



Lewes District Council

## **Audit and Standards Committee**

**Minutes of meeting held in Ditchling Room - Southover House, Lewes on 16 July 2019 at 10.00 am**

### **Present:**

Councillor Stephen Gauntlett (Chair)

Councillors Julian Peterson (Vice-Chair), Christine Brett, Roy Burman, Roy Clay, Adrian Ross and Ian White

### **Officers in attendance:**

Oliver Dixon (Senior Lawyer and Data Protection Officer), Jackie Humphrey (Chief Internal Auditor), Homira Javadi (Chief Finance Officer), Brian Mew (Interim Deputy Chief Finance Officer) and Stephen Osborne (Principal Accountant)

**Also in attendance:** Sandra Prail (independent consultant).

### **1 Minutes**

The minutes of the meeting held on 18 March 2019 were submitted and approved, and the Chair was authorised to sign them as a correct record.

### **2 Appointment of Chairman and Vice-Chairman**

The Assistant Director - Legal and Democratic Services, confirmed that Councillor Peterson had been appointed as Chair of the Committee for the remainder of the municipal year.

Councillor Gauntlett was nominated as Vice-Chair by Councillor Peterson and this was seconded by Councillor Brett.

**RESOLVED** that Councillor Gauntlett be appointed as Vice-Chair for the Committee for the remainder of the municipal year.

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

Apologies for absence were received from Councillor Ian White.

### **4 Declarations of interest**

There were no declarations of interest.

## 5 Urgent items

The Chief Finance Officer circulated copies of a letter sent to the Chair of the Audit and Standards Committee. This updated Members on the current position of the Council's financial accounts, which were due to be finalised by 31 July 2019. Members were advised that a number of elements had prevented this date from being met. Following discussion with the Council's auditors, a decision had been made to delay the completion of the accounts ensuring they were thorough and supported by sound working papers. Members were advised that the Council's new Auditors, Deloitte, welcomed the Council's offer of an Audit that already included an internal review.

Members raised the following points and officers responded:

- Did the final accounts require formal approval? – they need approval and require to be signed off by the Chief Finance Officer.
- What assurances were there that the financial accounts would be produced on time in future years? - There were two components that impacted on the production of the accounts that compromised the timings: a number of key staff left the organisation following the Joint Transformation Programme; there were system changes that added additional pressures - however, once those systems were embedded the situation would improve.
- When would the accounts be available and how long would the Audit take? - There was another 3 to 4 weeks of work to finalise the accounts. However, the audit was a more difficult timeline to predict as it relied on the provision of a time-slot by the Council's auditors. The accounts, when ready, would be made available to the Committee in a draft form with an explanatory report.
- Were there any large gaps or unforeseen issues within the Accounts? - There were no notable issues. Part of the work being done was to ensure this remained the case; the Council's financial position remained unchanged. It was changes to the processes, not the data, which was being managed.
- The external auditors suggested there was a cost to the delays and it appeared that the audit would not be completed until December. Was the figure known and what was the Council's position as a result of the delay? - The figure was not known and the piece of work being undertaken recognised the importance of the Audit. Through the analysis of robust financial information the Council will continue to make financial decisions that allow it to move forward.

**RESOLVED** to note the update.

## 6 Written questions from councillors

There were no written questions received from Councillors.

## 7 Independent review of New Homes Project

The report was presented by Sandra Prail, the independent consultant. The independent report detailed the Council's management of the New Homes Project. Mrs Prail highlighted the following points:

The Council had provided a professional and evidence-based response to the litigation and had kept Members informed of key decisions at each stage, including briefings.

A number of Councillors used private email addresses for Council work. It was recognised that this was not good practice. This had been addressed since and there was no longer a need for Members to use private email addresses. This is an area that requires monitoring by both officers and group leaders.

There was not an issue in terms of the delegation in the Council being unlawful; however, the breadth of delegation meant that the necessary officer engagement was insufficient. A wider discussion at an earlier stage would have resolved this.

Project management and a more structured approach to due diligence had been identified as an area for improvement. The focus on early conclusion of the agreement outweighed the need to make basic checks of the two key sites in the project. The project management toolkit recently adopted by the Council would have provided an opportunity for discussion on the key issues in the project at an early stage, such as on what time and money had been spent on it.

The induction training undertaken for Councillors is considered good practice. The skills-base within the Council membership needs to be maximised. This will be dealt with through undertaking a skills-audit.

It was recognised that a number of constructive steps have been taken by the Council to address these issues.

**RESOLVED** that:

- 1) The report with the measures implemented following conclusion of the New Homes project be noted; and
- 2) The recommendations set out in paragraphs 22, 30 and 31 of the report at Appendix 1 (including the request for an all-member skills audit to be undertaken for decision making bodies) be approved.

## 8 Peacehaven Town Council Code of Conduct - update

The Assistant Director - Legal and Democratic Services, introduced the report which updated Members on the previous report which was considered at the November 2018 meeting, which detailed a wide range of Code of Conduct issues at Peacehaven Town Council.

The Town Council, through its clerk, was asked to provide updates after 3 and 6 months, assessing the progress made against an agreed action plan which had been reported.

