

## **Audit and Standards Committee**

**Minutes of the remote meeting held (via Microsoft Teams) on 16 November 2020 at 10.00am**

**Present:**

Councillor Julian Peterson (Chair)  
Councillors Stephen Gauntlett (Vice-Chair), Christine Brett, Roy Burman, Phil Davis, Adrian Ross and Christine Robinson

**Officers in attendance:**

Jackie Humphrey (Chief Internal Auditor)  
Homira Javadi (Chief Finance Officer)  
Sarah Lawrence (Senior Committee Officer, Democratic Services)  
Jennifer Norman (Committee Officer, Democratic Services)  
Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance))

**Also in attendance:**

Niren Ramkhelowon (Deloitte)  
Ben Sheriff (Deloitte)

**52 Introductions**

The Chair introduced members of the Committee via roll call, and those officers present during the remote meeting.

**53 Apologies for absence/declaration of substitute members**

There were none.

**54 Declarations of interest**

There were none.

**55 Minutes**

The minutes of the meeting held on 14 September 2020 were submitted and approved, and the Chair was authorised to sign them as a correct record.

**56 Urgent items**

There were none.

**57 Written questions from councillors**

There were none.

**58 External Audit report 2018/19 and 2019/20**

The Committee invited the Deputy Chief Finance Officer (DCFO) to provide an update in relation to the progress of the External Audit reports 2018/2019 and 2019/2020.

The DCFO explained that, Mr Sheriff of Deloitte, the Council's external auditor, would be providing a verbal update to the Committee. The DCFO advised that officers had been waiting for receipt of the auditor's progress report in relation to the external audit reports 2018/2019 and 2019/2020, but this had not been received until late in the day on 13 November 2020. This had given officers no time to review and agree its contents prior to its presentation to the Committee.

Mr Sheriff (Deloitte) shared the content of the update with the Committee and all those present during the remote meeting. He apologised for the significant delays in presenting the external audit report 2018/2019. The external auditor explained that by the time it had received the necessary ledgers in November 2019, it had already committed its resources to other projects. As a result, it was not possible to begin the audit until June 2020, with the external audit for 2019/2020 commencing shortly after.

Mr Sheriff (Deloitte) highlighted that due to the Covid-19 pandemic, many factors had been working against all of those involved, which was slowing how efficiently work could be done. This included current working arrangements, making it particularly difficult to undertake complex work, and to collaborate, investigate and resolve matters with the Council's finance team. He advised that despite the current complexities, Deloitte was currently working on putting together its position on all outstanding items and when the matters could be resolved or closed out.

The Chair invited comments from the DCFO.

The DCFO apologised to the Committee that the information from Deloitte had not been able to be accompanied by an officer report, due to its late receipt. The DCFO highlighted officers' disappointment that Deloitte committed insufficient resources to complete the project in a timely manner, leaving outstanding issues that were yet to be resolved. He further highlighted that despite these issues, the Council and Deloitte were committed to working together, discussing and resolving outstanding issues and agreeing to a solidified plan in terms of direction and how the audit would be delivered.

The Committee requested an estimate of time and cost from Deloitte in respect of completion of the external audit reports 2018/2019 and 2019/2020. Mr Sheriff (Deloitte) explained that confirmation of completion of the external audit results would be dependent on issues that had yet to be identified and resolved, and therefore he could not give an estimated time of completion.

The Committee expressed its surprise and disappointment on the continued delays and Deloitte's inability to provide a timeframe and assurance that the work could be completed with the fixed audit fee. It further expressed its

displeasure that the information received in respect of the update on the outstanding external audits was sent late to officers, thus giving insufficient time for proper consideration.

The Committee queried with Deloitte the number of staff needed to complete the external audit and whether or not there was anything it could do to help move the process along going forward. Deloitte confirmed that an external audit would normally comprise a team of 3 to 4 auditors working over a six-week period in order to undertake the bulk of the testing required.

The Committee requested that officers and Deloitte agree a plan as to what items were outstanding, who was responsible for their completion and when the items would be completed. The Chief Finance Officer agreed that this was a sensible approach in order to move forward in a productive and transparent manner.

