

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 22 November 2019.

PRESENT Councillor Colin Swansborough (Chair) Councillors Gerard Fox (Vice Chair), Matthew Beaver, Martin Clarke, Philip Daniel, Michael Ensor and Daniel Shing

LEAD MEMBERS Councillor Nick Bennett

ALSO PRESENT Kevin Foster, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Graham Glenn, Interim Property Lead

21 MINUTES OF THE PREVIOUS MEETING HELD ON 13 SEPTEMBER 2019

21.1 RESOLVED to agree the minutes as a correct record.

22 REPORTS

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

23 INTERNAL AUDIT PROGRESS REPORT Q2 2019/20

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

23.2 In response to questions about the follow up audit of Building Condition, Russell Banks and Kevin Foster confirmed that its focus would be on whether a schedule of surveys had been put in place and was on track rather than whether the whole estate had been surveyed. Graham Glenn set out that there was a prioritised RAG list of improvements, directed to (A) addressing the Red-flagged issues and (B) preventing Green-flagged issues slipping into Amber status. The priority list enables informed budgeting.

23.3 Kevin Foster set out details of the challenges faced by the Property Service and the investment decisions taken in response to the priority list. The main focus is on customer facing buildings, and Health & Safety concerns (fire safety, legionella, asbestos) of each property. He further confirmed that the County Council was adapting its service model, to revert to the commissioning model as opposed to the Surrey County Council in-house model used by the Orbis Property Service. He set out the challenge to recruitment, as the private sector and other authorities are all competing for Surveyors and Project Managers.

23.4 The Chair requested a short narrative to accompany each School Audit. Russell Banks agreed to include this in future reports.

23.5 In respect of HR/Payroll, the Council's Policy was clarified, in that there are two categories of extra hours: a. Overtime/Additional hours and b. Plain hours

a. Overtime/Additional hours

i. Overtime hours are extra hours worked that, when added to the employee's contractual hours are over 37 hours in one week. Overtime hours, where applicable (see a.iii and a.iv below), are paid at time and a half except on Sundays and/or Bank Holidays when payment is at double time (1.5 or 2 x hourly rate).

ii. Additional hours are extra hours worked over and above an employee's contractual hours up to 37 hours in one week and are also known as plain hours. Additional hours are paid at plain time.

iii. Overtime does not apply to Social Workers, staff paid on or above Single Status Grade 8 or staff covered by the Flexible Working Hours Scheme, other than planned overtime (paid at plain time) with the line manager's permission. For these staff, additional hours apply and are paid at plain time.

iv. In addition overtime rates do not apply to employees on LMG salary scales.

v. Time of less than half an hour on any day will not be counted as overtime. Overtime will be aggregated for each calendar month and only complete half hours paid for.

vi. For staff in receipt of weekend working increments, if overtime is worked on a Saturday or Sunday the relevant overtime rate still applies.

vii. For Former Weekly Paid Workers - Overtime undertaken on a Sunday is paid at double time with a minimum payment of 2 hours.

23.6 In respect of Troubled Families, the scope and remit of the Internal Audit Team and of the Audit and People Scrutiny Committees were set out, in response to concerns that the authority might have a reduced ability to identify families at risk in the light of the reduction in children's centres.

23.7 The Committee RESOLVED to (1) note the report; and

(2) confirm that there were no new or emerging risks for consideration for inclusion in the internal audit plan.

24 STRATEGIC RISK MONITORING - QUARTER 2, 2019/20

24.1 The Committee considered a report by the Operating Officer. The Committee commented on the following risks: 12 – Cyber Attack and 9 – Workforce.

Cyber Attack

24.2 The Committee asked questions about the effectiveness of staff training in processing sensitive information and compliance with GDPR. Kevin Foster confirmed that the e-learning modules were being refreshed, and that the Data Protection Manager compiled a regular monitoring report. The report includes areas of concern being referred to the Information Commissioner's Office, and no such areas have been identified.

Workforce

24.3 The Committee asked questions about stress in the workforce, whether to do with reduced staff numbers and increased workloads, or withdrawing from direct contact with the public. They also enquired about a general staff attitudes survey.

24.4 Kevin Foster highlighted the drive to recruit Mental Health First Aider volunteers, and the continued focus on absences recorded as due to stress. He set out the support in place for managers to deal with their own stress and within their teams, and the openness for staff to ask for help that is encouraged. The success of the return to work interview and protocol in supporting those staff that had been absent to reintegrate into work was highlighted. While there is no overall staff attitude survey, individual departments conduct their own.

24.5 The Committee RESOLVED to note the current strategic risks and risk controls and responses being proposed and implemented by Chief Officers.

25 ANNUAL AUDIT LETTER 2018/19

25.1 The Committee considered a report by the Chief Finance Officer, together with an update on the fee which has been queried, directly with Grant Thornton (GT) and through Public Sector Audit Appointments (PSAA).

