

## **Audit and Standards Committee**

**Minutes of the meeting held remotely (via Microsoft Teams) on 8 March 2021 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)  
Jennifer Norman (Committee Officer, Democratic Services)  
Ola Owolabi (Deputy Chief Finance Officer, Corporate Finance)

**Also in attendance:**

Niren Ramkhelowon (Deloitte)  
Ben Sheriff (Deloitte)

**73 Introductions**

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

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

There were none.

**75 Declarations of interest**

There were none.

**76 Minutes**

The minutes of the meeting held on 18 January 2021 were submitted and approved, and the Chair was authorised to sign them as a correct record.

**77 Urgent items**

There were none.

**78 Written questions from councillors**

There were none.

## **79 External Audit of the 2018/19 Statement of Accounts**

The Committee received a verbal update from the Deputy Chief Finance Officer (DCFO) and the Council's External Auditor, Deloitte, in respect of the External Audit of the 2018/19 Statement of Accounts.

The DCFO reminded Members that previous updates were given regarding the External Audit of the 2018/19 Statement of Accounts at the November 2020 and January 2021 meetings of the Committee. Following the updates, the Council had been engaged with Deloitte in order to produce a list of outstanding issues in respect of the 2018/19 Statement of Accounts, as was requested by the Committee at its meeting in November 2020.

The DCFO highlighted that the outstanding issues were escalated to the Senior Director of Deloitte on 10 February 2021. A meeting took place between Mr Sheriff and the Senior Director of Deloitte, and the Council's Chief Executive (CE), Chief Finance Officer (CFO) and DCFO. The CE made it clear that the Council's Members were not happy and charged Deloitte with a deadline for the completion of the outstanding External Audit of the 2018/19 Statement of Accounts. The Council's External Auditor reiterated that the continued delay was primarily due to a lack of resources including staffing, and the Covid-19 pandemic.

The DCFO further highlighted that, as a result of the meeting, it had been agreed that there would be a monthly meeting between the Council's senior officers and Deloitte so as to continue monitoring the progress in respect of the closure of the 2018/19 Statement of Accounts.

Mr Sheriff confirmed the statements made by the DCFO. He explained that Deloitte was in the process of testing on a number of the outstanding items in respect of the closure of the 2018/19 Statement of Accounts at which point the Council's External Auditor would be able to work through the outstanding issues and complete testing in the remaining areas.

Discussions included:

- Whether or not Deloitte would be able to provide an estimated completion date in respect of the External Audit of the Statement of Accounts 2018/19. Mr Sheriff explained that Deloitte currently had a scheduling of staff for March through September 2021 to work on the outstanding audits for both Lewes District Council and Eastbourne Borough Council.
- Whether or not the fees had been paid to Deloitte for the External Audit of the Statement of Accounts 2018/19 and 2019/20. The DCFO responded that the 2018/19 agreed PSAA contractual fees had been paid, however, there may be a variation of fees which have yet to be determined. He confirmed that the fees for 2019/20 had not yet been paid.
- Whether the list of outstanding issues for the Statement of Accounts 2018/19 previously requested by the Committee had been made

available to the Council's Officers to be signed off. Mr Sheriff responded that although the list of outstanding items had been agreed, there were items on the list that still needed to be tested before they were signed off as completed.

The DCFO highlighted that during the ongoing discussions with Deloitte, Council Officers had requested a specific list of outstanding issues in order to formally sign off the items as completed, but Officers had not yet received the requested list from Deloitte.

- The Committee expressed its dissatisfaction with potential costs in relation to the External Audit of the Statement of Accounts 2018/19 and queried whether or not the Council would see potential additional costs for the External Audit of the Statement of Accounts 2019/20. The DCFO clarified that external audit plan which was presented for 2018/19 alluded that there might be potential variations to the contract, however, all variations needed to be agreed with the Public Sector Audit Appointments (PSAA). Mr Sheriff further clarified that the scale fee was not reached by negotiations, but was a figure that the PSAA implemented that did not take into account external implications.
- The Committee asked for the assurance of Mr Sheriff that the outstanding audits in respect of the Statement of Accounts 2018/19 and 2019/20 would be completed as soon as practicably possible and with sufficient resources. Mr Sheriff agreed.

The Chair thanked Mr Sheriff and the DCFO for their continued work in relation to the External Audits of the Statement of Accounts 2018/19 and 2019/20.

**Resolved:** That the verbal update be noted.

## **80 External Audit Plan 2020/21**

The Committee considered the report which detailed the Council's External Audit plan for 2020/21, as set out in Appendix A.

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

The DCFO explained that the Covid-19 pandemic had an unexpected impact on the Council, including audit timing. The expectation was that the Council and the Council's External Auditor, Deloitte, had sufficient resources from 22 March through September 2021 to complete all outstanding audits, including the External Audit Plan 2020/21.

The DCFO highlighted that following Sir Tony Redman's review in September 2020, the Council had amended the publication of its External Audit 2020/21 from July to September 2021, and that central government had consulted on the timetable.

The DCFO invited Mr Sheriff of Deloitte to make further comments.

Mr Sheriff detailed the areas of risk which Deloitte expected to focus on in relation to the Council's External Audit Plan 2020/21.

