

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 2 March 2022 at 6.00 pm.

Present:

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Md. Harun Miah and Kshama Shore.

Officers in attendance:

Lee Ewan (Counter Fraud Investigations Manager), Jackie Humphrey (Chief Internal Auditor) and Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance)).

Also in attendance: Ben Sheriff and Niren Ramkhelawon (External Auditor, Deloitte)

45 Minutes

Minutes of the last meeting held on 12 January 2022 were confirmed as an accurate record.

46 Apologies for absence/declaration of substitute members

Apologies were received from councillors Choudhury, Diplock and Freebody and from Chief Finance Officer, Homira Javadi.

47 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 none.

48 Questions by members of the public.

The Chair confirmed that no questions had been received.

49 Urgent items of business.

There were none.

50 Right to address the meeting/order of business.

There were no requests.

51 Annual External Audit Letter 2018/19

Ola Owolabi, Deputy Chief Finance Officer (DCFO) explained that the purpose of the report was for the External Auditor to present the formal Annual Audit Letter for 2018/19, which was required on completion of an audit.

The DCFO noted that the report contained no new findings or recommendations, and only reflected issues already reported within the 2018/19 External Audit Report to the Audit and Governance Committee. The Annual Audit Letter would be published on the Council's website.

The Chair thanked the DCFO and invited comments from Members.

Members sought clarification from Deloitte regarding the reasons for delays in delivering the audit opinions. Deloitte confirmed that, in its view, the delays of the 2018/19 audit were due partly to the quality and lateness of the initial presentation of accounts, including details of the ICE transaction, but that subsequent issues of resourcing at Deloitte had then further contributed to the delays. Deloitte noted that it had been a challenging set of circumstances for the Council.

Resolved (unanimously)

To note the report.

52 External Audits Update 2019/20 and 2020/21

Ola Owolabi, Deputy Chief Finance Officer (DCFO) introduced the verbal update report from Ben Sheriff, Director, Audit and Assurance, Deloitte LLP, and requested that the update include an explanation of Deloitte's position on why the Annual Audit Draft Plan for 2021/22 was not being presented to the meeting.

Mr. Sheriff explained it was Deloitte's opinion that, until the 2020 audit had been completed and the 2021 audit was at a significantly advanced stage, it was not an appropriate use of resources to spend time preparing a Draft Plan for 2021/22, particularly as the Draft Plan should be informed by the findings of previous audits.

Mr. Sheriff reported that work had started on the 2019/ 2020 Audit. Progress was affected by the resourcing challenge being faced by the profession across all sectors, but particularly the public sector, and noted that 12% of Local Authorities had their 2019/20 Audits pending.

Mr. Sheriff confirmed that Deloitte had given the Council's 2019/20 audit a reasonably high priority status for resource allocation but could not commit to a completion date.

Members requested clarification of the reasons for the delays and requested confirmation that Deloitte had the information needed to proceed with the outstanding audits.

In response, Mr. Sheriff reiterated the issues previously given regarding delays to the 2018/19 audit. Mr. Sheriff confirmed that the quality of working papers presented for 2019/20 was an improvement compared to those presented for 2018/19, but there were still some difficulties, including some questions for management on some of the balances, but did not specify further.

Mr. Sheriff confirmed that Deloitte had not yet looked at the 2020/2021 balances, but that he expected to see further additional improvements and recognised the Council's investments in its Finance Team.

Mr. Sherriff clarified the considerations that would comprise Deloitte's treatment of the capitalisation issues.

In response to queries regarding expected resourcing challenges, Mr. Sheriff confirmed that this was an on-going issue for Deloitte, as explained earlier, which was further compounded by the fact that the PSAA had not adjusted fees as Deloitte had expected.

Resolved (unanimously)

To note the verbal update report.

The Chair thanked Deloitte representatives for attending. Mr Sheriff and Mr.Ramkhelowan then left the meeting.

53 Appointment of Audit Independent Member

Simon Russell, Head of Democratic Services, presented the report, which outlined the proposed arrangements for the appointment of a co-opted independent member to the Audit and Governance Committee, following Cabinet's endorsement of the recommendations from the CIPFA assurance review.

Simon Russell clarified the position of the Audit and Governance Committee with regards to previous use of Independent Persons. Mr Russell noted that the Council would be putting best practice in place in advance of any future mandatory requirement, and that the Council's constitution allowed the Council to address the recommendation in a timely manner.

Ola Owolabi, Deputy Chief Finance Officer, noted that CIPFA's recommendation followed a recommendation made in the Government's Redmond Report.