**RESOLVED** that:

- 1) The progress made by Peacehaven Town Council on matters relating to governance and the Code of Conduct be noted; and
- 2) The Monitoring Officer write to the Clerk at Peacehaven Town Council acknowledging the progress made.

## **9 Proposed amendments to Lewes District Council's Code of Conduct for Members**

The Assistant Director, Legal and Democratic Services, presented the report which detailed the Council's response to the Committee for Standards in Public Life's (CSPL) best practice recommendations. Amending the Code of Conduct for Members. The appendices to the report included a number of amendments that would deliver best practice for the Council.

Many of the issues experienced and complaints received were at town and parish level. The response to the recommendations followed the approach taken by East Sussex County Council and recognised the need to define references in the Code to bullying and harassment.

The Committee asked the following questions and officers responded:

- Were local councils required to accept the amendments to the Code of Conduct when adopted? – Town and Parish Councils had their own Codes of Conduct and some were very similar to this Council's Code. Difficulties often arose where slimmed down versions were used. A draft of the amended Code of Conduct has been sent to the Chief Executive of Sussex and Surrey Association of Local Councils (SSALC). Town and Parish Councils were encouraged to use up-to-date versions when adopted by the Council.
- Did the Council hold a log of all codes of conduct adopted by Town and Parish Councils in the Lewes district, and would a review be considered? Whilst not a legal requirement the Democratic Services does keep a copy of those Codes of Conduct in use by towns and parishes within the district. The District Council will review its own code annually and share any changes and updates made with the SSALC Chief Executive.
- To what extent was a Councillor's conduct governed by the Code? The Code deals with the conduct expected of members of the Council when they are acting in that capacity. Members need to be mindful of this, in particular when posting comments on social media.

It was agreed that an amendment to the Code of Conduct be recommended to Full Council for adoption. That 'any reasonable request' be included in 1 (6) of Part 1 – General Provisions (page 36 of the agenda). The section would

read that: 'Councillors must comply with any reasonable request regarding the provision of information in relation to a complaint that alleges a breach of the Code of Conduct'.

**RESOLVED** that:

- 1) The response (at Appendix 1) to CSPL's best practice recommendations be approved, subject to the amendment above; and
- (2) The Code of Conduct for Members set out in Appendix 2 with the amendment above be recommended to Full Council for adoption.

## 10 Financial Procedure Rules

The Chief Finance Officer presented the report, which provided a 'blueprint' for the Council's financial procedures which formed part of the Council's Constitution. A draft version of the Rules were considered by the Cabinet in 1 July 2019 and would be presented to Full Council for approval on 25 September.

The opportunity has been taken to ensure that there was a single financial procedure rule for both Lewes and Eastbourne Council. The review allows the Council to operate more effectively. The review allows for control measures to be identified and strengthened if necessary.

Section 3 of the draft rules (appendix 2 to the report) – Financial Management, is a key area and includes a supplementary budget that recognises the dynamic financial environment in which the Council works. It provides a limit and structure for decision making.

Members asked in view of the frequency of Full Council meetings, how urgent decisions, that need the approval of Full Council, will be dealt with in the future? Officers advised that there were constitutional procedures in place for dealing with urgent decisions. It also depends on the reasons for the urgency. The provisions for one-off financial decisions and any ongoing decisions will need to be included in the Budget process.

**RESOLVED:** That the recommendations in the report be noted.

## 11 Treasury Management

The Interim Deputy Chief Finance Officer introduced a report which had been issued as a supplement to the agenda as follows.

The oversight of Treasury Management was a function of the Audit and Standards Committee. The Treasury Management report was one of three reports considered by Full Council on an annual basis, including a mid-year review.

A key point in the report was that a Member-briefing session would be undertaken by the Council's treasury management advisors in autumn 2019. Treasury management was an important element of governance for the

Council and sets the limits and parameters within which officers operated in terms of borrowing and lending.

The annual report set out the Council's position for 2018/19 and the Council's level of compliance during that period. All of the indicators for that period had been complied with and there had been no risk of those indicators being breached.

The issue of climate change was raised at the previous meeting. The Council has no direct investments with a climate change risk (for example fossil fuel companies). A watching brief will be maintained as there was a potential for very marginal investments in this area.

Members discussed the item and highlighted the following points and officers responded:

- Did the Committee discuss the strategies behind the investments as there appeared to be a number of investments with other local authorities, which might not be as effective as investing in external companies? - It was not a deliberate policy. Local authorities had varying cash-flow requirements at different points in time. Some councils are investing while others will be borrowing and often the best rates will be found among local authorities where the risk element is mitigated by the Councils being sovereign backed.
- There has not been any investment activity on treasury bills, secured investments and tradeable investments during the recent period. Were the returns in this area less productive? - There was generally limited investment in these instruments. Benchmarking measures will be introduced later in the year, It is worth noting that the significant focus of treasury management is to safeguard the cash asset and its liquidity, as opposed to higher returns.
- Were daily or monthly interest rates looked at when approaching the market with deposits? - The Council's investments were dictated by its cash-flow. This is monitored and analysed, ensuring the Council's obligations were being met. Page 15 of the report provided a graph which detailed the Council's investments. The Council's priority when looking at investments with marginal returns was to ensure their security.
- Which debts or loans did the Council have and was there a breakdown of all the Council's investments? - The Council has a long term debt relating to the Housing Revenue Account. This is an historic debt for the Council to acquire its own housing stock. It was taken out with the Public Works Loan Board; a government loan scheme for local authorities. Appendix C to the report lists the Council's investments. Further details on individual investments will be provided, if needed.
- There was difficulty in supporting the recommendations without a clearer understanding of whether the indicators were being complied with? - The prudential indicators have been set out in a standard

