

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 12 December 2024 at 5.00 pm.

Present:

Councillor Christina Ewbank (Chair).

Councillors Ali Dehdashty (Deputy-Chair), Hugh Parker, Pat Rodohan, 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), Ross Sutton (Head of Financial Reporting), Linda Farley (Assistant Director, Customer Service and Delivery), Nick Ducatel (Assistant Director, Revenues and Benefits) and Ian Fitzpatrick (Deputy Chief Executive and Director of Regeneration and Planning) and Elaine Roberts (Committee Officer).

Also in attendance: Ben Sheriff, Deloitte, Marisa Marais, Deloitte, and Darrent Wells, Grant Thornton.

26 Minutes

Minutes of the last meeting, held 24 September 2024, were confirmed as an accurate record.

27 Apologies for absence/declaration of substitute members

Apologies were received from Councillor Maxted and Councillor Collins and from the Chief Executive, Rob Cottrill, and the Director of Finance and Performance, Homira Javadi.

28 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.

29 Questions by members of the public.

There were no questions from members of the public.

30 Urgent items of business.

There were none.

31 Right to address the meeting/order of business.

There were no requests to address the meeting.

32 External Auditor's Report on the 2021/22 and 2022/23 Statement of Accounts (Backstop)

Steven Houchin, Deputy Chief Finance Officer (DCFO) began with an overview of Central Government's backstop arrangements and explained how these varied from the usual process for an annual Statement of Accounts. He summarised the documents published in the agenda pack and provided explanation of the two printed documents provided to Members just prior to the meeting, which comprised an additional page to the Audit Findings Report containing outstanding disclosures from Deloitte and another with amendments to tables in Appendices A and B, which had been required by Deloitte.

The DCFO then introduced Ben Sheriff, Associate Partner, and Mariska Murray, Senior Manager, representing external auditors, Deloitte.

In presenting Deloitte's reports, Mr. Sheriff confirmed that no objections had been received during the inspection period, which had closed on 11 December 2024, and that some queries, which had still been open when the agenda was originally published, had now been addressed (page 4 of the report). Mr. Sheriff clarified that the report's wording regarding 'Value for Money' had been left slightly open, as the inspection period had not then closed at the time of writing and re-confirmed that Deloitte had not identified anything else to report.

Before inviting comments from Members, the Chair recognised the efforts of both of the internal and external finance audit teams to successfully meet the backstop deadlines.

Following questions and comments received from Members:

Mr. Sheriff clarified that Deloitte was not issuing a formal Audit Opinion and had not carried out the usual full set of testing activities due to the backstop arrangement and deadlines.

Officers summarised steps taken in recent years to improve staffing within the Council's finance team and confirmed that the accounting software was fit for purpose. Whilst agreeing that more investment in resources would bring advantages, the DCFO recognised the Council's current constraints.

Members raised concerns that some issues noted in the Statements of Accounts reoccurred year-on-year and that external auditor recommendations were remaining unaddressed.

Deloitte's representatives explained how the shortened timeframes for previous years' accounts and preparing the two most recent audits so closely together, had impacted the usual opportunities to embed and evidence improvements on lessons learnt.

Officers acknowledged and accepted the deficiencies highlighted by the external auditors and provided further clarification on Deloitte's explanation. Officers noted that the recommendations in the Deloitte reports would be picked up and reviewed by the incoming auditors, Grant Thornton. In addition, the backstop arrangements would help the Council to 're-set' into a normal auditing cycle and provide opportunity to review procedures and improve ways of working.

Ian Fitzpatrick, Deputy Chief Executive, provided assurance that the comments from the Committee, Officers and the External Auditors would be reported back to the Chief Executive, who had been unable to attend that evening's meeting, and recognised the importance of the backstop arrangements as a reset period to help stop the knock-on effect of issues.

Other topics for discussion included: the complicated nature and history of the external audits, and the financial issues generally, requests for more clarity in the reports and for training, and the importance of identifying areas for improvement, including around topics of governance and risk, and regular monitoring of work to address these.

Deloitte representatives provided information, views and suggestions regarding these issues.

The Chief Internal Auditor agreed to work with colleagues in the Finance Team to identify how the Internal Audit Quarterly reports could provide updates to the Committee on implementation of external audit recommendations.

At the end of the discussions, Mr Sheriff confirmed that Deloitte would not be carrying out any further external audit work and clarified the remaining steps regarding the two sets of accounts for 2021-22 and 2022-23.

Resolved (unanimously):

1. To agree the recommendation to note the audit findings report and the disclaimer of audit opinion due to backstop 2021-22 and 2022-23 detailed at Appendix A.
2. To delegate authority to the Director of Finance and Performance (S151 Officer) in consultation with the Chair of the Audit and Governance Committee, to sign-off the audited LDC 2020/21 Statement of Accounts (Appendix B).
3. To delegate authority to the Director of Finance and Performance (S151 Officer) in consultation with the Chair of the Audit and Governance Committee, to sign off the 2021/22 Annual Auditor Report once it is available.
4. To delegate authority to the Director of Finance and Performance (S151 Officer), in consultation with the Chair of the Audit and Governance Committee, to sign-off the 2022/23 Annual Auditor Report once it is available.
5. To authorise the Director of Finance and Performance (S151 Officer) to sign the formal Letter of Representation to Deloitte.

