

## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 24 July 2019 at 6.00 pm**

### **Present:**

Councillor Dean Sabri (Chairman)

Councillors Robin Maxted (Deputy-Chair), Helen Burton, Paul Metcalfe, Md. Harun Miah, Jane Lamb (Reserve) (as substitute for Barry Taylor) and Candy Vaughan (Reserve) (as substitute for Sammy Choudhury)

### **Officers in attendance:**

Jackie Humphrey (Chief Internal Auditor), Oliver Dixon (Senior Lawyer and Data Protection Officer), Janet Martin (Principal Accountant), Nick Peeters (Committee Officer), Elaine Roberts (Committee Officer) and Peter Finnis (Assistant Director for Corporate Governance)

**Also in attendance:** Neal Robinson, Independent Person

### **1 Minutes**

The minutes of the meeting held on 6 March 2019 were submitted and approved and the Chair was authorised to sign them as an accurate record.

### **2 Apologies for absence.**

Apologies were received from Councillor Barry Taylor, Councillor Sammy Choudhury and Graham Burton (Independent Person).

### **3 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.**

None

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

None received.

### **5 Urgent items of business.**

Following approval from the Chair that the matter was urgent, the Committee reviewed a letter received that day (24 July 2019) from Deloitte, external auditor.

At the Chair's request, Peter Finnis, Monitoring Officer (MO) and Assistant Director of Corporate Governance, provided a brief review of the letter, which gave notice that final Accounts Reporting would now be expected in the Autumn.

The letter was circulated ahead of the meeting via email and tabled for Members.

The Chair noted that the update from Deloitte was helpful.

In addition, the Chair introduced the two newly appointed independent persons: Neal Robinson and Graham Branton and welcomed them to the meeting. Their appointments had been approved by Full Council on 10 July.

## **6 Right to address the meeting/order of business.**

No requests were received.

## **7 BDO grant claims and returns certification report 2017/18**

The Committee received a report from the Council's outgoing external auditors BDO, which detailed key findings in respect of the certification of grant claims and returns for the financial year 2017/2018.

The report was originally presented to the Committee at its previous meeting, 6 March.

Due to extenuating circumstances, which reduced the amount of time available for the Committee to review the report, it was agreed that the report would be noted, but that it be brought back to this meeting for Councillors to ask any additional questions.

Janet Martin, Principal Accountant presented the report to the Committee, highlighting points of note and provided further explanation as required:

- Analysis of the final total value showed the amount of adjustment was minimal.
- The subsidy paid out to residents which was then claimed back from Central Government
- Errors from previous years had had a knock on effect as they were then requested for testing the following year, even if those errors were no longer recurring.
- Analysis of 'loss' figures in the table on page 11 were due to account reporting between years rather than actual/absolute loss.
- It was noted that BDO considered the change seen in housing requests as "reasonable".

It was noted that findings and conclusions made after the Department of Work and Pensions deadline were due to certification delays.

A project had been launched to improve quality checking, which would address and improve issues of errors and subsequent need for error testing, for example, as seen with Housing Benefit issues.

The Chair was pleased to note that improvements regarding manual adjustments meant that BDO was able to close the accounts on that issue.

The Chair expressed his thanks to the officer for the review of the report and noted that the Chief Finance Officer was unable to attend the meeting due to illness.

**RESOLVED:** (Unanimous) that the report be noted.

## **8 Proposed amendments to Eastbourne Borough Council's Code of Conduct for members**

Peter Finnis (Monitoring Officer) welcomed the new Independent Persons (IPs): Neal Robinson and, in his absence, Graham Branton. The IPs would work in close partnership with the MO, providing expert advice and active involvement in any code of conduct cases, or scrutiny of cases.

Oliver Dixon, (Deputy Monitoring Officer), presented the report.

It was noted that the role of the Audit and Governance Committee was to provide strategic oversight on this issue; any changes to the Code of Conduct had to be ratified by Full Council. Any recommendations from the Committee would go before the next Full Council in November.

The last comprehensive review of the Code was made in 2012.

The purpose of the review was to align the Code of Conduct with neighbouring local authorities, notably East Sussex County Council, to help ensure consistency and clarity for Councillors and with the recent review by the Committee on Standards of Public Life (CSPL).

The CSPL review concluded that it was appropriate that the conduct of Councillors continued to be managed at a local level. It had also made a number of recommendations, which fell into two groups:

- Those that would require changes to primary and secondary legislation, and so would need to be tabled through Parliament (at a date to be confirmed).
- Those that were points of best practice (and not requiring legislative change).

The Committee considered the 'best practice' points relevant for review of the Eastbourne Borough Council Code of Conduct for members (listed in Appendix 1 to the report) and the proposed edits to align with CSPL best practice recommendations.

In regard to paragraph 1.6, the Committee requested that the word 'reasonable' be inserted before the words 'request for information'; and that the words 'from the Monitoring Officer or Investigating Officer' be inserted to clarify from whom those requests would come.

