

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 17 September 2021.

PRESENT Councillors Colin Swansborough (Chair) Councillors
Matthew Beaver, Gerard Fox (Vice Chair), Nuala Geary,
Matthew Milligan and Georgia Taylor

LEAD MEMBERS Councillor Nick Bennett

ALSO PRESENT Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Nigel Brown, Assistant Director – Property
Simon White, Audit Manager – Counter Fraud
Mark Winton, Audit Manager – IT

Darren Wells, Grant Thornton
Andy Conlan, Grant Thornton

8. MINUTES OF THE PREVIOUS MEETING HELD ON 6 JULY 2021

8.1 The Committee RESOLVED to agree the minutes of the previous meeting as a correct record.

9. DISCLOSURES OF INTERESTS

9.1 Councillor Matthew Beaver declared a personal interest, in that a family member is a Senior Finance Officer at the County Council, but he did not consider this to be prejudicial.

10. REPORTS

10.1 Reports referred to in the minutes below are contained in the minute book.

11. REVIEW OF THE GRANT THORNTON (GT) REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS FOR 2020/21

11.1 The Committee considered a report by the Chief Finance Officer, and received a presentation from the external auditors, Grant Thornton of their draft Audit Findings Report, before it is considered by the Governance Committee.

11.2 The Committee discussed:

- The Value for Money judgement has been uncoupled from the current audit opinion, and will be produced in line with the revised nationally set deadline of December. It will be reported to the Audit Committee.
- Minimum Revenue Provision – GT set out that their work with other authorities had identified MRP as being a topic worth focussing on. The Chief Finance Officer provided

an explanation of MRP and recirculated the MRP presented to the Committee on 20 September 2018 for guidance.

- The impact of climate change on the valuations under consideration, and on the value for money judgement. GT set out that Bruton Knowles were responsible for producing the figures, and that the authority's approach to the climate change challenge would be assessed as one aspect of a wider judgement on value for money.
- The position of GT, as auditors of both the County Council and the East Sussex Pension Fund, providing assurance to itself.
- Teachers' pension return – the increased fee was agreed by the authority.

11.3 The Committee RESOLVED to (1) note the report and its appendices; and

(2) confirm that there were no concerns arising from the Independent Auditor's report or the management response to it that need to be brought to the attention of the Governance Committee.

[Post-meeting Note: The Report, when considered by the Governance Committee on 30 September 2021, was subject to an amendment to the Annual Government Statement that was not available at the time of the Audit Committee.]

12. REVIEW OF THE GRANT THORNTON (GT) REPORT TO THOSE CHARGED WITH GOVERNANCE AND PENSION FUND ANNUAL REPORT FOR 2020/21

12.1 The Committee considered a report by the Chief Finance Officer, and received a presentation by the external auditors, Grant Thornton, of their draft Audit Findings Report, before it is considered by the Pension Board and Pension Committee.

12.2 The Committee discussed the update to the level of materiality, and the internal triangulation of valuations between the Fund, the fund managers and the Fund's Custodian, in response to the Grant Thornton recommendation at Appendix A of their report.

12.3 The Committee RESOLVED to (1) note the report and its appendices; and

(2) confirm that there were no concerns arising from the Independent Auditor's report or the management response to it that need to be brought to the attention of the Pension Board or Pension Committee.

13. INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 2021/22 (01.04.21 - 30.06.21)

13.1 The Committee considered a report by the Chief Internal Auditor which set out the work done and performance of the Internal Audit team. There was only one audit with a partial assurance (building security) and all the performance indicators are currently green.

13.2 The Committee discussed the implications of the breach of building security, including data loss. The Committee was reassured that the loss was of new ICT equipment, that the theft has been committed by an employee of a contractor who had been subject to their disciplinary processes, and that there had been no loss of data. The loss has led to a review of areas accessible to contractors, and the regular reconciliation of staff lists and access cards. The matter had also been reported to Sussex Police.

