

## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 28 June 2023 at 6.00 pm.**

### **Present:**

Councillor Christina Ewbank (Chair).

Councillors Ali Dehdashty (Deputy-Chair), Kathy Ballard, Daniel Butcher, Andy Collins, Hugh Parker, Kshama Shore, David Small and Stephen Gilbert, (Audit Independent Member).

### **Officers in attendance:**

Homira Javadi (Director of Finance and Performance (Section 151 Officer)), Steven Houchin (Interim Deputy Chief Finance Officer (Corporate Finance)), Jackie Humphrey (Chief Internal Auditor) and Elaine Roberts (Committee Officer)

#### **1 Minutes**

Minutes from the last meeting, held on 1 March 2023, were confirmed as an accurate record.

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

There were no apologies.

#### **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 interests.  
For transparency, Councillor Ewbank noted her position on Eastbourne's Chamber of Commerce and Edeal Enterprise Agency.

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

There were none.

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

The Chair confirmed there were no urgent items of business.

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

There were no requests to address the meeting.

## 7 Internal Audit and Counter Fraud Work Report 2022-2023

The Chair invited, Jackie Humphrey, Chief Internal Auditor (CIA), to present the report. For the benefit of Members new to the Committee, the CIA gave a detailed presentation of the report, as an introduction to the standing item.

During the presentation, the CIA drew Members' attention to Section 3 of the report, which detailed a response to an information request from the previous Committee for a progress update on creation of business continuity plans. The CIA also provided a detailed overview, with explanations, of the work of the Counter Fraud Team and of the process for gaining assurances of good governance from the Council's associated companies. The CIA talked through the final parts of the report that were only reported annually, which included a summary of the Council's overall performance, the CIA's opinion statement, and noted that results of a peer review of the audit function would be brought back to committee, once completed. The Committee considered the report.

Following comment and questions from Members, Officers clarified that:

- Some business continuity plans, which were different to 'emergency plans', were still in draft and would need to be checked before sign off. Having collated status update responses from each Head of Service, the CIA reported that considerable progress had now been made across all areas. Many plans were now complete, and monitoring was place for those few remaining outstanding areas. The CIA confirmed that managers had received training before completing their business continuity plans.
- The Audit Team was currently auditing risk management at operational level (point 8.3 of the report) and findings would be reported back to the Committee at a future date.
- The large number of follow ups had impacted Audit Team resources but recent progress in this area was expected to ease the situation and the CIA assured Members that the Team's work planning had ensured that the required breadth of work was maintained.
- The CIA agreed to share a copy of the Annual Internal Audit Plan for the current year with new Committee Members
- The high number of withdrawals from right-to-buy applications (point 4.3 of the report) was not unusual and it was not possible to know if the reason for a withdrawal was due to the abandonment of an attempt to defraud. The CIA confirmed that every application was checked and that some questions were designed to test for money laundering.
- The quarterly report was timed to work with the timeframes for financial reporting and therefore reflected findings to the end of March 2023. However, the varied timing of company board meetings meant that any governance statements from companies were reported in the next quarterly report that followed the receipt of the statement.

Members thanked the CIA for the in-depth explanations.

**RESOLVED (unanimously)**

1. **To note the report; and**
2. **To agree the approach for an external assessment.**

## **8 Strategic Risk Register Quarterly Review**

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, beginning with an explanation of what the Strategic Risk Register was, how it worked and how it was monitored. The CIA explained that, traditionally, the Strategic Risk Register (SRR) was only brought to the Committee when either changes had been made, or when there were new Committee members.

The Committee considered the report. During the follow discussion, Officers assured Members that the amber grading for risk SR\_006 (page 40) was appropriate, as the Audit Team had seen evidence of progress and because the Service Delivery Department had proved that it could respond appropriately during a crisis, as demonstrated during Covid-19.

### **RESOLVED (unanimously)**

To note the update to the Strategic Risk Register and agree that the report should continue to be brought to the Committee only when there had been a change to the Risk Register or to the Committee membership.

## **9 Annual Governance Statement**

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report in detail and talked through all parts of the Annual Governance Statement.

The Chair thanked the CIA for the report and asked Members for their questions and comments.

In response to questions over how Directors, including members of the Corporate Management Team (CMT), were audited, the CIA explained that an area audit would include a review of Director decisions and reports and Director activity was also covered by the peer audit reviews.

Officers explained that the Annual Governance Statement followed a prescribed format, every statement had to be formally evidenced-based, and had to be signed by the Leader and the Chief Executive as an assurance to Members.

Officers confirmed that digital signatures were accepted where there was a digital audit trail, supported by individual logons. Officers also confirmed that IT had already instigated a system where laptops automatically turned off when not in use.

A concern was raised around the wording concluding paragraph 4.6 of the report regarding data protection; Officers agreed to address this with a minor amendment to the corresponding element of the Annual Governance Statement in liaison with the Audit Independent Person (AIP).

**Resolved (unanimously)**

To approve the draft Annual Governance Statement for 2022-23, subject to the CIA making a minor amendment to tighten wording in the Annual Governance Statement's Governance/Policies section in agreement with the Audit Independent Person (AIP), prior to publication.