The Committee requested that an investigation was made to see if there was any specific advice already available on the use of social media that would be suitable to add to the general communications guidance.

In relation to definitions, the Chair noted the value of the proposed changes, the usefulness of including definitions, and was pleased to hear that much of the best practice was already in place.

The MO noted that the definitions provided very useful guidance, that every instance would always be treated on a case by case basis, and that there were processes of informal action and mediation that could be called upon to resolve an issue, which could mitigate against the need to use the formal Code of Conduct processes.

It was confirmed that the definition for 'Harassment' uses the statutory definition supplied in the Equality Act 2010, and for 'Bullying', uses the definition provided by ACAS (in the absence of a statutory definition).

The Committee requested that an additional, non-exhaustive example for 'bullying', that included the phrase 'habitual' or 'repeated', be provided. Cllr Burton stated that even a single instance of bullying or harassment may be enough to meet the definitions proposed, depending on the perception of the person targeted. The MO said that bullying or harassment could comprise a single but serious case, or a pattern of behaviour; the definitions and non-exhaustive examples would be used as points of reference and guidance when assessing a complaint.

In addition, the Committee requested that a potential inconsistency of thresholds for beneficial interests, one for £25, another for £50, be checked and appropriate amendments be made if necessary.

**RESOLVED:** (Unanimous)

1. That the report be noted and recommended to Full Council, subject to:
  - Additional amendments to para 1.6 in the Code of Conduct
  - Addition of the non-exhaustive example set out above
  - The Deputy Monitoring Officer confirming the monetary threshold limits and amending the document accordingly.
2. That the Deputy Monitoring Officer considers what existing guidance on social media might be included for members.

**9 Financial Procedure Rules**

The Committee reviewed the draft Financial Procedural Rules report in advance of their submission to Full Council for approval.

It was noted that maintaining an up to date set of Financial Procedural Rules helped the Council to ensure it had effective governance of finances in place.

Jackie Humphrey presented the report, and confirmed that the review and update is in line with regulatory and best practice standards.

**Resolved (unanimous)** that the report be noted and the Financial Procedure Rules be recommended to Full Council for approval.

**10 Treasury Management Annual Report 2018/19**

The Committee considered the report on the activities and performance of the Treasury Management Service during 2018/19 as per the requirement of CIPFA Treasury Management in the Public Sector Code of Practice.

It was confirmed that the apparent disparity in the table in part 2 was due to the difficult nature of precise forecasting of capital investment expenditure.

Officers advised that interest rates were monitored continuously, to help optimise the best time to borrow (or not). Janet Martin advised on the different considerations, efficiency choices and examples of analysis activity which explained the Council's approach to financial planning. In regards to borrowing for cash flow purposes, it was advised that this was sometimes the most efficient way to help meet a large request for resources or need, but on other occasions reserve funds were used.

The Chair thanked the officers for the detailed report.

**RESOLVED** (Unanimous): that the report be noted.

**11 Strategic Risk Register Quarterly Review**

The Committee considered the outcomes of the quarterly review by the Council's Corporate Management Team (CMT) of the Strategic Risk Register.

The report recommended two notable amendments to the Risk Strategy Register, including having named owners of the risk and increasing the risk score values.

Officers advised that there was a plan for a review of the Risk Management Strategy, including input of expertise from Zurich. This would be brought before the Audit and Governance Committee.

The Committee sought reassurance that the increasing of the employment risk had been noted and was being addressed. Officers reported that an audit

and review of human resources and recruitment was due to start shortly and would cover this issue.

**RESOLVED:** (Unanimous) that the report be noted.

## 12 Annual Governance Statement

The Committee considered the report from the Chief Internal Auditor, with a view to approving the draft Annual Governance Statement.

Points discussed included:

- Explanation of some issues resulting from the joint transformation process.
- Actions had been taken to mitigate the under-performance of the new Housing software.
- A new working group had been set up to address document retention and data management, as highlighted by GDPR – and consequently had not been listed as a governance issue.
- The cycle of production of the annual Governance Statement would commence at the end of the year, following results of the audits.

The Chair recognised the level of work that had gone into preparing the statement and invited questions from the Councillors:

**RESOLVED:** (Unanimous) that the Annual Governance Statement be approved.

## 13 Internal Audit Report for the financial year 2018-2019

The Committee considered a summary report, presented by the Chief Internal Auditor, of the activities of Internal Audit and Counter Fraud, in line with its duty to review the effectiveness of the Council's internal controls and arrangements for identifying and managing risk.

Officers advised that the one issue listed as 'inadequate' had been resolved.

It was noted that the auditors were working on unfamiliar areas, following the joint transformation. The Committee was reassured that plans for more alignment and sharing of best practices were being put in place.

The positive impact of keeping the Counter Fraud Team in-house was illustrated with a number of examples of prevention of potentially lost monies.

**RESOLVED:** (unanimous) that the report be noted.

The meeting ended at 7.40 pm

Councillor Dean Sabri (Chairman)