

## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 5 October 2023 at 6.00 pm.**

### **Present:**

Councillor Christina Ewbank (Chair).

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

### **Officers in attendance:**

Steven Houchin (Interim Deputy Chief Finance Officer (Corporate Finance)), Jackie Humphrey (Chief Internal Auditor) and Elaine Roberts (Committee Officer).

### **Also in attendance:**

Ben Sheriff and Tanya Chikari, External Auditors, Deloitte (until after Agenda Item 7).

## **12 Minutes**

The minutes of the last meeting, held 28 June 2023, were confirmed as an accurate record and signed by the Chair.

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

Apologies were received from Councillor Collins and from Director of Finance and Performance, Homira Javadi.

Councillor Rodohan attended as substitute for Councillor Collins.

## **14 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.

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

The Chair confirmed that no questions had been received from members of the public.

## **16 Urgent items of business.**

There were none.

**17 Right to address the meeting/order of business.**

The Chair confirmed there had been no requests to address the meeting.

**18 External Audits Update**

Steven Houchin, Interim Deputy Chief Finance Officer (IDCFO) presented a verbal update on the current status of the outstanding external audits. Ben Sheriff and Tanya Chikari from Deloitte attended remotely.

The IDCFO reported that Deloitte and the Council's Finance Team were currently working to complete the 2020/21 audit, with weekly meetings to monitor progress and resolve issues. In addition, senior finance managers from Deloitte and the Council were meeting periodically to check progress with a view to bringing a final set of financial statements for 2020-21 to committee in February 2024.

The IDCFO noted a clear ambition on both sides to complete the remaining audits for 2021/22 and 2022/23 as soon as possible, particularly given the transfer of external audit responsibilities to Grant Thornton in April 2024, and that a delivery timeframe would be presented at the next committee meeting in November.

The IDCFO concluded with an update on the national situation regarding delays to local authority external audits, and the Government's potential plan to mitigate the issue. This included setting statutory deadlines to clear the backlog of delayed audits and accepting, in consequence that some external audits may be submitted with qualifications and disclaimers of opinion in the short term.

The Committee considered the update.

In the following discussion, Members raised concerns over the continued slippage of deadlines and subsequent loss of confidence in future deadlines being met.

Other topics of discussion included Deloitte's allocation of resources, and Deloitte's own internal processes of drafting statements. Deloitte and Officers explained that capitalised expenditure was specifically recognised in all audit statements and the treatment of capitalised expenses for 2021/22 specifically would be reported to Members.

Officers clarified that, currently, Deloitte was responsible for completing audits up to and including 2022-23, but noted the arrangement could change following Government's final decisions on how to address the backlog.

The Committee invited the view of the Chief Internal Auditor (CIA) regarding risk management of late audits. The CIA explained that, as all returned external audits were unqualified, no specific risks had been identified other than reputational. However, if the Government was to propose the filing of qualified

accounts as a measure to address the backlog then the Audit Team would consider it appropriate to undertake risk analysis.

**Resolved (unanimous):**

To note the report.

**19 Update and alignment of Scheme of Delegations to Officers**

Simon Russell, Monitoring Officer, introduced the report and Oliver Dixon, Lawyer and Data Protection Officer, explained the purpose and scope of the Scheme, and the rationale and benefits for aligning and updating the individual Schemes for both Lewes District and Eastbourne Borough Councils.

Oliver Dixon described the consultation with officers and the in-depth revision work carried out by Members, via the cross-party Constitution Working Group), which had informed the refresh of the Scheme, and talked through the key revisions detailed in Appendix 1 of the report.

Following comments from members, Officers clarified queries around the recording of decisions taken under delegated powers and also noted that this area would be reviewed for best practice as part of the ongoing work to refresh the constitution.

In the course of discussions, Officers confirmed that:

- Bids for grants to outside bodies made under delegated powers should be linked with Council's core functions (page 29 B22)
- in cases of injustice by mal-administration, levels of compensation were recommended by the local government ombudsman (pg 31 – B34)
- an edit would be made to change 'should' to 'must' (pg 45 – Limitations relating to C42(vi) and (vii))
- Suffix C indicated the delegated power derived from functions of the Full Council.
- Delegated decisions on whether to accept or refuse a nomination that a property be listed as an 'Asset of Community Value' (ACV) (pg 55/58, C82 and C101) were taken by a panel of specialist officers, with due regard to legal advice. The determination of ACV nominations was highly legalistic and followed a technical procedure under the Localism Act 2011 and associated regulations. For this reason, the decision was not referred to members. However, the Head of Property and Asset Management would notify the relevant ward members that a nomination had been received for a property in their area.

