

## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 1 March 2023 at 6.00 pm.**

### **Present:**

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Peter Diplock, Md. Harun Miah, Hugh Parker, Kshama Shore and Audit Independent Member, Stephen Gilbert.

### **Officers in attendance:**

Ola Owolabi (Deputy Chief Finance Officer - Corporate Finance), Homira Javadi (Director of Finance and Performance (Chief Finance Officer)), Jackie Humphrey (Chief Internal Auditor) and Ross Sutton (Head of Financial Reporting).

### **Also in attendance:**

Ben Sheriff and Tanya Chikari, Representatives of external auditor, Deloitte.

### **39 Minutes**

The Minutes of the meeting held on 23 November 2022 were confirmed as an accurate record.

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

Apologies were received from Councillor Choudhury and Councillor Vaughan. Councillor Hugh Parker substituted for Councillor Vaughan.

### **41 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.

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

No questions had been received from members of the Public.

### **43 Urgent items of business.**

The Chair confirmed there were no urgent items.

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

There were no requests to address the meeting.

#### **45 External Audit - 2019/20**

The Chair invited Homira Javadi to introduce the report.

Homira Javadi outlined the officer recommendations, highlighting that the recommendation for the Committee to delegate authority to the Chief Finance Officer (CFO), as Section 151 Officer, and in consultation with the Chair, to sign-off the audited 2019/20 Statement of Accounts would only stand if there was no change to the existing expectation for an unqualified (in the case of Value for Money) and unmodified opinion.

The Chair then invited comment from Ben Sherriff and Tanya Chikari, attending as representatives for external auditors, Deloitte.

Ben Sherriff, Deloitte, summarised the recent reports from Deloitte regarding the outstanding items, as noted in its ISA 260 report to the Committee in November, and provided an update on the progress of those items. He concluded that nothing had been found that Deloitte did not have confidence would be addressed in order to issue a clean, completed, unqualified opinion.

The Committee considered the report.

In the course of the following discussions, Ben Sheriff, Deloitte, confirmed that the only outstanding action was Deloitte's own internal peer review process and that no material questions remained.

Ben Sheriff re-affirmed that he expected the 2019-20 accounts would be considered unmodified, and unqualified for the value for money element, and explained that the opinion was as positive as audit terminology got.

Officers and Deloitte representatives confirmed that Deloitte's working practices meant that work on the next set of accounts, for 2020-2021, would not commence until after the Statement of Accounts for 2019-20 had been signed off. Without delegation, this would mean the 2019-20 Accounts would not be signed off until the Committee met again, on 28 June 2023.

Members expressed disappointment and frustration that, despite Deloitte's assurances at the November meeting, the Statement of Accounts was still not ready to be signed off at this meeting. Deloitte declined the Committee's request to provide a specific date for completion.

The Chair thanked Ben Sherriff and Tanya Chikari for attending and invited them to leave the meeting.

#### **RESOLVED (unanimously):**

1. To note the Independent Auditor's (Deloitte) report as those charged with

- governance on EBC Accounts, and the Value for Money conclusion report.
2. To delegate authority to the Director of Finance and Performance (Chief Finance Officer – S151 Officer) in consultation with the Chair of the Committee to sign-off the audited Eastbourne Borough Council 2019/20 Statement of Accounts, on condition that the expected unmodified, unqualified opinion did not change.
  3. To authorise the Director of Finance and Performance (Chief Finance Officer – S151 Officer) to sign the formal Letter of Representation to Deloitte.

An additional recommendation was proposed by Councillor Diplock and seconded by Councillor Shore

**RESOLVED (unanimously)**

4. That two letters should be issued from the Chair, one to the Minister of State, Levelling Up, Housing and Communities, Rachel Maclean MP, and one to the Chair of Audit at Deloitte, to express the disappointment at the situation regarding the backlog of External Audits.

The CFO assured Members that they would be informed as soon as the Statement of Accounts had been signed.

**46 Treasury Management Report - Q3 2022-2023**

Ola Owolabi, Deputy Chief Finance Officer, presented the report, which reviewed the Treasury Management activities over the last quarter, 1<sup>st</sup> October to 31<sup>st</sup> December 2022, and the Committee considered the report.

