to channel that request through an accredited single point of contact: the National Anti-Fraud Network. If the request was approved, the authorisation would last for a maximum of one month.

Discussions included:

- How situations would be handled if officers were at risk of a physical or other type of reaction from the subject of information. Officers highlighted that this was a new concept which had never been done before, and that they were looking at educational tools and safe-guarding procedures for a CHIS. Officers further highlighted that the Council would only consider using the powers detailed in the policies as

a last resort and only if and individual case warranted it; noting that there were only a very limited number of circumstances in which the powers could be used.

- If Trading Standards use the powers set out in the policies. Officers confirmed that powers to deploy a CHIS were available to Trading Standards officers and typically would be used to investigate the sale of alcohol and/or tobacco to underage customers.

Resolved:

- 1) That Lewes and Eastbourne Councils' updated policy on the use of covert surveillance and/or covert human intelligence sources as set out in Appendix 1, be approved; and
- 2) That the Councils' policy on the acquisition of communications data as set out in Appendix 2, be approved.

### **43 External Audit report 2018/2019**

The Committee received a verbal update by the Deputy Chief Finance Officer (DCFO) in relation to the progress of the External Audit report 2018/2019.

The DCFO explained that the Council had two ongoing audits, one for 2018/2019 and one for 2019/2020. As of July 2020, the Council was working with Deloitte, the Council's external auditors, regarding outstanding issues in relation to the current audits. Due to Deloitte not having available resources, the Council had since experienced further delays. The Council, in consultation with Deloitte, was now looking to have the external audit 2018/2019 completed in the autumn of 2020.

The DCFO highlighted that the Council was working on the draft accounts for 2019/2020 and that he would be negotiating with Deloitte as to audit team availability to complete the 2019/2020 audit. He further highlighted that there was an indication that the 2018/2019 and 2019/2020 audits would be completed by the end of November 2020, but he would keep the Committee informed as to the progress.

Discussions included:

- If the situation surrounding the external audit 2018/2019 had improved. The DCFO confirmed that over the last three months the Council and Deloitte had been working well together. If Deloitte had been able to provide sufficient resources in relation to the completion of the external audits, the process would be further along. However due to other commitments with the NHS, Deloitte have had to reallocate its resources.
- Concerns surrounding the quality of accounts for 2018/2019. The DCFO confirmed that officers shared the Committee's concerns, and that they

were working diligently to ensure that the external audits were completed as soon as practicably possible.

- Whether or not the Council could choose its own external auditor going forward. The DCFO explained that only the Public Sector Audit Appointments (PSAA) could appoint an external auditor for the Council.

The Committee wished to express its disappointment and concerns regarding Deloitte not being present at the meeting and requested that officers present a statement to Deloitte on behalf of the Committee to include a detailed timeline for the completion of the external audit 2018/2019 and 2019/2020. The DCFO confirmed that he would draft a document to be approved by the Committee, and once approved he would deliver the document to Deloitte.

Resolved:

That the verbal update be noted.

#### **44 Annual Treasury Management report 2019/20 and 2020/21 quarterly monitoring**

The Committee considered the annual report and details surrounding the Treasury Management activity for the period of 1 April 2020 to 31 August 2020.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings. Discussions included:

- Whether or not the Council would consider a review of the COVID-19 situation to look at areas of non-essential expenditure in order to protect essential services. The DCFO confirmed that the Council was currently looking at these issues. He highlighted that there was currently a 4-million-pound gap in financial capability by the Council, and that the Corporate Management Team was working vigorously with central government on how to close the financial gap.
- If the indicators on page 37 of the agenda had indicated compliance with aligned targets. The DCFO confirmed that the indicators on page 37 confirmed compliance.
- Queries surrounding the figures listed in paragraph 2.10 of the report and whether or not officers could provide a list of projects that did materialise. The DCFO confirmed that this information would be provided to the Committee.
- If the Council had been looking at the maturity of its investments as a result of the COVID-19 pandemic, and if such assets would be sufficiently liquid. The DCFO confirmed that both scenarios were accurate.

Resolved:

- 1) That Cabinet be recommended to accept the annual Treasury Management report as set out in Appendix 1; and
- 2) That Cabinet be recommended to accept the Treasury Management activity from 1 April 2020 to 31 August 2020, as set out in Appendix 2, has been in accordance with the approved Treasury Strategy for the period.

**45 Internal Audit report for the financial year 2019-2020**

The Committee received the report which provided a summary of the activities of Internal Audit and Counter Fraud for the year 1 April 2019 to 31 March 2020.

The Chief Internal Auditor (CIA) summarised the report and its findings.

The Committee confirmed that it had no questions or comments for the CIA in respect of the report, and wished to thank the CIA and her department for all of their hard work.

Resolved:

That the report be noted.

**46 Annual Governance statement**

The Committee considered the report which sought its approval of the Annual Governance Statement as set out in Appendix 4.

The Chief Internal Auditor (CIA) summarised the report and its findings.

