

## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 12 July 2022 at 6.00 pm.**

### **Present:**

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Sammy Choudhury, Peter Diplock, Md. Harun Miah, Kshama Shore, Candy Vaughan, and Stephen Gilbert (Audit Independent Member).

### **Officers in attendance:**

Tim Whelan (Director of Service Delivery), Nick Ducatel (Functional Lead - Growth and Prosperity), Jackie Humphrey (Chief Internal Auditor) and Ola Owolabi (Deputy Chief Finance Officer - Corporate Finance).

#### **1 Minutes**

The minutes of the last meeting, held on 2 March 2022, were confirmed as an accurate record.

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

Apologies were received from Councillor Freebody and from Homira Javadi, Chief Finance Officer. Councillor Jane Lamb attended as substitute.

#### **3 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.

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

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

#### **5 Urgent items of business.**

There were none.

#### **6 Right to address the meeting/order of business.**

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

## 7 External Audits Update

External Auditor representative, Ben Sheriff, Director Audit and Assurance, Deloitte LLP, (with Niren Ramkhelawon, Deloitte, also in attendance) presented a verbal update of external auditing activity to the Committee.

Mr. Sheriff reported that Deloitte had identified and earmarked resources to work on the outstanding external audits as follows:

- 2019/20 audit of the Council as from the start of July 2022
- 2020/21 audit of the Council as from the start of September 2022
- 2021/22 audit of the Council as from the start of November 2022

The Committee considered the report.

Mr. Sheriff clarified that Deloitte planned to bring the External Audit for 2019/20 to the Committee's September meeting and that the External Audits for 2020/21 and 2021/22 would be brought to the Committee's November and March meetings respectively.

Members raised a number of concerns around the challenging nature of the timescale and the scale fees to be confirmed. Mr Sheriff highlighted that work on the 2019/20 Audit had begun the previous year, and that early work had been particularly complicated, with requirements in matters that pre-dated the current Finance Team membership.

The Chair invited comment from Ola Owolabi, Deputy Chief Finance Officer (DCFO). The DCFO reported that a meeting had taken place with Senior Deloitte representatives, senior Council Finance Officers and the Chairs and Deputy Chairs of the Audit Committees, which had agreed the importance of setting a timetable for delivery of the backlog of External Audits. Deloitte had confirmed that it was now in a position to rectify the primary issue of lack of resources. The DCFO noted that the timescale was ambitious but potentially possible and noted that many lessons had been learnt by both auditors and officers which would benefit the process going forward. The DCFO confirmed that the Council Team was committed and had taken measures to prepare itself to work to the timetable.

Mr. Sheriff noted that a cycle of regular meetings with the Council Finance Team had been established to help deliver the work, which included regular liaison between the DCFO and Mr Ramkhelawon specifically to agree a swift response to any issues that arose.

Responding to questions of the work cycle since the start of July, Mr Sheriff confirmed that the more recent initial audit information submissions from the Council's Finance Team were of a much higher standard and the Team had responded swiftly to the requests.

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

To note the verbal update, including the proposed timetable.

## 8 Strategic Risk Register Quarterly review

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which presented the outcomes of the quarterly review of the Risk Register by the Corporate Management Team (CMT). During the presentation, the CIA drew the Committee's attention to a number of changes following CMT's consideration of comments made by the Committee at its previous meeting.

The Committee considered the report.

Following a request from Stephen Gilbert, the newly appointed Audit Independent Person (AIP), for background information regarding the area of cyber security, it was agreed the Mr. Gilbert would submit his questions to the CIA, via the Chair.

Members raised concerns over rising energy costs and asked about the Council's internal and external plans for response. Officers at the meeting explained that:

- The Council's Income Maximisation and Welfare Team offered and signposted residents to a number of routes for assistance and had administered over 34,000 Council Tax Energy payments since April.
- Vacation of No.1 Grove Road was complete and there was on-going evaluation of best use of council buildings.
- Financial planning for the coming year now included recommendations for specific reserves for rising 'energy' as well as 'cost of living' and 'inflation' costs.

Officers confirmed that East Sussex County Council was the lead for emergency planning under the Civil Contingencies Act and that Tim Whelan, Director of Service Delivery, was the CMT lead for corporate emergency team planning.

Officers confirmed that, while the Risk Register encapsulated the high-level process of monitoring risk, risk information was also reported to CMT through CMT members' own departmental meetings.

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

To note the update to the Strategic Risk Register.

## 9 Arrears Collection Update

Tim Whelan, Director of Service Delivery (DSD), and Nick Ducatel, Lead for Income Maximisation and Welfare, presented a verbal update on the Council's progress to address the outstanding recommendations from the Internal Audit (IA) Team regarding arrears collection.

The DSD provided a brief introduction and requested that the Committee consider the report within the context of the Council's obligations for continuous arrears collection and administering central government grant schemes.

