

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Committee Room, County Hall, Lewes on 29 March 2022.

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

ALSO PRESENT Phil Hall, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Russell Banks, Chief Internal Auditor
Nigel Chilcott, Audit Manager
Mark Winton, Audit Manager

Andy Conlan, Grant Thornton
Darren Wells, Grant Thornton

31. MINUTES OF THE PREVIOUS MEETING

31.1 The Committee RESOLVED to agree the minutes as a correct record of the meeting held on 19 November 2021.

32. APOLOGIES FOR ABSENCE

32.1 There were none.

33. DISCLOSURES OF INTERESTS

33.1 There were none.

33.2 Councillor Matthew Beaver confirmed that his relative had now left East Sussex County Council's Finance Team, so he no longer needed to declare his regular disclosure of interest.

34. URGENT ITEMS

34.1 There were none.

35. REPORTS

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

36. EXTERNAL AUDIT PLAN 2021/22

36.1 The Committee considered a report by the Chief Finance Officer, which presented the plan proposed by the external auditors (Grant Thornton) in connection with the County Council's 2021/22 accounts.

36.2 The Committee discussed:

36.2.1 Climate change impacts, environmental sustainability and Local Authority plans to reach net zero carbon emissions.

36.2.2 The significant improvements identified in the Financial Reporting Council's (FRC) inspection report of October 2021 into the work of local auditors.

36.2.3 Accuracy and accounting for Private Finance Initiative (PFI) schemes and the possible use of internal carbon pricing to assess contracts.

36.3 In response:

36.3.1 Darren Wells informed the committee that he and Ian Gutsell have discussed the implications of climate change and enhanced reporting for environmental sustainability. It was noted that the Institute of Chartered Accountants for England and Wales (ICAEW) has set out some of its thoughts regarding the declared climate emergency. ICAEW has focused their opinion around the commercial private sector and has not yet published an opinion in regard to local government.

36.3.2 In respect of the FRC report, Darren Wells noted that while there are challenges in acquiring 100% for compliance, Grant Thornton are committed to improving quality year on year.

36.3.3 Darren Wells explained that the PFI liability is assessed for completeness and accuracy and internal carbon pricing is not within the scope of assessment. It was noted that it is possible that there could be a future directive to include internal carbon pricing within future PFI assessments.

36.4 The Committee RESOLVED to note the report.

37. EXTERNAL AUDIT PLAN FOR THE EAST SUSSEX PENSION FUND 2021/22

37.1 The Committee considered a report by the Chief Finance Officer, which presented the plan proposed by the external auditors (Grant Thornton) in connection with the 2021/22 accounts of the East Sussex Pension Fund (ESPF).

37.2 It was confirmed that there has been recent recruitment to the pensions administration team to support the process. The administration team will work with the new team at Grant Thornton regarding the ESPF audit 2021/22.

37.3 The Committee RESOLVED to note the report.

38. AUDITOR'S ANNUAL (VFM) REPORT ON EAST SUSSEX COUNTY COUNCIL 2020/21

38.1 The Committee considered a report by the Chief Finance Officer, which presented the External Auditor's report on the County Council's Value for Money arrangements.

38.2 The Committee discussed:

38.2.1 The recommendation to consider the Audit Committee carrying out a self-assessment of the effectiveness of the Committee, as per guidance issued by the National Audit Office (NAO).

38.2.2 The recommendation to consider mapping of strategic risks against the Council's strategic priorities.

38.2.3 The possibility of including climate change impact and an emissions reduction target within the Value for Money assessment.

38.2.4 The consideration of unexpected potential impacts to financial sustainability such as extreme weather events and sudden increase of refugees requiring support within the County.

38.2.5 The lessons learnt regarding the operation of Orbis, the joint service for Procurement, IT & Digital and Internal Audit with Brighton and Hove City Council and Surrey County Council.

38.2.6 The procurement process in terms of Value for Money.

38.3 In response:

38.3.1 The Chief Finance Officer advised that the self-assessment for Audit Committee would be considered along with other recommendations arising from the Redmond Review; ideas as to how to undertake the assessment will be explored.

38.3.2 The Chief Finance Officer explained that strategic risks are reported in a way that covers the spectrum of the Council's strategic priorities. Since many risks span more than one priority, mapping is unlikely to show clear links between risks and priorities.

38.3.3 The Chief Finance Officer explained that the County Council has a reporting requirement for audit and accounting which currently does not include climate change impact and emissions reduction targets. It was noted a requirement to assess climate change impact and emissions reduction may be included in future Value for Money assessments if decided by Central Government.

38.3.4 The Chief Finance Officer explained that the Council has an Emergency Planning Team, reserves and insurance in place to mitigate risk in the event of unexpected events such as extreme weather.