25.2 The Committee asked questions about the relationship with the external auditors and the negotiation of the fee. Ian Gutsell confirmed that his staff and the local GT Team had worked well together, and that some of the elements of the increased fee related to national, rather than East Sussex specific, matters. He confirmed that a "lessons learned" meeting had already been held with the GT Team, to inform the work for next year.

25.3 The Committee RESOLVED to: (1) note the Annual Audit Letter; and

(2) require the Chief Finance Officer to report the outcome of the fee negotiations to the next meeting.

26 TREASURY MANAGEMENT ANNUAL REPORT 2018/19 AND MID-YEAR REPORT 2019/20

26.1 The Committee considered a report by the Chief Finance Officer, who confirmed that during 2018/19 the County Council had invested £5m in the CCLA Property Fund, undertaken no new borrowing, and had repaid £23m out of £29m in LOBO (Lender Option Borrower Option) Loans in efforts to maximise income and drive down the cost of debt. The average rate of debt paid off was 8.13%. It was also noted that the Council was fully compliant with the Prudential Indicators.

26.2 The Committee commented on the repayment of the LOBO loans, which had been subject to a long standing objection to the accounts, and methods by which opportunities to invest or pay down debt are generated. Ian Gutsell confirmed that the Lender had exercised their option for the LOBO loan to be repaid, and that officers in the Treasury Management Team engage with the cash management and investment markets daily, both directly and via the Council's brokers. The Committee advised officers to be willing to take independent advice when considering investment options.

26.3 In respect of future borrowing, Ian Gutsell confirmed that the recent decision of the Public Works Loan Board to increase its interest rate had broadened the range of potential options. A query was raised about the Capital Financing Requirement (CFR) and the reduction in the Council's overborrowed position. It was explained that the CFR was a matter of judgement on the appropriateness of the Council's level of debt and borrowing, which was subject to cyclical variations.

26.4 The Committee RESOLVED to note the Treasury Management performance in 2018/19 incorporating the Mid-Year review for the first half of 2019/20.

27 PROPERTY ASSET DISPOSAL AND INVESTMENT STRATEGY

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

27.2 In response to a query from the Committee it was confirmed that a listing with the District or Borough Council of a property as an Asset of Community Value meant that the local community could give notice of an intent to bid for that property, and did not give rise to a "right to buy". It was set out that there is a small list of County Council properties so listed.

27.3 The Committee asked questions about the capacity of the Property Team to deliver, in the light of the review of the Orbis Partnership and return of property services to the sovereign authorities, and the recent Internal Audit [see minute 23.2 and 23.3]. The Committee expressed concern regarding the non-realisation of expectations from Orbis. Kevin Foster set out the delivery of £12m of repeatable savings. He confirmed that scrutiny of the Orbis services would be through the Place Scrutiny Committee, but agreed to provide an update to the Audit Committee.

27.4 Kevin Foster confirmed that the County Council had considered options for investment in property for a commercial return, but none of the options had reached the benchmark score to satisfy the business case. He further confirmed that decisions to invest would go through Cabinet for inclusion on the Capital Programme. Graham Glenn highlighted the change in emphasis from realisation of capital receipts toward retention for alternative service requirements, and onto a model of joint ventures and re-development of existing assets (subject to business cases). He drew attention to the proposals for a solar farm in the Eastbourne area as an example.

27.5 The Committee RESOLVED to: (1) note the content of the report;

(2) note that progress continues against the background of some wider market uncertainties and the need to support capacity to ensure delivery; and

(3) consider an update on the Orbis partnership at a future meeting.

28 WORK PROGRAMME

28.1 The Committee considered the Work Programme.

28.2 Russell Banks highlighted the Internal Audit Strategy Day, to be held in the New Year, as an opportunity for the Committee to shape the Internal Audit Plan for the following year, prior

to its formal adoption at the March meeting. A refreshed Counter Fraud Strategy will also be presented at the March meeting.

28.3 The Committee discussed subjects of interest, including cyber security and the Council's remit to provide assistance to the public, and organisational intelligence and knowledge, especially in respect of staff turnover. Russell Banks confirmed that Internal Audit were currently working on the impact of savings plans, and how the organisation handles reductions or high turnover in staff and knowledge, and the potential for impacts on the Council's control environment. This will be reported next quarter. Kevin Foster set out the HR policies which include exit interviews and departmental Workforce Strategies, to capture organisational knowledge. Kevin Foster also set out the Council's focus on provision of its statutory duties, and its efforts on signposting the public to the most appropriate source of advice, much of which is done through the Library Service and the People's Network.

28.4 The Committee RESOLVED to note the Work Programme, with the addition of the report on Orbis (see minute 23.3 and 27.3) and Counter Fraud Strategy refresh (see minute 28.2).

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 INVESTMENT STRATEGY

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

30.2 The Committee RESOLVED to note the information contained in the report.

The meeting ended at 11.40 am.

Councillor Colin Swansborough (Chair)