

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 19 November 2021.

PRESENT	Councillor Colin Swansborough (Chair) Councillors Nuala Geary, Stephen Holt, Matthew Milligan and Georgia Taylor
LEAD MEMBERS	Councillors Nick Bennett and Bob Bowdler
ALSO PRESENT	Phil Hall, Chief Operating Officer Ian Gutsell, Chief Finance Officer Russell Banks, Chief Internal Auditor Nigel Chilcott, Audit Manager Mark Winton, Audit Manager – IT Nigel Brown, Assistant Director – Property Martin Jenks, Senior Scrutiny Advisor

20. MINUTES OF THE PREVIOUS MEETING HELD ON 17 SEPTEMBER 2021

20.1 RESOLVED to agree the minutes as a correct record.

21. APOLOGIES FOR ABSENCE

21.1 Apologies for absence were received from Councillors Matthew Beaver and Gerard Fox.

21.2 It was noted that Councillor Paul Redstone was present as a substitute for Councillor Beaver.

22. DISCLOSURES OF INTERESTS

22.1 There were none.

23. URGENT ITEMS

23.1 There were none.

24. REPORTS

24.1 Reports referred to in the minutes below are contained in the minute book.

25. TREASURY MANAGEMENT STEWARDSHIP REPORT 2020/21

25.1 The Committee considered a report by the Chief Finance Officer, which presented the Strategy which supports the management of risk and the security of the Council's funds, while ensuring liquidity to meet the authority's obligations and providing a yield. The Chief Finance Officer highlighted: the above benchmark rates of return on investments; the paying back of debts at higher rates to interest, to reduce the overall burden and average rate of interest; and the £30 million invested with Standard Chartered to address ESG concerns.

25.2 The Committee discussed:

25.2.1 The investment with Standard Chartered (SC) – the Council has invested in a Fixed Term Deposit earmarked against their Sustainable Investment portfolio. The Council's only exposure is to Standard Chartered and not to the organisations in which SC are investing. The Council will be assessing future opportunities to invest in green bond funds, and other funds that are investing in sustainable products. It was confirmed that this agenda is being pushed with our advisors, Link Asset Services. Members of the Committee encouraged officers to explore working with other authorities to stimulate the market for investment opportunities.

25.3 The Committee RESOLVED to note the report.

26. INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 2021/22 (01.07.21 - 30.09.21)

26.1 The Committee considered a report by the Chief Internal Auditor.

26.2 The Committee discussed:

26.2.1 Audits conducted during the pandemic, and keeping the Committee apprised of ongoing work – the Chief Internal Auditor assured the Committee that the Team delivered all the key work that allowed him to deliver his annual opinion. The Team has now adjusted to delivering all its audit work remotely, including with schools which has been successful. The Chief Internal Auditor also remarked on the work undertaken to produce the final reports which are presented to the Committee in the form of field work

and report drafting. The Chief Internal Auditor confirmed his intention to conduct a session in the New Year with committee members to discuss items for the forthcoming Audit Plan.

26.2.2 Mandate Fraud, and whether following the correct process would have prevented the fraud, and whether there were other mandate frauds where payment had been made to the wrong account – controls are in place to identify and stop any future mandate frauds, and clear instructions issued to remind officers to follow the agreed processes.

26.2.3 Emergency procurement, and similarities with issues at a national level – the Chief Internal Auditor drew attention to the Council's Anti Fraud and Corruption Strategy and the comprehensive Code of Conduct which covers clearly issues of relationships with contractors. He also highlighted the requirements of the Declarations of Interests processes for officers and members, and the Council's participation in the National Fraud Initiative. The Audit Manager confirmed that the emphasis of the review was on compliance with statutory requirements, rather than concerns over corruption.

26.2.4 The Risk Management Framework, and the emphasis given to climate change such as adaptation/mitigation and to the natural environment – the Chief Operating Officer set out the purpose of the Framework and the Register which includes the climate risk which will have an impact on the Council's strategic objectives. The Chief Internal Auditor confirmed the purpose of the Team's review, in looking at the process by which the authority identifies and manages risk rather than the Team investigating each risk within the Register. The Audit Plan is a risk-based plan, so the issue will be engaged with in future planning.

26.2.5 Amendments to the Audit Plan – the recent additions will form part of future reports to the Committee. The Chief Internal Auditor set out the scope of the Team's capabilities and the targeting of resources. Investigations sometimes indicate a wider review would be an effective response to a potential risk, so they are added to the Plan.

26.2.6 Deprivation of capital, and differing outcomes – there is no single approach that suits all cases. The Team's role is to provide the evidence for the Service to take a decision on how to proceed, given the Service's specialist and expert knowledge.

26.3 The Committee RESOLVED to note the report.

27. PROPERTY ASSET DISPOSAL AND PROPERTY UPDATE

27.1 The Committee considered a report by the Chief Operating Officer, together with exempt information contained in a later agenda item.

27.2 The Assistant Director Property set out the three main strands of work, and the change in approach to disposals of assets for a capital receipt, adopting a programme management approach to the sequencing of disposals. He also set out the department's consideration of surplus properties, and whether they could be used for income generation or community use. Rental income has increased, which allows the Council to increase its asset base.

27.3 The Assistant Director also highlighted the Property Services' response to the pandemic in addressing changing patterns of working. The Assistant Director also set out the outcomes of the senior leadership review, and the establishment of the following roles: Head of Operational Management and Workplace; Head of Asset Management and Performance; and Head of Disposals and Estates.

27.4 The Assistant Director drew attention to the recent reviews by the National Audit Office and Public Works Loan Board into local authority borrowing to fund commercial investments. He confirmed there are no immediate proposals to acquire commercial assets.

27.5 The Committee discussed:

27.5.1 Valuations on properties to be disposed of, and the timeliness of such disposals given market uncertainty – The Assistant Director set out that the majority of disposals are for residential developments, which is still a buoyant market. Any disposal by auction is subject to a high reserve price, to ensure a reasonable return. The market for small industrial units and yards is also holding up.

27.5.2 Working with district and borough councils, and the provision of infrastructure – The Assistant Director highlighted the SPACES programme, which focusses on sharing asset knowledge and utilisation with other public sector bodies (authorities, blue light, health and educational).

27.5.3 Use of capital receipts – The Assistant Director and Chief Finance Officer set out the contributions of disposals to the overall Capital Programme and Medium Term Financial Plan.

27.6 The Committee RESOLVED to note the report.

28. WORK PROGRAMME

28.1 The Committee considered the Work Programme of forthcoming meetings.

28.2 The Committee RESOLVED to note the Programme.

29. EXCLUSION OF PUBLIC AND PRESS

29.1 It was RESOLVED to exclude the public and press for the remaining agenda items on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

30. PROPERTY ASSET DISPOSAL AND PROPERTY UPDATE - EXEMPT INFORMATION

30.1 The Committee considered a report by the Chief Operating Officer which provided exempt information in support of an earlier agenda item.

30.2 The Committee RESOLVED to note the information.

The meeting ended at 11.05 am.

Councillor Colin Swansborough (Chair)