38.3.5 The Chief Operating Officer explained that there is ongoing work to review the shared service arrangements following a review which concluded that IT, procurement and internal audit functions were working well within Orbis however some functions such as business administration services have returned to operate within East Sussex County Council. It was noted that the Council will continue to review and improve arrangements within the Business Services department.

38.3.6 Darren Wells explained that from an external audit perspective, the Value for Money assessment looks at wider strategic themes and does not drill down into more specific scope such as individual procurement processes for contracts. The Chief Operating Officer noted that each procurement process is individual to the contract and incorporates a variety of approaches depending on the market, objectives, price and

quality. The Chief Operating Officer noted that all procurement processes adhere to public procurement regulations. It was noted that Place Scrutiny have recently commenced a review to look at social value and buying locally within the Council's procurement.

38.4 The Committee RESOLVED to note the report.

39. INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 2021/22 (01.10.21 - 31.12.21)

39.1 The Committee considered a report by the Chief Internal Auditor which set out the Internal Audit team's work during Quarter 3.

39.2 The Committee discussed:

39.2.1 The Pension Fund Governance opportunities for improvement.

39.2.2 The Revenue Budget Management opportunities for improvement.

39.2.3 The Re-procurement of Framework Agreement and the areas where controls could be strengthened.

39.3 In response:

39.3.1 The Audit Manager noted that the governance manual for the Access Pool is due to be completed by the end of the financial year.

39.3.2 The Audit Manager noted that follow up reports will only be conducted for audit areas which had partial or minimal assurance. However, the agreed actions arising from the Revenue Budget Management audit will be looked at next time the review is undertaken.

39.3.3 The Chief Internal Auditor explained that the investigation conducted following a whistle blowing report regarding the re-procurement of the Framework Agreement found no fundamental failures that undermined the procurement process, but it did identify areas for improvement.

39.4 The Committee RESOLVED to note the report.

40. INTERNAL AUDIT STRATEGY AND PLAN 2022/23

40.1 The Committee considered a report by the Chief Operating Officer, which presented the Internal Audit Strategy and detailed Internal Audit Plan for 2022/23, together with the Internal Audit Charter.

40.2 The Committee discussed:

40.2.1 Incorporating learning from work to be conducted by Place Scrutiny Committee regarding Economic Development.

40.2.2 The scope of the next Waste Management audit.

40.3 In response:

40.3.1 The Audit Manager noted that learning from scrutiny reviews can be incorporated within individual audits where appropriate.

40.3.2 The Audit Manager explained that the terms of reference and detailed scope have not yet been defined, but potential areas to look at could include contract management or the recycling contract.

40.4 The Committee RESOLVED to note the report.

41. STRATEGIC RISK MONITORING - QUARTER 3 2021/22 (01.10.21 - 31.12.21)

41.1 The Committee considered a report by the Chief Operating Officer.

41.2 The Chief Operating Officer noted that the report is for the period of 1 October 2021 – 31 December 2021 and therefore does not include risks in relation to the Russian invasion of Ukraine. Immediate work was completed in light of the invasion to review the risk around cyber security, contracting and investments, and more recently around safeguarding of refugees. These risks will be assessed as part of the Quarter 4 report.

41.3 The Committee discussed:

41.3.1 The strategic risks which have changed RAG rating since the previous quarterly report.

41.3.2 The number of strategic risks on the risk register which are being managed and monitored.

41.3.3 The risks relating to increasing prices of materials and inflation.

41.4 In response:

41.4.1 The Chief Operating Officer noted that summary commentary for risks that have changed RAG rating can be included within the next quarterly report.

41.4.2 The Chief Operating Officer explained that the number of risks on the Strategic Risk Register is currently manageable and all risks are monitored at high level and continuously reviewed.

41.4.3 The Chief Finance Officer explained that risks relating to inflation and market supply will be included within the RPPR report for Cabinet. It was noted that the budget was positive with no new savings for 2022/23 and the finance team continue to model inflation.

41.5 The Committee RESOLVED to note the report.

42. MANAGING BACK OFFICE SYSTEMS (MBOS) UPDATE

42.1 The Committee considered a report by the Chief Operating Officer setting out a summary of the discussion at the first meeting of the Committee's MBOS Sub-Group about the highly critical internal audit report.

42.2 The Committee discussed the proposed date for launching the new system. The Chief Operating Officer confirmed the intention to go live in Quarter 1 2023/24. The Chief Finance Officer confirmed that the withdrawal of support for SAP R3 (the current system) had been postponed to 2027.

42.3 The Committee RESOLVED to note the update from the Sub-Group.

43. WORK PROGRAMME

43.1 The Committee considered the Work Programme of forthcoming agenda items.

43.2 The Committee RESOLVED to note the Programme.