format. However, a paragraph will be added to future reports which include the Chief Finance Officer's assurance that the Treasury Management indicators are being complied with. This will be reflected in the resolution. It was recognised that further, strategic training to enable evaluation of the Treasury Management indicators is needed.

- The indicators and targets in future reports will be made clearer for Members, possibly through the use of red, amber, green (RAG) indicators, in much the same way as the quarterly performance reports were presented.

**RESOLVED** that:

- 1) The Chief Finance Officers assurance that the Treasury Management Indicators were being complied with, be noted and accepted;
- 2) It be confirmed to Cabinet that Treasury Management Activity for the period 1 March to 30 June 2019 has been in accordance with the approved Treasury Strategies; and
- 3) It be recommended to Council that the annual Treasury Management report for 2018/19 be agreed and the 2018/19 Prudential and Treasury Indicators included in the report be approved.

## **12 Strategic Risk Register quarterly review**

The Internal Audit Manager introduced the report which detailed the quarterly review of the Strategic Risk Register; an important part of the governance framework and a high level document that records the key risks facing the Council. This is reviewed by the Corporate Management Team (CMT) each quarter.

The risk register is brought to the Audit and Standards Committee when any changes are being made following a review by the Corporate Management Team (CMT).

The register has been updated to show that each individual risk has a member of CMT as the owner of the risk.

The scores for Risk 3 (changes of demand and expectation) and Risk 4 (unstainable employment base) have increased to reflect the decrease in funding set against the expectations on the Council, and the difficulties experienced recruiting for vacancies.

As part of the new contract with Zurich (the Council's insurers), a wholesale review of the Council's risk management will be undertaken.

**RESOLVED** - That the update to the Strategic Risk Register be noted..

## **13 Annual Governance Statement**

The Internal Audit Manager introduced a report explaining that there is a legal requirement to produce an Annual Governance statement. The Audit and Standards Committee is tasked with overseeing, reviewing and approving the Statement.

The Statement has to detail the Council's governance framework across the authority. Part of the work (set out at Appendix 3) includes a Manager's Assurance Statement which looks at a number of areas and statements that are reviewed by the Internal Audit Manager. Any concerns that appeared across all the areas would be flagged for possible inclusion in the Annual Governance Statement. For example, the Joint Transformation Programme (JTP) referred to in the previous two statements because of the effect on services and the risks involved; the JTP was nearing its conclusion is no longer considered to be a significant risk.

Members asked the following questions and officers responded:

- What was referred to in 4.7 of the report under 'deterioration of building Assets'? - There were two buildings that had issues around their age, the historical significance, and how they will be utilised. They are not yet considered to be a significant risk to the authority in terms of governance, however and there is further work to be done.
- If an outcome significantly affected users/residents, will it be included in the Statement? If it was restricted to one service user it will not be considered a significant governance issue; if it is an issue that was part of a process and impacted across several areas then it will be examined..
- Could further detail be provided on appendix 3 (Managers Assurance Statement) and was the IT issue more operational in its nature than one of governance? - The Managers Assurance Statement details the areas where the Council needs to ensure governance is being undertaken and provide guidelines for officers. The flagging of the IT issue was based on the list referred to on page 123 of the agenda and was considered as one that constituted a significant governance risk.
- Was the delay in production of the Annual Accounts considered a risk that would be included in the Annual Governance Statement? - The production of the Annual Accounts was referred to in the Statement in terms of issues experienced in the Housing System.

It was requested by Members that the reason for the delay in production of the Annual Accounts be made more explicit in the Statement in future.

**RESOLVED** to approve the Annual Governance Statement..

#### **14 Annual report on the Council's Systems of Internal Control 2018/19**

The Internal Audit Manager introduced a report which details the Council's systems of internal control for 2018/19. The remit of the Audit and Standards Committee includes the duties to agree and review the Annual Audit Plan.



The remit is to also review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.

The report will change slightly in its layout in the future to reflect that there is a joint audit plan with Eastbourne Borough Council.

Members asked how the external peer review is being paid for. It was confirmed that there is no cost as the review was being done through the Sussex Audit Group.

**RESOLVED** - To note that the overall standards of internal control were generally satisfactory during the financial year 2018/19.

**15 Date of next meeting**

**Resolved** – To note that the next meeting of the Audit and Standards Committee was scheduled to be held on Tuesday 23 September 2019 at 10 a.m. in the Ditchling Room, Southover House.

The meeting ended at 12:05pm

Councillor Stephen Gauntlett (Chair)