Officers clarified that the information contained in the External Audit reporting regarding Investment Company Eastbourne Ltd (ICE) did not cover the same areas as those required by reporting for Treasury Management Activities and also noted that the external audits being recently considered by the Committee were for a much earlier timeframe, i.e. 2019/2020.

**RESOLVED: (unanimously)**

To note the report of the Chief Finance Officer and the assurances contained within and agree that Treasury Management Activities for the period 1 October to 31 December 2022 had been in accordance with the approved Treasury Strategies.

**47 Draft internal audit plan for 2023/24**

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report.

The CIA summarised how the Annual Audit Plan was formulated and explained that the Plan was designed to be flexible to accommodate any important strategic issues that might arise in the course of the year. Further explanation was provided regarding calculation and allocation of resources to ensure

balance across the organisation and inclusion of areas of current high importance.

The Chair thanked the CIA and her team for their hard work and the Committee considered the draft Annual Audit Plan for 2023-2024.

Following comments and questions from Members, the CIA confirmed that:

- An audit of highways verge maintenance would typically comprise a review of contract obligations against performance.
- When considering the topic of Health and Safety, the Internal Audit team would focus on levels of compliance with the associated processes and policies, such as evaluating the work of those staff members who were responsible for providing regular reporting on Health and Safety matters, rather than Health and Safety performance levels directly.
- An audit of a contract, such as highways verge maintenance, would review the contract and also the monitoring of that contract.

**RESOLVED: (unanimously)**

To accept the proposed Internal Audit Plan for 2023/2024.

**48 Internal Audit and Counter Fraud Report for the three quarters of the financial year 2022-2023 - 1 April to 31 December 2022.**

Jackie Humphrey, Chief Internal Auditor (CIA), presented a report of works carried out by the Internal Audit and Counter Fraud teams, up to the end of December 2022.

During the presentation, the CIA highlighted the high number of reports that had been required due to the wide-spread and repeated need for follow up reviews and the subsequent impact on the team's ability to deliver the annual audit plan. The CIA reported that the Chief Executive and the Corporate Management Team (CMT) had been made aware of the matter and had taken recent steps to address the issue. The CIA also noted that other Councils were reporting similar experiences and it was her hope that, now CMT had taken action, the underlying issues could be identified.

The CIA reviewed appendices A to C, which highlighted key outstanding actions and noted additional recent progress. The presentation also reviewed the recent work of the Counter Fraud Team noted the implementation of a new assurance measure, whereby the Boards of the Council's associated companies were now required to make a quarterly statement to confirm compliance with their financial and governance arrangements.

The Chair thanked the CIA for the presentation and the Committee considered the report.

Following comment from Members, Homira Javadi, Chief Finance Officer, clarified that, as a result of the issue of wide-spread overdue responses to internal audit requests being escalated to CMT, the CEO had messaged all senior managers requesting their direct updates and the CIA confirmed that some positive responses had resulted. It was expected that on-going support from CMT would continue to help address the issue going forward.

Following a suggestion that areas of low activity, such as member allowances, could be taken out to help re-balance resources to deliver the annual plan, Officers confirmed that, while activity around Member Allowances was low, internal audit testing had revealed occasional coding errors and therefore monitoring would need to continue.

Members expressed concerns regarding outstanding actions still resting with Business Continuity and discussed an appropriate response.

**RESOLVED (unanimously)**

1. To note the Internal Audit and Counter Fraud Report; and
2. To request a report of Tim Whelan, Director of Service Delivery, on the current position of producing Departmental Business Continuity Plans, including how those plans referenced the organisation-wide business continuity plan.

**49 Strategic Risk Register Quarterly Review**

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report of the Corporate Management Team's (CMT) quarterly review and update of the Council's Strategic Risk Register.

The CIA noted that CMT had agreed no changes to the risk scores but had decided to update the wording for Risk 2, 'Changes to the economic environment', and to add three new internal controls.

The CIA confirmed that CMT's review had identified no further updates and the Committee considered the report.

In response to Member queries, Officers explained that business continuity plans were covered by the risk register as any specific business continuity scenario could be considered under one of the register's Strategic Risk areas. However, Members should let Officers know if there was a particular scenario that was perhaps not being covered.

Officers confirmed that the new internal controls for continuous review and monitoring were being done.

**RESOLVED (unanimously)**

To note the report.

**50 Date of the next meeting**

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

The meeting ended at 7.10 pm

Councillor Robin Maxted (Chair)