

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 24 September 2024 at 6.00 pm.

Present:

Councillor Christina Ewbank (Chair).

Councillors Ali Dehdashty (Deputy-Chair), Hugh Parker, Kshama Shore, David Small, Alan Shuttleworth and Stephen Gilbert (Audit Independent Member).

Officers in attendance:

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

Also in attendance: Ben Sheriff and Mariska Marais (Deloitte, external auditor), Trevor Greenlee (Grant Thornton, external auditor)

15 Minutes

Minutes of the last meeting, held 18 July 2024, were confirmed as an accurate record.

16 Apologies for absence/declaration of substitute members

Apologies were received from Councillor Rodohan, Councillor Maxted and Reserve member, Councillor Collins.

Apologies were also received from Chief Finance Officer, Homira Javadi and Chief Internal Auditor, Jackie Humphrey.

Lee Ewan, counter fraud investigations manager, and Lorraine Marley, Audit Manager, attended on behalf of Jackie Humphrey.

The Chair invited everyone to introduce themselves.

17 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.

Councillor Ewbank declared, as a personal interest, her responsibility for running the Edeal Enterprise Agency, a not-for-profit organisation in receipt of funds, via Eastbourne Council, from the UK Shared Prosperity Fund to deliver business support. It was noted that the organisation was not expected to be relevant for any item on the agenda.

18 Questions by members of the public.

There were none.

19 Urgent items of business.

There were none.

20 Right to address the meeting/order of business.

The Chair confirmed there were no requests to address the meeting.

21 External Auditor's (Deloitte) report on the 2020/21 Statement of Accounts

The Chair invited Deloitte's representatives, Ben Sheriff and Mariska Marais, to present its report on the Statement of Accounts for 2020-2021.

The meeting was paused shortly after the start, to investigate the poor sound quality of Mr Sheriff's connection and very poor sound quality of Ms Marais' connection. The meeting was resumed and, with the agreement of Members, the Chair asked Mr Sheriff to provide a short precis of his introduction, before taking questions and comments from the Committee.

In his presentation Mr Sheriff stated that Deloitte's overall position was to issue an unmodified opinion on the financial statement for 2020-21, and that no significant risk had been identified on the Value for Money arrangements. He encouraged the Committee to follow up on the key findings outlined in the report and highlighted Deloitte's view of the importance to continue to improve the quality of the financial statements and the preparation of management papers on key estimates.

The Chair thanked Mr Sheriff and invited Steven Houchin, Deputy Chief Finance Officer (DCFO) to comment.

The DCFO was pleased that the Council was now in a position to publish the financial statements for the year 2020/2021 and acknowledged the hard work of the Head of Financial Reporting and his Team.

The Chair added her thanks to the Finance Team on behalf of the Committee and invited questions and comments from Members.

Following questions as to whether the recommendations in the statement of accounts would have been different if they had been returned earlier, Mr Sheriff acknowledged the increased pressures in local government accounting and audit practices from changes brought during the 2010s and 2020s and confirmed that the Deloitte's audit work would have been carried out in line with the practice expectations current at the time.

Following questions from Members regarding the various points of concern raised by Deloitte in the Statement of Accounts report:

- Officers confirmed that amendments and improvements to processes highlighted by the Deloitte audit were already underway, citing a number of areas including (but not limited to) relevant controls and staff turnover. These should be evident in future audits, although it was noted that the backstop arrangements would mean less in-depth audits initially.
- The DCFO assured the Committee that the Finance Department would be taking into account all the comments from the report, but noted that it was not unusual for differences of interpretation of accounting transactions and standards to occur.
- Officers acknowledged the issues raised by Deloitte around performance of the Finance Team and quality of financial document submissions. The DCFO explained the historical difficulties that the Finance Team had experienced, and noted how recent changes in the past 18 months should help to address this.

Mr Sheriff clarified Deloitte's view of the impact of resource issues within Deloitte on the overall delivery of its audit work for the Council. Following queries regarding expectations for a smooth run for the remaining outstanding audits, Mr Sheriff cautioned that meeting the Government's timeframe for delivering delayed accounts for remaining audits could be challenging as it required a set of accounts to be published and the requisite inspection period concluded with no objections from members of the public.

Regarding concerns raised in the report about the Council's cyber security strategy, the Committee agreed to request a response from the Head of IT, in a report to the next committee meeting, to provide assurance on the points of concern.

Resolved (unanimously) – To approve the Officer Recommendation:

1. To note the Independent Auditor's (Deloitte) report to those charged with governance on EBC Accounts, and the Value for Money conclusion report.
2. To delegate authority to the Chair of the Audit and Governance Committee, in consultation with the Director of Finance and Performance (S151 Officer) to sign-off the audited EBC 2020/21 Statement of Accounts.
3. To authorise the Director of Finance and Performance (S151 Officer) to sign the formal Letter of Representation to Deloitte.

