

## **Audit and Governance Committee**

**Minutes of meeting held in Remote meeting via Teams on 9 September 2020 at 6.00 pm.**

### **Present:**

Councillor Dean Sabri (Chairman).

Councillors Robin Maxted (Deputy-Chair), Helen Burton, Sammy Choudhury, Paul Metcalfe and Barry Taylor.

### **Officers in attendance:**

Oliver Dixon (Interim Head of Legal Services), Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance)), Jackie Humphrey (Chief Internal Auditor), Elaine Roberts (Committee Officer) and Lee Ewan (Counter Fraud Investigations Manager).

### **1 Minutes**

The minutes of the meeting held on 4 March 2020 were submitted and approved and the Chair was authorised to sign them as an accurate record.

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

Apologies were received from Councillor Miah, Councillor Morris and Homira Javadi, Chief Finance Officer.

Councillor Vaughan attended as substitute for Councillor Miah.

### **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.**

There were none.

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

There were none.

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

There were none.

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

One request was received from Councillor Smart, who then addressed the Committee in respect of Item 7 on the agenda, the External Audit 2018/19, within the allotted time of 5 minutes.

The Chair thanked Councillor Smart for his comments, and approved his request to be allowed to speak, briefly, a second time, following the verbal report from the Deputy Chief Finance Officers, and once all Committee members had had the opportunity to speak.

## **7 External Audit Report 2018/19 (Verbal Update)**

The Chair noted that there was no written report, but that a letter had been received and circulated that week from Deloitte, the External Auditor.

The Deputy Chief Finance Officer, Ola Owolabi, presented a verbal update on the current situation and the Council's response to the letter. This included a note that it was the Officer's expectation that the Committee would receive reports for both the External Audit 2018/19 and the External Audit 2019/20 at the next meeting (November 2020).

The Chair invited questions and comments from Councillors, including a brief comment from non-committee member Councillor Smart, and the Committee considered the issue.

Members expressed serious concerns over the delay in the return of the External Audit report and the lack of representation from External Auditors, Deloitte, at the Committee meetings. Members also expressed dissatisfaction with the inefficiency of the PSAA, including the quality of its response to the Committee's letter earlier in the year.

Summing up the discussion of the Committee, the Chair proposed three resolutions, each seconded by Councillor Maxted.

### **Resolved (unanimous):**

1. To note the verbal report;
2. To express dissatisfaction that no External Audit 2018/19 Report had come before the Committee; and
3. That a letter of complaint should be submitted to the Local Government Association (LGA), expressing the Committee's dissatisfaction at the inefficiency of the PSAA.

## **8 Annual Treasury Management Report**

Deputy Chief Finance Officer, Ola Owolabi, presented the report of the Chief Finance Officer on the activities and performance of the Treasury Management service during 2019/20.

The Chair thanked the Deputy Chief Finance Officer and invited questions and comments from the Committee.

The Deputy Chief Finance Officer confirmed the Council was confident that, regarding item 4.3 in the report, the debt would be refinanced if needed, using a network of brokers to ensure the best market rates but that the Council would always look to allow loans to mature, to avoid penalties.

The Committee considered the report, which would later be considered by Cabinet on 16 September 2020.

**Resolved (Unanimous):**

1. To note the Annual Treasury Management Report for 2019/20; and
2. To note the 2019/20 prudential and treasury indicators.

## **9 Covert Surveillance Policies Report**

Oliver Dixon, Senior Lawyer and Regulation of Investigatory Powers Act (RIPA) Monitoring Officer, and Lee Ewan, Counter Fraud Investigations Manager, presented the report and invited the Committee Members to review and approve two policies: a revised policy relating to the covert surveillance of individuals, now expanded to include the use of undercover operatives (Human Covert Information Sources – CHIS), and a new policy relating to the acquisition of communications data for investigative purposes.

The policies had been drafted in response to recommendations made by the Investigatory Powers Commissioner's Office (IPCO) to Lewes and Eastbourne Councils, following an inspection in December 2019.

The presentation gave detailed explanation of the policies and highlighted the new elements and the tightly regulated nature of the processes.

The Chair thanked the Officers for the report and invited comments and questions from Committee Members.

Officers gave examples to illustrate when covert surveillance, a CHIS or communications data acquisition might be used, while emphasising that these tools would only be used 'as a last resort', and outlined the preparation and training plans for relevant Council staff to operate as a CHIS.

Members were advised that the policies had been drafted to ensure consistency between the two Councils of Lewes and Eastbourne and that any amendments from the respective Audit Committee meetings resulting in potential significant differences would be handled in consultation with the Chairs of the relevant Committees.