Resolved (unanimously):

1. To approve the appointment of a co-opted independent member to the Audit and Governance Committee.
2. To delegate authority to the Head of Democratic Services, in consultation with the Chair of Audit and Governance Committee and Chief Finance Officer, to undertake and complete the recruitment process.
3. That the specific remuneration of the Audit Independent Member appointed

be delegated to the Head of Democratic Services, in consultation with the Chair of Audit and Governance Committee and Chief Finance Officer.

54 Internal Audit Draft New Year Plan

Jackie Humphrey, Chief Internal Auditor (CIA), introduced the report, which outlined the plans for audit activity for the coming year, 2022-23.

The CIA explained the format used to develop the plan, which helped ensure appropriate levels of breadth and flexibility and how that had been applied in creating the plan as detailed in the Appendices.

The Chair thanked Jackie Humphrey and the Committee considered the report.

Following comments and questions from Members, the CIA confirmed that the Council's complaints processes could be included in the Audit Plan, if the Committee chose to request it, and that she would check to see when this topic was last audited.

The CIA clarified the headings noted in the Plan, explaining that the Audit Team worked with the Heads of Department to review what would be included in the plan of work and the report included a summary of that discussion.

Resolved (unanimously)

To agree the Draft Audit Plan.

55 Strategic Risk Register Quarterly Review

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report of the Corporate Management Team's (CMT) quarterly review and update of the Council's Strategic Risk Register.

The CIA noted that, following the recent CIPFA (Chartered Institute of Public Finance and Accountancy) Assurance Review (AR), the Council had received recommendations that the Strategic Risk Register should include monitoring of the risk inherent in commercial transactions undertaken by the Council, and to add a risk item regarding the non-delivery of the Council's Recovery and Reset programme. In response, CMT had agreed updates to the mitigating actions under section 9, 'commercial enterprises', and an addition to the internal controls listed under Economic Recovery, Strategic Risk 2, number 4, to address these recommendations.

The CIA confirmed that the CMT review had identified no further updates and the Committee considered the report. In the following discussions:

The CIA provided her opinion on how the strike under SR6 had been covered in the Risk Register. The CIA noted that the risk ratings reflected the fact that the issue had directly impacted residents rather the Council itself, but that she would raise the query with CMT at the next meeting.

Regarding monitoring of the finance performance of the Recovery and Reset programme, under SR2, Ola Owolabi, DCFO, confirmed that regular reports were taken to CMT and the Recovery and Reset Joint Member Board meetings.

The CIA confirmed that national and international issues were considered by CMT at the review meetings. These were reflected in the Risk Register under the various risk headings, as appropriate, and responded to within the organisation. Examples cited included recent reminder notifications to alert staff to potential cybercrime (in recognition of the current situation in the Ukraine, and that a large proportion typically originates from Russia) and that there had been high levels of 'red' across the Risk Register during Brexit, in recognition of the uncertainty that the issue brought to many areas of the Council.

Resolved (unanimously)

To note the update to the Strategic Risk Register.

56 Internal Audit and Counter Fraud Quarterly Review

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which provided a summary of the activities of Internal Audit and Counter Fraud for the year to date – from 1 April to 31 December 2021. This included production of 16 final reports and 16 follow up reports of which 7 follow up reports and 3 draft reports have been issued in the last quarter.

During the presentation, the CIA drew the Committee's attention to Appendices A and B, which had been updated to include more detailed information in direct response to comments and requests from the Committee at the last meeting.

The CIA noted that Appendix C provided a response to the Committee's request for a report on the specific topic of arrears. This included a detailed report of the Audit Team's second follow-up regarding the Council's handling of Arrears Collection, which had identified that 1 of the 7 original recommendations had been addressed to date, and 4 of the remaining 6 were in process of being addressed. The CIA explained that all responses from the individual managers had been included in the report.

The Chair thanked the Audit Team for its hard work across the year to date and the Committee considered the report.

Resolved (unanimously)

1. To note the report.
2. To invite the Director of Service Delivery and the Chief Finance Officer to present an update and explanation of the status of Arrears Collection at the next Committee meeting, in July 2022.

57 Post Assurance Review of Covid Business Grants

The report of the Chief Internal Auditor was presented to the Committee by Lee Ewan, Counter Fraud Investigations Manager.

Mr. Ewan provided an update on the verification of the coronavirus business support payments administered by Eastbourne Borough Council. This included an explanation of the process for, and the findings of, the verification investigations, its risk-based categorisation of applications, and a summary of the results and findings of the cases that were investigated in Phases 1 and 2. This included the levels of assurance and expectations for future investigation work.

Members thanked Mr Ewan for a comprehensive report and congratulated the Team on its work.

Resolved (unanimously)

1. To note the report

58 Date of next meeting

The date of the next meeting was confirmed as Tuesday 12th July 2022, at 6pm, in the Court Room of Eastbourne Town Hall.

The meeting ended at 7.42 pm

Councillor Robin Maxted (Chair)