

## AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Committee Room, County Hall, Lewes on 8 July 2022.

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

### 1. MINUTES OF THE PREVIOUS MEETING

1.1 The Committee RESOLVED to agree the minutes as a correct record of the meeting held on 29 March 2022.

### 2. APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Councillor Geary.

2.2 It was noted that Councillor Redstone was in attendance as a substitute for Councillor Geary.

### 3. DISCLOSURES OF INTERESTS

3.1 There were none.

### 4. URGENT ITEMS

4.1 There were none.

### 5. REPORTS

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

### 6. ASSESSMENT OF THE CORPORATE GOVERNANCE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT FOR 2021/22

6.1 The Committee considered a report by the Assistant Chief Executive which presented the Council's Annual Governance Statement, and the assessment of compliance with the Corporate Governance Framework, before they are presented to the Governance Committee.

6.2 The Assistant Chief Executive set out that the format for the AGS had been revised for this year with a view to being more accessible, provide a more detailed commentary on how the Council's governance policies, processes and arrangements related to the principles in the CIPFA/SOLACE Framework.

6.3 The Assistant Chief Executive informed that Committee that the report concluded that there are no significant weaknesses in the Council's governance arrangements, and that the Council has in place satisfactory governance arrangements including a satisfactory system of internal control, which operate effectively.

6.4 The Committee considered the role of Members who were twin hatted or appointed by the Council to be a Trustee or a Director of an outside body. Members are provided with advice and guidance in this role and it is the responsibility of Member to be mindful of conflicts of

interest and act in the accordance with the Code of Conduct or the rules relating to the organisation and role that they are acting within.

6.5 The Committee considered whether it was necessary to include in the AGS the importance of avoiding structural conflict of interests where possible.

6.6 The Committee RESOLVED (with Cllr Beaver voting against) to recommend to the Governance Committee that the Annual Governance Statement includes a statement that, in relation to the appointment of Members to outside bodies, the Council avoids structural conflict of interests where possible.

## 7. INTERNAL AUDIT SERVICE ANNUAL REPORT AND OPINION 2021/22

7.1 The Committee considered a report by the Chief Operating Officer which set out the opinion on the County Council's control environment for the year from 1 April 2021 to 31 March 2022.

7.2 The Committee discussed the Chief Internal Auditor opinion of substantial assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 2021/22. It was discussed how audits within the audit plan are prioritised based on a risk based approach and previous audit reports are considered when a new audit is commenced. The committee noted that there were no audits with a 'minimal assurance' opinion in the period of 2021/22.

7.3 The Committee discussed the role of internal audit regarding the Pension Fund and climate risks. The Chief Finance Officer explained that Internal Audit look at processes, policies, procedures and finances surrounding the Pension Fund.

7.4 The Committee RESOLVED to:

(1) note the Internal Audit Service's opinion on the Council's control environment;

(2) confirm that there are no significant control issues that should be included in the Council's Annual Governance Statement for 2021/22; and

(3) confirm that the Council's system for internal audit has proved effective during 2021/22.

## 8. COUNTER FRAUD ANNUAL REPORT

8.1 The Committee considered a report by the Chief Operating Officer which set out irregularity investigations and proactive counter fraud work undertaken by Internal Audit between 1 April 2021 and 31 March 2022.

8.2 The Audit Manager (Counter Fraud), Simon White, explained that this is a new report to be considered by the Committee since Counter Fraud activity has previously been reported within the Internal Audit Service Annual Report.

8.3 The Committee discussed spear phishing and its potential impact on the County Council had it not been intercepted. The Committee explored whether fraud activities could be calculated in terms of potential financial impact. The Chief Internal Auditor, Russell Banks noted that financial impact cannot not be precisely calculated due to the cumulative effects of fraud over different timescales.

8.4 The Committee RESOLVED to note the irregularity investigations and proactive counter fraud work undertaken by Internal Audit between 1 April 2021 and 31 March 2022.

## 9. INDEPENDENT EXTERNAL ASSESSMENT OF INTERNAL AUDIT

9.1 The Committee considered a report by the Chief Operating Officer which set out a proposal to commission the Chartered Institute of Internal Auditors to undertake the independent external assessment of Orbis Internal Audit in accordance with Public Sector Internal Audit Standards (PSIAS).

9.2 The Chief Internal Auditor explained why the Chartered Institute of Internal Auditors was the preferred body to conduct the independent external assessment of Orbis Internal Audit and noted that Committee Members may be interviewed as part of the review.

9.3 The Committee unanimously RESOLVED to agree to the appointment of the Chartered Institute of Internal Auditors to carry out the independent external assessment of Orbis Internal Audit in accordance with Public Sector Internal Audit Standards (PSIAS).

## 10. STRATEGIC RISK MONITORING

10.1 The Committee considered a report by the Chief Operating Officer which presented the Strategic Risk Register.

10.2 The Committee noted that Risk 16 (Covid-19) had been removed from the Risk Register.

10.3 The Committee discussed Risk 9 (Workforce) and recognised the national difficulties regarding recruitment and retention including effects of the cost of living crisis and systemic challenges for those in lower paid roles.

10.4 The Committee discussed how risks are ranked according to impact and likelihood and how some risks appear to have the same RAG rating pre and post mitigation. The Chief Internal Auditor noted that mitigation should reduce the impact or likelihood of the identified risk however this reduction can be smaller than the current scales used to rate risks giving the impression of mitigation not having an effect on the overall RAG. The Committee requested a training session for Committee Members regarding risk management and risk appetite.

10.5 The Committee RESOLVED to:

- (1) note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers; and
- (2) request a training session for Committee Members regarding strategic risk monitoring.

## 11. MANAGING BACK OFFICE SYSTEMS (MBOS) UPDATE

11.1 The Committee considered a report by the Chief Operating Officer setting out a summary of the discussion at the second meeting of the Committee's MBOS Sub-Group.

11.2 The Committee discussed the impact of deadline slippage for the project completion. The Chief Operating Officer noted that although the project is currently working to the go-live deadline of April 2023, and there are plans in place in the case of slippage.

11.3 The Committee RESOLVED to note that the Committee's MBOS Sub-Group has regularly reviewed the Council's Modernising Back Office Systems (MBOS) programme.

## 12. WORK PROGRAMME

12.1 The Committee considered its current work programme of forthcoming items.

12.2 The Chief Finance Officer noted that the Statement of Accounts may not be ready for the September Audit Committee meeting. The Statement of Accounts will be considered by the Committee at the November meeting of the Audit Committee if they are not available for consideration in September.

12.3 The Committee discussed the forward plan of Internal Audits and requested that a list of Internal Audits due to be conducted in the next quarter is included within the Internal Audit Progress Report. The Chief Internal Auditor agreed to include this in future reports.

12.4 The Committee RESOLVED to note the programme.

The meeting ended at 12.10 pm.