13.3 In respect of the audit of remote working (point 1.32 of Annex A), the Audit Manager - IT explained that the Information Governance Group had now implemented a process for escalation of decision making.

13.4 The Committee RESOLVED to (1) note the report; and

(2) confirm there are no new or emerging risks for consideration for inclusion in the audit plan.

14. PROPERTY SERVICE UPDATE - CAPITAL PROJECT DELIVERY

14.1 The Committee considered a report by the Chief Operating Officer, which presented the management response to a recent Internal Audit into the management of capital projects which had received minimal assurance.

14.2 The Committee discussed:

- Controls over consultants agreeing changes to costs. The Assistant Director Property set out the project gateways and detailed costs assessments made at the start of the projects, together with greater day to day control and presence on site, as means to avoid unexpected overspending.
- Internal Audit will conduct a formal follow up and report back to the Audit Committee, in line with their usual practice.

14.3 The Committee RESOLVED to note the key findings of the audit report into capital projects and the agreed management actions taken to date in response to its findings.

15. EAST SUSSEX COUNTY COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY AND FRAMEWORK

15.1 The Committee considered a report by the Chief Internal Auditor, which presented the updated Anti Fraud and Corruption Strategy and Framework.

15.2 The Committee discussed the activities undertaken to support the Strategy such as annual campaigns and publicity, and the work done with HR to support whistleblowers. The Committee was assured that all teams involved in an investigation will use all the resources available to them, including referral to the Police when appropriate.

15.3 Financial recovery is pursued whenever it can be, using a number of methods. These include salary deductions, or raising an invoice and civil debt proceedings in the cases of non-payment.

15.4 The Committee RESOLVED to endorse the County Council's updated Anti Fraud and Corruption Strategy and Framework.

16. ESTABLISHMENT OF SUB GROUP TO HAVE OVERSIGHT OF THE MODERNISING BACK OFFICE SYSTEMS (MBOS) - UPDATE

16.1 The Committee considered a report by the Chief Operating Officer, which presented draft Terms of Reference for an Audit Committee sub-group to have oversight of the Modernising Back Office Systems (MBOS) programme.

16.2 The Committee RESOLVED to (1) agree the Terms of Reference; and

(2) appoint Councillor Swansborough, Councillor Fox and Councillor Beaver to act as the Sub-Group.

17. CIPFA FINANCIAL MANAGEMENT CODE

17.1 The Committee considered a report by the Chief Finance Officer, which presented the revised CIPFA Financial Management Code.

17.2 The Chief Finance Officer set out the Code's focus on sustainability and decision making, and that the County Council had undertaken an internal assessment against the criteria. The County Council is also working with other local authorities, to identify best practice in how to demonstrate compliance with the Code's requirements. The Committee suggested providing a summary of the scoring criteria, to aid easy understanding of future assessments.

17.3 The Committee RESOLVED to note the updated Guidance.

18. STRATEGIC RISK MONITORING - QUARTER 1 2021/22 (01.04.21 - 30.06.21)

18.1 The Committee considered a report by the Chief Operating Officer, which presented the Strategic Risk Register for Quarter 1 2021/22.

18.2 The Committee discussed potential amendments to the Climate risk, to include adaptation and quantification of the financial impact of severe weather. The Committee also requested inclusion of a brief explanation when overall risk ratings are amended or removed from the register.

18.3 The Committee RESOLVED to note the strategic risks, and the mitigations put in place by chief officers.

19. WORK PROGRAMME

19.1 The Committee considered the Work Programme for the upcoming year.

19.2 The Committee RESOLVED to delegate authority to the Chair and Vice Chair to comment on behalf of the Audit Committee on the upcoming proposals to determine the appointment of the external auditors. The Council currently uses the Public Sector Audit Appointments (PSAA), and a decision as to whether to continue this arrangement needs to be taken by Full Council before the end of January.

19.3 The Committee RESOLVED to note the Programme.

The meeting ended at 11.55 am.

Councillor Colin Swansborough (Chair)