

## **Audit and Governance Committee**

**Minutes of meeting held in Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER on 11 July 2024 at 10.00 am.**

### **Present:**

Councillor Stephen Gauntlett (Chair).  
Councillors Daniel Stewart-Roberts (Deputy-Chair), Graham Clews, Cathy Gallagher, Charlotte Keenan, James Meek and Paul Mellor.

### **Officers in attendance:**

Steven Houchin (Deputy Chief Finance Officer), Jackie Humphrey (Chief Internal Auditor), Ross Sutton (Head of Financial Reporting) and Sarah Lawrence (Committee Team Manager).

### **Also in attendance:**

Ben Sheriff (External Auditor - Deloitte), Darren Wells (External Auditor - Grant Thornton) and Trevor Greenlee (External Auditor - Grant Thornton).

### **1 Minutes**

The minutes of the meeting held on 4 March 2024 were approved as a correct record and signed by the Chair.

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

An apology for absence was received from Councillor Olivia Honeyman, and it was confirmed that Councillor Paul Mellor was attending as her substitute for this meeting.

### **3 Declarations of interest**

There were no declarations of interest.

### **4 Urgent items**

There were no urgent items for decision.

### **5 Written questions from councillors**

There were no written questions from Councillors.

### **6 External Audit Update**

The Council's Deputy Chief Finance Officer (DCFO) presented the report

providing Members with an update on respect of the Council's outstanding Statement of Accounts for 2019/20 and the arrangements for completion of the outstanding statement of accounts for later years, and the national context for these delays.

The DCFO, on behalf of the Chair and the Committee, welcomed Ben Sheriff (Deloitte) and Darren Wells and Trevor Greenlee (Grant Thornton) to the meeting.

It was confirmed that Officers had received the Audit Findings (ISA260) Report and audited Financial Statements from Deloitte in respect of the 2019/20 accounts. This had been received too late for inclusion on this agenda, and therefore it was recommended that a special meeting of the Committee be set up shortly for this to be considered. The DCFO and the Ben Sheriff (Deloitte) confirmed to the Chair that all queries and adjustments had been completed and it was ready to come to Committee for decision.

The DCFO advised that the work to progress the outstanding audits (2020/21 to 2023/24) was now subject to Government's proposals to clear the national backlog of historic local government audits, known as the backstop arrangement. The first phase of this would be that the Council would publish all unaudited statements of accounts for 2020/21, 2021/22 and 2022/23 and there would be a 30-day Public Inspection Period, and then Deloitte would issue opinions based on the work the auditor had completed by the backstop date (currently 30<sup>th</sup> September). These would likely be in the form of modified opinions, incorporating outstanding Value for Money (VFM) reporting for all historical years into a single output, under a reduced scope. The audited accounts for 2023/24 were due to be completed by May 2025. The DCFO advised that the legislation required for these arrangements had not been passed prior to the General Election, and although they had previously received cross-party support, Officers awaited confirmation from the new Government as to the arrangements and the timescales and for the necessary legislation to be passed. At this point the Council and Auditor were still working to the proposed deadlines, but these might change.

Ben Sheriff (Deloitte) confirmed that this was also his understanding of the position and set out the work that Deloitte would carry out as part of the backstop arrangements. He highlighted that once the Council had published the unaudited accounts, if any objections are received during the public inspection period this could delay the process. In response to a question, the DCFO confirmed that officers were working on publishing all the unaudited accounts in the next few weeks, once the 2019/20 accounts had been agreed, to provide a starting position.

It was noted that as part of the proposal to sign off outstanding accounts, it would be up to each Council to ensure it had sufficient internal processes to give assurance of the accounts, where they were not subject to a full audit. Ben Sheriff suggested that the Audit and Governance Committee might wish to request a report from officers summarising all the assurances and controls that the Council had in place.

The new auditors were asked to comment on the backstop arrangements, in particular in relation to the 2023/24 audit. Darren Wells from Grant Thornton advised that the new auditor would not go back and do a full audit of the 2023 Balance Sheet, but would focus on the 2024 closing position. The Council would have in place disclaimers for previous years. As a result, it might take 3-4 years for the Council to receive unqualified opinions on its statement of accounts from Grant Thornton.

The Committee welcomed the update. It was agreed that it was important for Members to be fully informed of the background to the publication of the unaudited statements of accounts, so that they could explain the position in public, and for the statements to be published alongside a clear explanation. The DCFO confirmed he would make arrangements for a Members' Briefing on what is being presented and when, and confirmed that the presentation to Members would include assurances of the level of work officers had done to satisfy themselves of the position, and an overview of the steps taken to come to the estimates.

**RESOLVED:**

1. To note the report
2. To convene an extraordinary meeting of the Audit and Governance Committee as soon as practicable to review the Audit Findings (ISA260) Report and audited 2019/20 Financial Statements ahead of its presentation by Deloitte.

## **7 Treasury Management Annual Report 2023/24**

The Committee considered the Annual Treasury Management report which presented details of Treasury Management activities and the prudential and treasury indicators for 2023/24, and which included the update from Quarter 4. The Committee was required to review the Annual Report and have the opportunity to make comments to Cabinet prior to its consideration by Full Council, by the Council's Treasury Strategy Statement and in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Head of Financial Reporting (HFR) summarised the report.