The CIA highlighted that the Council had a legal requirement to produce an Annual Governance Statement each year in accordance with the Accounts and Audit Regulations 2015. She further highlighted that the Committee was tasked with overseeing the risk management, internal control and reporting to the Council, and that a key component of that work was to approve the Annual Governance Statement.

Discussions included:

- That the reference to the Council's Scrutiny Committee on page 102 of the agenda be amended to its newly adopted title of the Policy and Performance Advisory Committee. Officers confirmed that the change would be reflected.
- Queries as to why more accounts were not included in the list of 2019/2020 accounts which were not signed off, as detailed on page 106. The CIA confirmed that she would investigate the matter further and provide the relevant details to the Committee.

- The Committee wished to express its gratitude to the project team which had been working on housing during the COVID-19 pandemic. The Committee further praised Council staff for their outstanding rapid response in relation to issues surrounding the COVID-19 pandemic.

Resolved:

That the Annual Governance Statement, as set out in Appendix 4, be approved.

**47 Draft internal Audit plan for 2020/21**

The Committee considered the report which sought its approval of the Internal Audit Plan, as set out in Appendix B.

The Chief Internal Auditor (CIA) summarised the report and its findings.

The Committee confirmed it had no questions or comments for the CIA in respect of the report.

Resolved:

That the Internal Audit Plan, as set out in Appendix B, be approved.

**48 Internal Audit and Counter Fraud report for the first quarter of the financial year 2020-2021 to the end of June 2020**

The Committee received the report which provided a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year from 1 April 2020 to 30 June 2020.

The Chief Internal Auditor (CIA) summarised the report and its findings.

The CIA highlighted that both the Council's Audit and Counter Fraud teams had continued to work throughout the COVID-19 pandemic. She further highlighted that at the beginning of the pandemic the teams had been redistributed to various departments throughout the Councils to assist in time critical matters related to the pandemic, but that presently all Audit and Counter Fraud staff were back in their original teams.

The Committee confirmed it had no questions or comments for the CIA in respect of the report.

Resolved:

That the report be noted.

## **49 Review of Risk Management**

The Committee considered the report which sought its approval on the updated Risk Management Policy as set out in Appendix B.

The Chief Internal Auditor (CIA) reminded the Committee that in April 2019 a new contract to provide insurance for the Council was agreed with Zurich. As part of the contract, the Council was offered a free review of the effectiveness of risk management arrangements. Zurich was requested by the Council to undertake the review.

The CIA highlighted that as a result of the review, Zurich had made 13 recommendations, as detailed on page 135 of the agenda, which were presented to the Corporate Management Team (CMT), but that the recommendations could not be implemented unless the new Risk Management Policy was agreed by the Committee.

Discussions included:

- Whether or not the free review on the effectiveness of risk management arrangements was a voluntary service and what the impact may have on the Council. The CIA informed the Committee that she was not aware of any potential impact and that the service was indeed voluntary.
- Whether or not Zurich worked with other local authorities in a similar capacity, and how the outcome of the Council's review compared with other local authorities. The CIA confirmed that Zurich indeed had experience working with other local authorities, but the Council was not provided with information regarding the results of subsequent reviews.
- Whether or not the Council had an audit log of all of the actions it had committed to carry out as a result of the review by Zurich, and whether or not those actions had been completed. The CIA explained that historically at Eastbourne Borough Council the outstanding actions had been reported to Members, but at Lewes this was not something that had been normal practice. The Committee commented that it would be helpful for the information to be communicated at future meetings of the Committee if relevant. The CIA confirmed she would report back to the Committee any actions that were outstanding in relation to future reviews by Zurich.

Resolved:

That the Risk Management Policy as set out in Appendix B, be approved.

## **50 Strategic Risk Register quarterly review**

The Committee received the report which summarised the outcomes of the quarterly review of the Strategic Risk Register (SRR) by the Corporate Management Team (CMT).

Discussions included:

- That the reference to EBC on page 163 of the agenda be amended to read LDC. The CIA apologised and confirmed that she would make the amendment.
- Queries surrounding the risk score of 12 as set out on page 163 of the agenda. The CIA explained that no one had any idea as to how COVID-19 would impact the Council and the District, so the risk score had been raised as a precaution. She agreed that the original score would need to be reviewed.
- Whether the potential of a no-deal Brexit had been taken into account, especially in relation to the port in Newhaven. The CIA agreed that this had been discussed with the Corporate Management Team (CMT) and that she would bear this information in mind when the SRR is reviewed in future.

The Committee wished to thank the CIA for all of her hard work in relation to the reports contained within the agenda.

Resolved:

That the updates to the Strategic Risk Register, as detailed in the report and Appendix 1, be noted.

## **51 Date of next meeting**

Resolved:

That the next meeting of the Audit and Standards Committee which is scheduled to commence at 10:00am on Monday, 16 November 2020, in a virtual capacity, via Microsoft Teams, and in accordance with section 78 of the Coronavirus Act 2020 and section 13 of the related regulations, be noted.

The meeting ended at 12.21pm.

Councillor Julian Peterson (Chair)