33 External Audit Update

Steven Houchin, Deputy Chief Finance Officer (DCFO), presented his report, which gave Members a full update on the current position of the work on External Audits and provided assurance that the Team was doing all it could to meet the next backstop deadline of 28 February 2025. The DCFO then invited comment from Darren Wells, as representative from the current External Auditors, Grant Thornton.

Mr. Wells confirmed that Grant Thornton had completed the planning work for the 2023-24 audit and work regarding Value for Money assessment was underway and would be reported at the next Committee. Mr. Wells also re-confirmed that, as per its previous report to the Committee, Grant Thornton would provide a disclaimed audit opinion for 2023-24, as its focus was to ensure a timely start for a full audit process for the 2024-25 Statement of Accounts. This would enable the Council to re-establish full annual external auditing routines.

The Committee considered the update. Members voiced disappointment at the lack of a full audit for 2023-24 and sought assurance that the next fully-audited Statement of Accounts for 2024-25 would be delivered by the extended deadline of February 2026. Officers explained the work and considerations that were underway to ensure this.

Resolved (unanimously):

To agree the recommendation to note the report and its associated appendices.

34 Debt processes across the Council

Linda Farley, Assistant Director, Customer Service and Delivery, presented the report, which provided an overview of the current position and processes of debt management and recovery across the Council, described the key areas of focus for the approach going forward and the various plans for improvements.

The Committee considered the report.

Linda Farley, along with Nick Ducatel, Assistant Director, Revenues and Benefits, provided clarification across a number of topics raised in the following discussions, including: the types and percentages of debt, the impact of timelines set by legislation on service delivery, direct debit payments, the process and responsibility for credit control, the service's new online portal, customer campaign plans, and improvements to debt position reporting to ensure best focus of debt collection resources.

Officers reported on collaborations with the IT Department to help improve ways of working, including the recent introduction of automated monthly reporting.

Members thanked Officers for the report and the Team for its proactive approach and welcomed the offer to receive regular reports at future Committee meetings. Information requests from Members included a breakdown of sundry debts, aged debt, clarity on permissible incentives for direct debit payments, and details on how the Team was managing historic debt.

Jackie Humphrey, Chief Internal Auditor, noted how the information from Linda Farley's report essentially addressed the outstanding Internal Audit recommendation for a fair debt policy.

Resolved (unanimously):

1. To agree the recommendation to note the update provided by the Assistant Director, Customer Service and Delivery.
2. To endorse the actions set out in the report at paragraphs 4 and 5 being taken as part of the review of debt collection across the organisation; and
3. To agree to request that quarterly updates on debt recovery be brought to the Committee, in line with CMT reporting.

35 Internal Audit and Counter Fraud Quarterly Report

Jackie Humphrey, Chief Internal Auditor (CIA) presented her report, which provided a summary of the activities of Internal Audit and Counter Fraud Teams for the first half of the financial year. The presentation included verbal updates on progress of a draft report on Risk Management, that the one remaining Departmental Business Continuity Plan had now been completed, and that a draft Complaints Policy had now been agreed, which should result in better progress to resolve the CIA's outstanding recommendations in that area.

The Committee considered the report.

The CIA confirmed that timings for Internal Audit's next follow up of the Grounds Maintenance Contract meant results would not be included in the next Quarterly update. However, the CIA agreed to bring a verbal update and, if findings had shown a significant lack of progress, the CIA would request that the relevant Officers attend the Committee meeting.

Other topics included outstanding Debtors recommendations, over extension of staff through additional responsibilities and management of potential fraud around homelessness services.

It was confirmed that the Committee's request for a cyber security update from the Head of IT had been deferred to the next committee meeting. It was noted that recent external audit reporting included positive comment on the topic.

Resolved (unanimously):

To approve the Officer recommendation that the information in the report be noted and the requests for further information requirements identified by

Members as set out above.

36 Treasury Management Report 2024/25 Q2

Ross Sutton, Head of Financial Reporting, presented the report, which outlined details of recent Treasury Management activities.

Following a variety of queries from Members:

Officers outlined the different factors that could cause significantly low cash balances on certain days and agreed to feedback separately on the questions raised around the specific dates.

Officers explained the differences and reasons for variations between the original capital budget set in February, the revised budget position following 31 March year end, and the forecast position for the year and impacts on the borrowing position.

Officers agreed to provide a breakdown of the Capital Financing Requirement (CFR) by capital expenditure scheme to interested Members outside of the meeting.

Following questions from Members around financing costs, cash flow and borrowing, Officers explained the rationale behind the advice received from external Treasury Management advisors and of the Council's current and expected near future approach to short and long-term borrowing strategies.

Resolved (unanimously):

To approve the Officer's recommendation to note the report and the assurances contained within and agree that Treasury Management activities for the period April to September 2024 have been in accordance with the approved treasury strategies.

37 Date of next meeting

The date of the next meeting was confirmed for Thursday 27 February 2025, at 6pm, in The Court Room, Eastbourne Town Hall.

The meeting ended at 8.00 pm

Councillor Christina Ewbank (Chair)