A question was asked about the fall in the value of cash balances at the end of the year. The HFR confirmed that is partly due to the normal end of year position, with a slight increase in expenditure combined with a reduction in Council Tax / Business rates where many pay over the first 10 months. In addition, one of the long term PWLB loans had expired, and Officers were waiting to see if the long terms rates improved, or if short term borrowing was required in the interim.

**RESOLVED:** That Full Council be recommended (via Cabinet):

- (1) To approve the Annual Treasury Management report 2023/24; and

(2) To approve the 2023/24 Prudential and Treasury Indicators included in the report.

## **8 Internal Audit and Counter Fraud Report for the financial year 2023-2024 - 1st April 2023 to 31st March 2024**

The Committee received the report which provided a summary of the activities of Internal Audit and Counter for the financial year 2023-2024 from 1 April 2024 to 31 March 2024.

Discussions included audits that are still due follow ups, conformance to audit standards, and counter fraud and related cost benefits and savings.

The Chief Internal Auditor (CIA) advised that she would be working with finance colleagues to ensure that the internal audit plan covered the systems and controls that were necessary for the Section 151 officer to be assured on the financial systems.

Members asked particular questions in relation to DBS checks and the Grounds Maintenance audit. On the former, the Chief Internal Auditor confirmed during the meeting that only 1 DBS form was missing from the records, which could be due to it not yet being received for a new employee, but she would check. On the Grounds Maintenance contract, it was noted that the Policy and Performance Advisory Committee (PPAC) had asked for a review of the service, and Members requested that the report to PPAC should take into account the concerns on the contract performance raised by the Chief Internal Auditor.

The Chair thanked the CIA for the excellent report.

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

## **9 Annual Governance Statement**

The Committee considered the report which set out the draft 2023/24 Annual Governance Statement (AGS).

The Chief Internal Auditor (CIA) summarised the report, highlighting the Governance Framework (Appendix 1), the Annual Governance Statement timetable (Appendix 2) and the Managers' Assurance Statements (Appendix 3).

**RESOLVED:** That the Annual Governance Statement, as set out in Appendix 5, be approved.

(At the end of this agenda item the Committee took a 5 minute break at 11.15 am).

## 10 Exclusion of the public

**RESOLVED** – That the press and public be excluded from the meeting during the discussion of the External Audit Plan 2023/24, Appendix 3, on the basis that it had been identified as commercially sensitive and was likely to disclose exempt information as defined in paragraph 10 of Schedule 12A, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

As no press and public were present, the Committee discussed agenda items 10 and 12 (appendix 3) together.

## 11 External Audit Plan 2023/24 Accounts

The Chair welcomed Darren Wells and Trevor Greenlee (Grant Thornton) to the meeting to present their reports which included:

- Lewes District Council Indicative External Audit plan for 2023/24 (Appendix 1)
- Lewes District Council Audit progress report and sector updates (Appendix 2)
- Informing the audit risk assessment for Lewes District Council 2023/24 (Exempt Appendix 3)

They confirmed that:

- Work had begun to establish good relationships with all their Councils via a workshop.
- Grant Thornton had the resources in place to do its part to work to the tight timescales set out in the Audit Indicative Plan and would look to the Council to also prepare and respond swiftly to any issues that arose to stay on track, but it was recognised this would require hard work on both sides over the next couple of years.
- It would likely be 3 to 5 years before Grant Thornton would be able to issue an unqualified opinion on an audit, due to the backstop arrangements, and materiality had been set lower than normal, due to the unaudited accounts in the previous years.
- The audit would start in October – with an ambitious 2-month timeline planned to complete the audit by December 2024. However, it was noted that Grant Thornton would not be able to issue an audit opinion, until the Deloitte one was issued for previous years, and this was dependent on the Government's decision on the backstop arrangements.
- The auditors would provide an update of progress at each Audit and Governance Committee meeting.

It was highlighted that Grant Thornton were awaiting information on one IT system and a contact for the VFM audit from the Council. The DCFO confirmed he would provide this information, and on the former was meeting with the Head of IT this afternoon and would keep members updated.

Assurance was given by the Committee, at Grant Thornton's request, that the management responses at Appendix 3 in relation to the absence of internal fraud or external litigation, were consistent with the Committee's own understanding.

The Chair thanked Darren Wells and Trevor Greenlee for attending the meeting and advised that he looked forward to building a good relationship with them as the Council's new External Auditors.

**RESOLVED:**

1. To note and approve the Audit Plan for 2023/24; and
2. To confirm that management responses ('Informing the audit risk assessment') are consistent with the Committee's understanding.

**12 External Audit Plan 2023/24 - Exempt Appendix 3**

This had been discussed as part of the above agenda item, as no press and public were present.

**13 Date of next meeting**

To note that the next scheduled meeting of the Audit and Governance Committee would be held on Monday 9 September at 5 pm.

However, an additional meeting to consider only the 2019/20 statement of accounts would be held on Monday 5 August at 5 pm.

The meeting ended at 11.40 am

Councillor Stephen Gauntlett (Chair)