22 External Audits Update

Steven Houchin, Deputy Chief Finance Officer (DCFO) introduced the report, briefly summarising its contents. This included the latest update from Central Government for arrangements to tackle the backlog, known as 'the backstop'. This had set 13 December 2024 as the deadline for completion of audits up to 2022/23 and 28 February 2025 for completion of the 2023-24 audit. The report

noted the expected impacts, challenges and risks created by the deadline timetable and that planning meetings had been held subsequent to the announcement between the finance department, Deloitte and incoming external auditor Grant Thornton.

Before inviting comment from Deloitte and Grant Thornton representatives, the DCFO explained the key focus of Deloitte's would be to produce a Value for Money (VFM) statement and explanations for key movements of money during the audit periods.

Regarding plans to deliver the 2021/22 and 2022/23 audits (Appendix B of the report), Ben Sheriff, Deloitte's representative, noted that an initial publication deadline of the 16 October would have to be met if a Statement of Accounts was to be presented at the Committee's next meeting on 27 November.

Regarding plans to provide audits for 2023-24 and beyond, Trevor Greenlee, Grant Thornton, reported that all parties had agreed that the finalising of the earlier, overdue audits should take priority. However, this would impact the timely start of work on the 2023-24 audit, which would mean that that year's audit would also have to be covered by the backstop arrangements.

The Chair thanked both external auditor representatives for their attendance and explanations of the current plans to tackle the outstanding audits.

Resolved (unanimously):

To approve the officer recommendation to note the report and associated appendices.

23 Quarterly Internal Audit and Counter Fraud Report - Q1

Lorraine Marley, Internal Audit Manager (IAM), presented a brief explanation of the report and its appendices. The IAM noted that the Internal Audit Team focused its work according to the current issues facing the Council, which had included income generation, expenditure and sustainability.

The IAM provided additional verbal progress updates in a number of key areas, including Complaints, Risk Management, and monitoring the grounds maintenance contract with Idverde, and reported that the governance of all companies was now completely up to date.

The Chair thanked the IAM and invited comments and questions from members.

During the discussions, a number of concerns were raised about comments in the report relating to risk management and about the number of follow ups being required across different areas of the Council, despite the repeated efforts of the Internal Audit Team. There was a request that the Chief Executive be invited to attend the next meeting to comment on concerns at the lack of progress with risk management and the number of outstanding recommendations.

In response to questions about processes regarding debtors and credit controls, Steven Houchin, Deputy Chief Finance Officer (DCFO) explained that there were a number of different types of debtors, which were managed by the relevant service areas.

Requests were made that:

An extra line about debtors be added to the risk management report;

The Chief Finance Officer (CFO) provide a report of the processes each department has for credit control and cash flow; and

An update from either the CIA or appropriate Service Lead to confirm that evidence of completed works by Idverde, including photographs, was being provided as per the contract agreement.

The Chair then invited Lee Ewan, Counter Fraud Investigations Manager (CFIM), to present the section of the report relating to the work of Counter Fraud.

In the following presentation the CFIM included an update on income generation and savings from counter fraud work, outlined in Appendix D, and noted improvements in responses from the Department of Works and Pensions (DWP) to the team's enquiries.

Following queries from Members, it was agreed that the Counter Fraud Team would provide an update on its small business fraud work at a future meeting.

Officers clarified that while increases in the number of initial enquiries had not particularly impacted the team, that position would alter if Central Government legislation changed to create a spike in right-to-buy claims.

Officers explained that the Counter Fraud Team provided further, more in-depth, investigation after hints of fraud had been detected by a department's own checking processes, and gave examples of the lines of investigation the team would take.

Resolved (unanimously):

To approve the officer recommendation to note the report and the Committee's additional information requirements as identified during discussions and set out above.

24 Treasury Management 2024/25 Q1

Ross Sutton, Head of Financial Reporting, presented the Treasury Management monitoring report for Quarter 1.

The Officer provided a brief outline and explanation for each of the sections of the report and invited comments from the Committee.

Following questions about variations in borrowing totals, including an increase from £186m in January to £194m in June, Officers explained that the figure of

£186m quoted in January was a forecasted amount, and that the figure quoted as of 30th June of £194m was actual. The figure for the current to-date position was £191m.

Officers further clarified that the Council had a mix of long term and short-term borrowing, that cashflow was monitored and managed on a daily basis, and that short term borrowing was used to ensure that the Council did not go overdrawn.

Officers also confirmed that the expected end-of-year cost of debt (principal and interest) of £7.19m was reflective of the whole debt.

Resolved (unanimously):

To approve the officer recommendation to note the report of the Director of Finance and Performance and the assurances contained within and agreed that Treasury Management Activities for the period April to June 2024 had been in accordance with the approved Treasury Strategies.

25 Date of next meeting

The next meeting was scheduled for 27 November at 6pm, in the Court Room at the Town Hall.

The meeting ended at 7.47 pm

Councillor Christina Ewbank (Chair)