The Committee discussed options regarding bringing the matter to the attention of all Councillors at Full Council either at its meeting in November 2020 or in February 2021, and the Chair sought advice from the Senior Committee Officer (SCO). The SCO confirmed that the agenda had already been dispatched for the Council meeting in November and this would not meet the requirements for an urgent decision, but the matter could be highlighted to Members by way of a question to the Chair of the Committee, rather than as a resolution of this Committee. It was confirmed that the Committee could request an additional meeting to receive the requested update on outstanding items for completion of the audit, and extend an invitation to all Councillors to attend. In addition, it could make a decision at its next formal meeting whether to report formally to Full Council in February 2021 on any further action required.

The Committee adjourned for a period of 10 minutes to receive an explanation of this advice in full, and on resumption of the meeting this was repeated in public for transparency.

The Chair thanked Deloitte for its update.

Resolved:

1. That officers, in consultation with Deloitte, produce a list of the actions outstanding in respect of the external audit 2018/2019 and 2019/2020, the responsible authority and timescales for completion; and
2. That an additional meeting of the Committee be held to receive the list of outstanding actions in respect of the external audit 2018/2019 and 2019/2020 prior to its next scheduled meeting in January 2021.

**59 Treasury Management**

The Committee considered the report which presented details of recent Treasury Management activity for the period of 1 September 2020 to 31 October 2021.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings.

The Chair confirmed that the Committee had no questions for the DCFO in respect of the report.

Resolved:

That Cabinet be recommended to accept the Treasury Management activity from 1 September to 31 October 2020 has been in accordance with the approved Treasury Strategy for the period, as set out in the report.

**60 Internal Audit and Counter Fraud report for the first half of the financial year 2020-2021 to the end of September 2020**

The Committee received the report which provided a summary of the activities of Internal Audit and Counter Fraud for the first half of the financial year, 1 April 2020 to 30 September 2020.

The Chief Internal Auditor (CIA) summarised the report and its findings.

Discussion included:

- Questions surrounding domestic rates and housing benefit checks, and whether or not the checks for each should be done by the operational team or the Counter Fraud team. The CIA confirmed that it was a combination of factors. For instance, Right to Buy and other areas within the Council, operation officers did not have access to systems required to do the necessary checks. As a result it made sense for the Counter Fraud Team to undertake those actions to meet statutory timelines.
- Whether or not the applications which were withdrawn were as a result of fraudulent claims or genuine misunderstanding. The CIA confirmed that it was difficult to tell and could be down to a number of factors, leading to a possible mixture of both.
- Small business grant funds and whether the post verification applications indicated in the report were just a sample of the applications received. The CIA confirmed that they started with a sample of applications, then worked through all of the applications.

Resolved:

That the report be noted.

**61 Strategic Risk Register quarterly review**

The Committee received the report which summarised the outcomes of the quarterly review of the Strategic Risk Register (SRR) by the Corporate Management Team (CMT).

The Chief Internal Auditor (CIA) highlighted that the SRR was taken to CMT on 21 October 2020 for a quarterly review. As many of the risks had already been raised to their highest level to consider the effects of Covid-19 and Brexit, it was felt that the scores should not be changed. In response, however, to a comment about Newhaven Port at the last meeting of the Audit and Standards Committee on 14 September 2020, additional descriptions and internal controls, referring specifically to the Port, had been added under the relevant risks as set out in paragraph 2.3 of the report and Appendix A.

The Committee questioned whether or not Strategic Risk code 026 (SR 026) on page 47 of the agenda might be reviewed and downgraded. The CIA confirmed that she would review and consult with CMT prior to the next SRR.

**Resolved:**

That the report be noted.

**62 Date of next meeting**

The Chair requested that the Committee be contacted by officers regarding the requested emergency meeting in relation to the External Audit report 2018/18 and 2019/20 as soon as practically possible. The Senior Committee Officer confirmed that officers would consult with the External Auditor and confirm a date yet to be agreed by the Committee.

The Chair wished to thank the Committee Officer and Senior Committee Officer for their participation in relation to the matters on the agenda.

**Resolved:**

That the next meeting of the Audit and Standards Committee which is scheduled to commence at 10:00am on Monday, 18 January 2021, in a virtual capacity, via Microsoft Teams, and in accordance with section 78 of the Coronavirus Act 2020 and section 13 of the related regulations, be noted.

The meeting ended at 11.58am.

Councillor Julian Peterson (Chair)