



Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 28 July 2021 at 6.00 pm.

Present:

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Helen Burton, Sammy Choudhury, Tony Freebody, Md. Harun Miah and Kshama Shore.

Officers in attendance:

Jackie Humphrey (Chief Internal Auditor), Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance)) and Elaine Roberts (Committee Officer).

Also in attendance:

Ben Sheriff (External Auditor - Deloitte).

1 Minutes

The Minutes of the last meeting on 3 March 2021 were approved.

2 Apologies for absence/declaration of substitute members

Apologies were received from Councillor Diplock and CFO, Homira Javadi.

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 no declarations of interest.

4 Questions by members of the public.

The Chair reported that no questions had been submitted.

5 Urgent items of business.

There were none.

6 Right to address the meeting/order of business.

The Chair reported a request from Councillor Smart to address the Committee regarding items 7 and 9. The Chair agreed that Councillor Smart could speak for up to five minutes before the commencement of each item.

7 External Auditor (Deloitte) report on the 2018/19 Statement of Accounts

The Chair then invited Councillor Smart to address the Committee regarding item 7 and thanked him for his comments.

The Chair invited Ola Owolabi, Deputy Chief Finance Officer (DFCO), to present the report.

The DFCO explained that the Statement of Accounts was an update of the version considered by the Committee at the November meeting and that the outstanding issues at that time had been resolved. The Council was now in a position to sign a Letter of Representation, to formally and publicly confirm the correctness and completeness of the auditing of accounts for 2018/19. The DFCO then invited Ben Sheriff, Deloitte, to present the report from Deloitte, External Auditors, (Appendix A of the report) regarding ISA 260.

The Chair thanked Ola Owolabi, DCFO, and Ben Sheriff, Deloitte, and invited comments and questions from Members as they considered the report.

During the following discussion Members noted the volume and complicated nature of the material associated with the agenda and requested that Officers consider the amount, relevance and accessibility of agenda materials going forward.

Points of clarification from Officers included:

- That there were statutory requirements regarding what should be included in the Statement of Accounts and how it should be presented, in compliance with the International Financial Reporting Standards/CIPFA Code, and that the main purpose of the covering report was to provide a more accessible, narrative summary.
- That a segmental income analysis could be provided. However, it was noted that the detail had significantly changed since the time of the report i.e. 2018/19.
- That the original timescale for delivery of externally audited accounts agreed with Deloitte at the start of 2021 was: 2018/19 by April / May; 2019/20 by end of July 2021 and 2020/21 by end of September 2021. Work on the 2019/20 accounts had now started.
- Deloitte noted that resource issues at Deloitte had contributed to the delays.
- That the Chief Internal Auditor would liaise with CMT regarding possible inclusion of risks identified in the External Accounting within the Strategic Risk Register.
- That Officers would provide an explanation of the increased employment costs to Members of the Committee.

- That Officers would liaise with the Chair to set up pre-committee briefing meetings, to aid Members' understanding of material due to be considered by the Committee that was of a particularly complicated nature.

Regarding ICE (Investment Company Eastbourne Ltd) in particular:

- Officers clarified that the complicated nature of the ICE joint venture (the Council's investment company) had contributed to the delay of the audit, but that there was now an agreed accounting model which would be used going forward. The cash receipt of £2m was banked but that there had been changes in the way the ICE transaction and accounting were presented within the accounts. Officers also clarified that the report's comment that "the final contractual structure [of ICE] was not the one approved by Council in 2017", referred to the structure for accounting and not the structure of the commercial venture / business proposition itself, which was essentially the same.
- Deloitte noted that ICE increased the number of risk variants for the Council, which in turn impacted the Council's risk profile. Deloitte acknowledged the difficulties associated with the complicated nature of the ICE accounting, compounded by a loss of institutional knowledge due to Officers having left the organisation since the venture was set up, and confirmed that the Council had followed proper governance procedures and had sought appropriate legal and other expert advice at the proper times, throughout the process prior to transaction of ICE.
- At the request of Members, Ola Owolabi, DCFO, provided a short, high-level overview of the ICE joint venture, including its initial set up and its terms going forward.

The members then proceeded to consider the recommendations of the report. In the course of the discussion, Ben Sheriff, Deloitte, was asked to provide his verbal update for the 2019/20 Statement of Accounts (originally scheduled as Agenda Item 8) so that all four recommendations could be considered together.

Resolved (unanimous):

1. To note the Independent Auditor's (Deloitte) report to those charged with governance on EBC Accounts, and the Value for Money conclusion report.
2. To approve the Audited 2018/19 Statement of Accounts.
3. To authorise the Chief Finance Officer to sign the formal Letter of Representation to Deloitte; and
4. To note the 2019/20 Statement of Accounts audit update.