At the end of the considerations, Officers thanked the cross-party Constitution Working Group for its work and the constructive comments from the Committee.

**Resolved (unanimously):**

- (1) To recommend to Cabinet the updated and aligned Scheme of Delegations to Officers (executive functions only) set out in Appendix 1

(2) To recommend to Full Council the updated and aligned Scheme of Delegations to Officers (council functions only) set out in Appendix 1

## **20 Treasury Management**

Steven Houchin, Interim Deputy Finance Officer (IDCFO), provided a summary of recent Treasury Management activities for the quarter one period, April to June inclusive, 2023 and the Committee considered the report.

Officers agreed to make copies of a number of documents referenced in the report available to members, specifically the:

- Strategy Statement (pg 75)
- Treasury Management Strategy Statement (pg 81)
- Treasury Management Practices (pg 81)
- Treasury Management and Investment Strategy

In response to queries from Members, Officers clarified and explained a number of points from the report, including:

- That banks set maximum limits on cash accounts;
- That the Council had the option to generate income by lending any surplus cash to other local authorities;
- That long term debt had not changed since the last report to the Committee in June 2023.
- That while interest rates remained volatile the Council was adopting an approach, under advice, to use short term debt options (when long term debts matured), to avoid committing the Council to long term high interest rates.
- That the £178m quoted in the report was based on current prudential indicators and expectations of grant funding.
- That the forecast for debt increases was an estimate for the year end but would be influenced by councillor decisions made through the remainder of the financial year, and that the Council did not currently borrow to invest.
- That Officers would check and feedback to Members the exact amount of interest paid.

### **Resolved (unanimously):**

To note the report of the Director of Finance and Performance and the assurances contained within and that Treasury Management Activities for the period April to June 2023 had been in accordance with the approved Treasury Strategies.

## **21 Internal Audit and Counter Fraud Report for first quarter of financial year 2023-2024 - 1st April 2023 to 30th June 2023**

Jackie Humphrey, Chief Internal Auditor (CIA) introduced the report, which summarised the work carried out by the Internal Audit and Counter Fraud teams during the first quarter of the financial year 2023-24 and provided

an update on progress with 'follow-ups'. The CIA also noted that the team planned to refresh the process adopted for next year's work programme and these would be explained once in progress, and that the vacant post within the team had now been filled.

Members thanked the CIA for the clarity and comprehensive nature of the report.

Following questions and comments from Members, the CIA explained that the timeline for setting up a Local Authority Controlled company (LAC) (pg 94, 2.5) had not been finalised, confirmed that the Audit Team would be mindful of ensuring follow ups if progress was slow and assured Members that any future risk assessment requirements would be addressed by the wider revision of the risk assessment process currently underway.

The CIA clarified that there was a net gain benefit for the Council when Counter Fraud activities of both retrieval and prevention of spend were considered combined. The CIA also noted the value of deterring attempted fraud, gained from publicising Council successes in prevention and detection and would investigate a possible model to demonstrate recovery versus costs ratio for future reports.

The Committee commented on the outstanding issues regarding the Construction Industry Scheme and recognised the work being undertaken by the Council to address issues around debt collection.

**Resolved (unanimously):**

To note the information in the report and that the case for information requirements had been made during the course of the discussion.

**22 Strategic Risk Register Quarterly Review**

Jackie Humphrey, Chief Internal Auditor (CIA) introduced the report, which noted changes to the risk register made by the Corporate Management Team (CMT) following its quarterly review of the register.

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

In the following discussions, it was agreed that the CIA would:  
Request an update from the Head of IT on work to build resilience and best practice, including current back-up arrangements

Investigate if and how the Risk Register software could facilitate capturing the rationale for a new topic being included.

**Resolved (unanimously):**

To note the update to the Strategic Risk Register.

**23 Date of next meeting**

The date of the next meeting was confirmed as Wednesday 22<sup>nd</sup> November 2023, at 6pm, in the Court Room, Eastbourne Town Hall.

The meeting ended at 8.21 pm

Councillor Christina Ewbank (Chair)