It was confirmed that the Audit and Governance Committee would be presented with annual reviews of how the policy was working and had been used.

**Resolved (unanimously):**

1. To approve:
  - a. The policy on the use of covert surveillance and/or covert human intelligence sources, as set out in Appendix 1 to the report; and
  - b. The policy on the acquisition of communications data, as set out in Appendix 2 to the report.
2. That the Committee grants delegated authority to each of the Chief Finance Officer and the Assistant Director of Legal and Democratic Services to implement the above policies.

**10 Internal Audit Annual Report 2019-2020**

Jackie Humphrey, Chief Internal Auditor, presented the report which provided a summary of the activities of Internal Audit and Counter Fraud for the year 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

The Committee considered the report, reviewing the effectiveness of the Council's financial and operational internal controls and the arrangements for identifying and managing risk.

**Resolved (unanimous):**

1. That the information in the report be noted; and
2. That no further information was required.

**11 Annual Governance Statement Report**

The Chief Internal Auditor, Jackie Humphrey, presented the report on the Council's legal requirement to produce an Annual Governance Statement, in accordance with the Accounts and Audit Regulations 2015. The report included detailed information of the assurance arrangements in place to support the production of the statement.

With regard to the draft Governance Statement, Jackie Humphrey noted that any significant governance risks had been included in the Statement, to ensure transparency. Also included was a reference to the impact of Covid-19 and the Council's ability to produce a swift response, albeit that this only came at the very end of the period covered by the report.

The Chair thanked Jackie Humphrey for the report and invited comments and questions from Members.

It was clarified that further assessment of the impact of Covid-19 on the Council's processes from an Audit and Governance point of view would be covered in the Internal Audit and Counter Fraud Quarterly Report (April – June 2020).

**Resolved (unanimously):**

1. To approve the draft Annual Governance Statement.

## 12 Internal Audit and Counter Fraud Quarterly Report

Chief Internal Auditor, Jackie Humphrey, presented the Report covering the first quarter of the financial year 2020-2021, and provided a summary of the activities of Internal Audit and Counter Fraud from 1<sup>st</sup> April 2020 to 30<sup>th</sup> June 2020.

The Chair thanked Jackie Humphrey and her team, and the Committee considered the Report.

Following comments and questions from Members, Counter Fraud Investigations Manager, Lee Ewan, clarified that: the Council had identified some fraud issues regarding the Covid-19 grant payment schemes, that several investigations were underway, and that there had already been instances where return of monies has been requested.

However, the Council's ability to take more action regarding recovery and prosecution was currently limited by a number of factors, including:

- The need for Central Government to clarify how local Councils should proceed regarding business grant claim fraud;
- That the Department of Pensions could not currently undertake any investigatory work, which had an impact on the Council's ability to pursue cases of fraudulent activity around issues such as housing benefit or council tax; and
- Court delays.

### **Resolved (unanimously):**

1. That the information in this report be noted; and
2. That no further information was required.

## 13 Review of Risk Management Report

Chief Internal Auditor, Jackie Humphrey, presented the Report, which outlined the plan to address risk management practices and presented an updated Risk Management Policy for the Committee's approval.

The Chief Internal Auditor explained that the updated Policy reflected and responded to the 13 recommendations made following the review by external insurance organisation, Zurich. Once the Policy had been approved, the Council would contact Zurich to arrange training, which in turn would help to embed the policy and its recommendations.

The Committee considered the proposed actions and reviewed the updated draft Risk Management Policy.

The Committee recognised the value of both the review and training support offered by Zurich and thanked Jackie Humphrey for the report.

### **Resolved (unanimously):**

1. To note the proposed actions in Appendix A; and

2. To adopt the updated Risk Management Policy.

#### **14 Strategic Risk Register Report**

Chief Internal Auditor, Jackie Humphrey, presented the report and outlined the outcomes of the quarterly review of the Risk Register by the Corporate Management Team (CMT).

Jackie Humphrey clarified how the Risk Register had been closely managed over the past few months, and the considerations incorporated in consultation with CMT regarding all possible material impacts arising from the Covid-19 pandemic.

Revisions in the Risk Register reflecting this work included the increased risk levels and the addition of a specific risk: 'Judicial challenge for decision making'.

The Committee thanked Jackie Humphrey for the report and stated its appreciation for the Team's effort to deliver the detailed and timely reporting that had been shared at the meeting.

#### **Resolved (unanimously):**

1. To note the update to the Strategic Risk Register.

#### **15 Date of next meeting**

The next meeting was scheduled for Wednesday 25 November 2020, 6pm, to take place as a remote meeting.

The meeting ended at 7.52 pm

Councillor Dean Sabri (Chairman)