8 External Audit 2019/20 Report

With agreement of the Chair, this Item was taken together with Item 7 and the decision noted in resolution point 4, Item 7.

9 Redmond Review update and MHCLG External Audit Consultations

The Chair invited Councillor Smart to address the Committee re item 9. Councillor Smart spoke for five minutes and the Chair thanked him for his comments.

The Chair invited Ola Owolabi, Deputy Chief Finance Officer (DCFO), to present the report.

The DCFO summarised the scope and progress to date of the Redmond Report and the recent response to the report from Central Government, as outlined in the White Paper, 'Restoring trust in audit and corporate governance'.

A key recommendation of the Redmond Review was to create an Office of Local Audit and Regulation (OLAR). The Government's White Paper recommended creating a new body – the Audit, Reporting and Governance Authority (ARGA) – which would replace the Finance Reporting Council (FRC) and would also be charged with providing oversight of local authority audit.

The PSAA (Public Sector Audit Appointments Ltd) would continue to have oversight of appointing individual local authority auditors.

The Audit and Accounts Regulations had been amended to extend the date to produce audited accounts from 31 July to 30 September for a period of 2 years until 2023.

Resolved (unanimous)

1. To note this report

10 Treasury Management Annual Report 2020/21

Ola Owolabi, Deputy Chief Finance Officer (DCFO), presented the report, which was a statutory requirement. The report had been previously approved by Cabinet and had come before the Audit and Governance Committee to be noted. The Chair thanked the DCFO for his presentation and the Committee considered the report.

Officers clarified queries regarding the changes in projections, and the impacts of COVID-19 – including interest rate forecasts and the requirement of the Council to manage significant amounts of money from Central Government for local business support grants.

Resolved (unanimous):

1. To note the report.

11 Annual Governance Statement Report

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which included explanations of the Audit Team's work to review and improve accessibility of the information contained in the report, how the 'manager feedback' had been analysed and presented, and the Council's approach to document retention requirements.

It was noted that work over past months regarding the new Housing System software had meant that this was now no longer classed as a 'significant' issue. Specific additions to the report included sections on Covid-19 and the Council's investment company, ICE.

At the request of the external auditors, Deloitte, additional information for the previous years would be published as an addendum.

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

Officers responded to Members' questions regarding the inclusion of companies in the Annual Governance Statement.

Resolved (unanimous)

1. To approve the Draft Annual Governance Statement 2020-21; and
2. To approve the addendum to the Annual Governance Statements for 2018-19 and 2019-20.

12 Internal Audit and Counter Fraud Report for the financial year 2020-2021

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report to the Committee.

The report highlighted some of the key effects of Covid-19, including: impacts on the Audit Team's resources, that the Tourism Team had not been audited as had not been active, and that the Audit Team structure was currently under review.

The work of the Counter Fraud Team was reviewed and two new projects were highlighted: the performance analysis of the grants portal, and one to recoup money from housing debtors.

An error in Appendix C was brought to the attention of the Committee, and Members were assured that it did not affect the quoted net annual total.

The next external review had been scheduled for 2022/23; the slightly later date was due to alignment of work across both Councils.

Following concerns raised by Members regarding the rates of assurance, Officers clarified that all items rated less than 'substantial' were followed up.

However, in the interests of managing the amount of information shared with Members, only unresolved items were brought back to the Committee. Officers agreed to consider ways to provide updates of the items which were followed up to the Committee going forward.

The CIA clarified in relation to a reported instance of 'no assurance', that whilst an investigation had found that there were no incorrect processes in use, the process itself was not formally recorded.

Resolved:

1. To note the report; and
2. That Officers review the additional information requirements identified by Members during the meeting for future reporting.

13 Strategic Risk Register Quarterly Review

Jackie Humphrey, Chief Internal Auditor (CIA), presented her report. It was noted that, following a review by the Corporate Management Team (CMT), the Covid-19 risk level had been reduced, apart from the financial element.

The Chair thanked the CIA and the Committee considered the report.

Officers clarified the distinctions between amber and red classifications and explained that amber and red issues were addressed through a cascade from CMT down to the relevant departments and management teams. Officers confirmed that the current review cycle was quarterly. The Chief Internal Auditor agreed to take comments from the Committee back for consideration by CMT, and to report back at the next Committee meeting.

Resolved (unanimous)

1. To note the report.

The meeting ended at 8.10 pm

Councillor Robin Maxted (Chair)