**10 External Audits update**

Steven Houchin, Interim Deputy Chief Finance Officer (IDCFO), gave a background briefing from both a national and Eastbourne Borough Council perspective, to explain the current backlog of external audits, and noted the most recent guidelines and funding arrangements issued by the Department of Levelling Up, Housing and Communities (DLUHC).

The IDCFO reported that, following delegation to Officers by the previous Audit and Governance Committee, the 2019-2020 Statement of Accounts had been signed off on 3 April 2023 and were published on the Council's website. Officers confirmed that the final Statement of Accounts would also be published on the Committee papers website, and that copies would be emailed to Committee Members, along with copies of a letter sent in May to the Minister of State, DLUHC, and to Deloitte, at the request of the previous Committee, regarding its concerns about the state of affairs with local government audits.

The IDCFO outlined Deloitte's latest estimated delivery times for the remaining external audits: A draft Statement of Accounts for 2020/21 should now be expected by 29 September and a draft Statement of Accounts for 2021/22 by 12 January 2024.

The IDCFO explained that work to publish the draft Statement of Accounts for 2022/23 was currently ongoing. He reported that the new, earlier Government deadline for publishing draft accounts of 31 May had been missed, due to the ongoing delays with Deloitte for prior year accounts, as well as the national issues created by the requirements of Local Government financial reporting, and the increase in assurance work now required of auditors, as detailed earlier in the update. A public notification of the delay had been published on the Council's website and publication of the accounts was currently expected by 31 July 2023.

The Chair thanked the IDCFO and the Committee considered the update.

Members welcomed the news that Grant Thornton UK LLP had been appointed as replacement for Deloitte but expressed concerns over the latter's commitment to deliver the outstanding audits.

Officers confirmed that, to their knowledge, Eastbourne Borough Council had

always submitted its accounts on time and that there had been no delays to the publishing of the Annual Accounts prior to working with Deloitte. The CFO, Homira Javadi, advised the Committee that the current backlog would have a negative legacy impact on the timely production of external audits going forward.

Officers confirmed that for the 2020/21 Audit, and every year thereafter, the External Auditors would be asked to present its report to the Committee including information about its findings and any areas of concern, and that Members would have the opportunity to question the External Auditor on its draft Statement of Accounts and any of its findings at Committee.

Officers confirmed that Deloitte had typically attended Committee meetings remotely via Teams, but that it was the Officers' experience to expect external auditors to appear in person at some point.

Following questions around the value of feedback of old accounts, Officers explained that timely external audits were valuable and seen as a critical part in the financial planning process by all councils and that there was still a value to securing a process for Deloitte to meet its own revised deadlines. However, Officers recognised that much of the value of information in the overdue accounts had largely passed. The CFO advised that there would be a discussion about the audit fees once Deloitte had met all its audit obligations.

In response to queries about the presentation of the draft Statements of Accounts submitted by the Council to Deloitte, Officers explained the process for an external audit, and how the allocation of an appropriate period of time for review work by the External Auditor was a critical element for ensuring a clean audit process. The CFO reminded Members that Councils around the country were suffering similar experiences of delayed external audits.

The CFO thanked the Committee for awarding delegated authority to Officers and the Chair to sign off the 2019/2020 Statement of Accounts. The CFO added that, without the delegation, finalisation of those accounts may have incurred further delays, due to Deloitte's decision to move its staff onto other projects in April.

In response to comments from Members regarding clarity around delegation of authority, the CFO explained that Deloitte's Statement of Accounts had been submitted in November 2022 and that the delegated authority had been requested because Deloitte had assured the Council that it was not expecting any changes. The CFO referred to the minutes of the Committee's meeting in March which captured the remit of the delegation.

In response to a question by committee, the CFO commented that the Council's Finance Team had arranged for a 'lessons learnt' session to engage with Deloitte to see how the process could be improved going forward and agreed that Deloitte would be encouraged to confirm its commitment to the delivery timelines. CFO also added that Deloitte had been copied into the letter sent to the Minister of State, and a copy sent directly to them.

The CFO assured Members that an audit trail already existed to provide a record of the on-going concerns raised by the Committee.

The Chair thanked the Committee Members for their contributions.

**RESOLVED (unanimously)**

To note the update.

**11 Treasury Management Annual Report 2022-2023**

Steven Houchin, Interim Deputy Chief Finance Officer, introduced the report and provided a detailed presentation for each section, including explanations of the key terminology and of the various tables.

The Chair thanked the Officers for the report and commented positively on its clarity and comprehensive nature.

The Committee considered the report.

Following questions around the capital expenditure budget (point 3.2 of the report) Officers confirmed that both spend and debt figures were down on the previous year and that a copy of the Capital Outturn report would be circulated for Members' information after the meeting, which included status details of all capital projects.

Officers assured the Committee that specialist Treasury Management training would be organised for Members later in the year.

**RESOLVED (unanimously)**

To recommend to Full Council (via Cabinet) that

1. That Members consider and approve the Annual Treasury Management report for 2022/23; and
2. To approve the 2022/23 Prudential and Treasury Indicators included in the report (Section 9.1)

The meeting ended at 7.57 pm

Councillor Christina Ewbank (Chair)