Discussions included:

- Questions surrounding when the External Audit 2020/21 would begin. Mr Sheriff confirmed that the External Audit 2020/21 was expected to begin in the summer of 2021.
- Questions related to the process Deloitte had implemented which identified risks set out in External Audit Plan 2020/21. Mr Sheriff explained that there were several required risks and lists that the Council's External Auditors had to review as part of the audit plan.
- When the External Audit of the Statement of Accounts 2018/19, 2019/20 and 2020/21 would be completed. Mr Sheriff explained that if there were no sufficiently problematic areas, he expected the completion of the Statement of Accounts 2018/19 to be completed through April 2021, with the Statement of Accounts 2019/20 likely to be July 2021 and the Statement of Accounts 2020/21 with a target completion date of September 2021.
- Whether or not the Council's Officers were confident for Deloitte to begin the External Audit of the Statement of Accounts 2019/2020 once the 2018/19 External Audit was completed. The DCFO confirmed that although there may be some amendments to the 2018/19 External Audit, Officers did not want the 2019/20 External Audit to be delayed any further.
- Whether or not the timescales presented to the Committee for the outstanding External Audits were the same for Eastbourne Borough Council (EBC). Mr Sheriff confirmed that the timescales were the same for both authorities.
- Questions surrounding the Council's Finance team staffing levels and the effect of shared services with EBC. The DCFO explained that there had been various changes in staffing levels which had been addressed during previous meetings of the Committee.

The Council's Chief Finance Officer (CFO) explained that she began working for the Council in 2018 during the fourth phase of the Joint Transformation Programme (JTP) agreed between the Lewes District Council (LDC) and EBC. Part of the delay in the External Audit of the Statement of Accounts 2018/19 was as a result of the CX Housing System used by LDC, which led to systems implementation issues. She further explained that although the draft accounts were ready in June 2018, she wanted to ensure that she had the opportunity to thoroughly assess the accounts.

The CFO highlighted that although there had been changes within the staffing of the Finance team, the new team was strong with greater resiliency, and had a much higher level of experience.

**Resolved:** That the report be noted.

## 81 Treasury Management

The Committee considered the report which presented details of recent Treasury Management activity for the period of 1 January 2021 to 28 February 2021.

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

The Committee highlighted the potential indicators and queried whether or not the authorised limit for external debt and actual limit for external debt reflected the same figures. The DCFO clarified that the authorised limit was merely a guide as to the amount that the Council would not need to borrow beyond. He agreed that Officers would provide a more detailed analysis for HRA in future reports to the Committee.

The Chief Finance Officer (CFO) thanked the Committee for its important feedback. She highlighted that in terms of clarifying the table in paragraph 6.1, the authorised limits and operational boundaries were targets that the Council had set and were still operating within. The CFO further highlighted that for purposes of clarification in future reports to the Committee, Officers would break down the table into two sections: any changes to the targets and how the Council measured against those targets.

### **Resolved:**

That Cabinet be recommended to accept the Treasury Management activity from 1 January to 28 February 2021 has been in accordance with the approved Treasury Strategy for the period, as set out in the report.

## 82 Internal Audit and Counter Fraud report for the first three quarters of the financial year 2020-2021 to the end of December 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 2020-2021 to the end of December 2020.

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

Discussions included:

- Whether or not the Housing CX report could be distributed to the Committee. The CIA confirmed that she would confidentially share the report with the Committee going forward, but it would not be shared publicly as details contained within the report showed system weaknesses.
- What percentage of the reviewed sample of 150 small business grants were fraudulent. The CIA responded that she did not have the details to hand, but she would find out and provide the figures to the Committee going forward.

- Whether there had been an increase in applications for Universal Credit. The CIA explained that she did not have the figures to hand, but she would find out and report back to the Committee regarding her findings.
- Various questions surrounding past and future audits, assurance levels and areas that could potentially be audited, and when the areas were last audited. The CIA explained that she would share a copy of the Audit Universe with the Committee, which was a spreadsheet that contained information which would answer the Committee's queries.

**Resolved:** That the report be noted.

### **83 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 Committee queried whether the controls detailed in the report were changing and why the risks detailed in the report were so substantial. The CIA responded that as a result of the ongoing Covid-19 pandemic, the Council was being very cautious in relation to the potential risks.

The Chief Finance Officer (CFO) explained that the purpose of monitoring the risks was to highlight the severity of exposure levels. Monitoring the risks allowed Officers the opportunity to update how they appear the Council's priority list, and what actions the Corporate Management Team and the Authority were putting in place to monitor the risks.

**Resolved:** That the report be noted.

### **84 Draft Internal Audit plan for 2021/22**

The Committee considered the report which detailed the proposed Internal Audit plan for 2021/22.

The Council's Chief Internal Auditor (CIA) presented the report and its findings.

Discussions included:

- When the Draft Internal Audit plan for 2021/22 needed to be finalised and confirmation that the Committee would receive the Audit Universe for review and comments. The CIA responded that the Internal Audit Plan 2021/22 started on 1 April 2021. She confirmed that she would share the Audit Universe with the Committee going forward and that feedback from the Committee was welcomed by Officers.
- Concerns surrounding the litter contract. The CIA confirmed that she would add litter collection to the Council's Internal Audit plans going forward.
- Questions surrounding the partial assurance levels contained in Appendix A and the lack of inclusion of business continuity and

procurement. The CIA confirmed that although business continuity and procurement did not appear in the Draft Internal Audit Plan 2021/22, there was time set aside to review and address the issues.

**Resolved:**

That the proposed Internal Audit plan for 2021/22, as set out in Appendix B, be approved.

**85 Date of next meeting**

**Resolved:**

That it be noted that the next meeting of the Audit and Standards Committee is scheduled to commence at 10:00am on Monday, 26 July 2021.

The meeting ended at 11.57am.

Councillor Julian Peterson (Chair)