Mr Ducatel then looked at the outstanding recommendations in turn, outlining activity and achievements to date and explaining how the recommendations had now been met. During the presentation, Mr Ducatel noted that, once the business case review to align income and recovery departments under the management of 'Customer First' was completed, the outcome would be reported to the Committee.

The Chair thanked Mr Whelan and Mr Ducatel for attending the meeting. Following questions and points raised by Members, the officers clarified that:

- By law, residents were required to pay Council Tax and the Council has a duty to collect Council Tax arrears. The Council's powers to write off any Council Tax debts were very limited and potentially very costly for the Council and traumatic for the resident.
- The approach to arrears collection was decided on a case-by-case basis and was necessary as some very old debts were still recoverable.
- The years referenced in the report were those with the oldest debts.
- Analysis of old debt had been due to complete in Q1, however, the deadline had been extended after resources were diverted in April to administer the Government's Council Tax energy rebate scheme which was still ongoing. The Council's Welfare team provided residents with help and advice on managing debts, maximising discounts and accessing welfare benefits and grants.
- That both Lewes District and Eastbourne Borough Councils had areas of deprivation and that the team had plans in place for both authorities to manage arrears.

Officers confirmed that the use of enforcement agents was a last resort and would only come after repeated efforts to engage with the resident had failed. The decision to use enforcement agents was being made on a case by case basis under this review; was carefully managed and could be recalled, to ensure protection of vulnerable people. Their potential use was seen as a preventative measure which deterred, in the main, those who would otherwise wilfully refuse to pay.

In response to queries on the current status of debts, officers confirmed that the total Council Tax arrears figures had decreased from £13.2m on 1 April 2022 to £12.6m by end of June. Business Rate arrears had decreased from £2.9m to £2.4m in the same period and Housing Benefit overpayments had decreased from £3.9m to £3.7m. Officers acknowledged the difficulty in clearly differentiating between accrued and current debt and that debt reporting was broken down into financial years to help indicate 'roll over'.

**Resolved (unanimously):** To note the report.

## 10 Internal Audit and Counter Fraud Quarterly Review

Jackie Humphrey, Chief Internal Auditor (CIA), presented the Internal Audit and Counter Fraud Annual Report, which summarised the work carried out by Internal Audit and Counter Fraud across the financial year 2021-22. The CIA

noted that much of the information had been brought to the Committee in the previous Quarterly Updates.

During the presentation, the CIA included updates on the progress since April 2022 of outstanding items listed in Appendix B and on new members of the Internal Audit team. The CIA noted that an agreement had been made with Rother and Hastings Councils to arrange an external peer review of the Internal Audit Team, which would be reciprocated. Results of the review would be reported to the Audit and Governance Committee, once completed. On-going measures to improve the presentation of the reports included the addition of noting the month and year of initiation against project titles.

The Committee considered the report. During the following discussion and questions, the CIA agreed to check the current status of work with The Stage Door and Film Liaison Unit and update the Committee at the next meeting.

Members raised concerns of the number of items with partial or minimal ratings and instances of three or four follow ups. The CIA explained that, in many cases, the work was complete with only minor activity outstanding and that work is ongoing, and there were no major issues. However, occasionally, the overview of the Committee was helpful to encourage action.

Officers agreed to obtain an update from the Arrears Collection Team for Committee members, ahead of the September meeting, to help the Committee evaluate progression of the extended Quarter 1 activity and to decide if a further update to the November Committee meeting was needed.

Similarly, regarding concerns around progress of recommendations for procurement, it was agreed that the Committee would review the CIA's September report before making a final decision on any next steps.

**Resolved (unanimously):** To note the report.

## 11 Annual Governance Statement

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which asked the Committee to review and approve the draft Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations, 2015.

The presentation included an explanation of the new Appendix 4 'Feedback received from Managers' Assurance Statements', and the late submission of a revised Appendix 5, with revisions under the headings of 'Managing the Risk of Fraud and Corruption' and 'Financial Management Code'. The CIA also noted and explained the variation to the approved and published versions of the AGS for 2021.

The Chair thanked the CIA for the report and invited comments and questions from the Committee Members. Officers responded to Members' questions regarding classifying 'significant issues' and confirmed that the approach had

been agreed by External Auditor, Deloitte.

**Resolved (unanimously):**

To approve the draft Annual Governance Statement 2021/22.

**12 Treasury Management Annual Report 2021/22**

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report, which was due to go to Cabinet ahead of Full Council.

The DCFO explained that the preparation of the Annual report, reviewing treasury management activities and the actual prudential and treasury indicators for 2021/22, was a requirement of the Local Government Act 2003. He then summarised the key elements of the report and its appendices.

The Committee considered the report and extended its appreciation to both the Finance and Internal Audit Teams for all their work.

**Resolved (unanimously):** To note the report.

**13 Date of next meeting**

The date of the next meeting was confirmed as Wednesday 28 September, at 6pm, in the Court Room at Eastbourne Town Hall.

The meeting ended at 7.51 pm

Councillor Robin Maxted (Chair)