

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at Council Chamber, County Hall, Lewes on 7 July 2023.

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

LEAD MEMBERS Councillors Nick Bennett

ALSO PRESENT Philip Baker, Assistant Chief Executive
Ros Parker, Chief Operating Officer
Ian Gutsell, Chief Finance Officer
Rupert Clubb, Director of Communities, Economy and Transport
Nigel Chilcott, Audit Manager
Mark Winton, IT Audit Manager
Simon White, Audit Manager – Counter Fraud
Thomas Alty, Deputy Chief Finance Officer

Andy Conlan, Grant Thornton UK LLP

1. MINUTES OF THE PREVIOUS MEETING

1.1 The Committee RESOLVED to agree the minutes of the meeting held on 31 March 2023 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Councillor Beaver.

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

3. DISCLOSURES OF INTERESTS

3.1 Councillor Redstone declared a personal interest as a member of the Pension Committee and East Sussex Fire Authority. He did not consider this to be prejudicial.

3.2 Councillor Taylor declared a personal interest as a member of the Pension Committee. She did not consider this to be prejudicial.

3.3 Councillor Fox declared a personal interest as the Chair of the Pension Committee. He did not consider this to be prejudicial.

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 2022/23

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

6.2 The Assistant Chief Executive informed the 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.

6.3 The Committee RESOLVED to confirm that there were no changes to the Annual Governance Statement that they wished to recommend to the Governance Committee.

7. INTERNAL AUDIT SERVICES ANNUAL REPORT AND OPINION 2022/23

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 2022 to 31 March 2023.

7.2 The Committee discussed the audit into use of consultants conducted in quarter 4, highlighting the risks of not following procurement processes correctly. The Committee noted the actions in place to address the concerns identified in the audit.

7.3 The Committee discussed the ongoing support that internal audit is providing for the Managing Back Office Support (MBOS) Programme and noted that work will continue to provide assurance as the programme moves towards the 'go live' date.

7.4 The Committee discussed the work completed to support the Department for Levelling-Up, Housing and Communities (DLUHC) assurance deep-dive of the South East Local Enterprise Partnership (SELEP) and requested any findings that are released are shared with the Committee.

7.5 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;
- 3) confirm that the Council's system for internal audit has proved effective during 2022/23.

8. RESPONSE TO INTERNAL AUDIT REPORTS

8.1 The Committee considered a report by the Director of Communities, Economy and Transport which provided a response to internal audit reports where the initial and follow up reports resulted in partial assurance.

8.2 The Committee discussed possible underlying causes for the two audits within the Communities, Economy and Transport department where there were unchanged audit opinions of partial assurance.

8.3 The Committee noted that Internal Audit will review both audit areas of unchanged partial assurance in either quarter 3 or quarter 4 and will be reported to the Committee through the relevant Internal Audit quarterly report.

8.4 The Committee RESOLVED to note the actions within the report.

9. COUNTER FRAUD ANNUAL REPORT 2022/23

9.1 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 2022 and 31 March 2023.

9.2 The Committee discussed potential financial impact to the County Council and noted that work with partners is ongoing to provide financial values where possible to help quantify the financial impact or potential financial impact of different fraudulent activity.

9.3 The Committee RESOLVED to note the irregularity investigations and proactive counter fraud work undertaken by Internal Audit between 1 April 2022 and 31 March 2023.

10. EXTERNAL AUDIT PLAN 2022/23

10.1 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 2022/23 accounts.

10.2 Andy Conlan from Grant Thornton UK LLP presented the audit plan to the Committee and highlighted the challenges regarding planning of work due to valuation delays and the national backlog of Local Government audits.

10.3 The Committee discussed the national backlog of Local Government audits and resourcing required to address the backlogs while undertaking the 2022/23 audit before the deadline of 30 September 2023.

10.4 The Committee RESOLVED to note the content of the External Audit Plan for 2022/23.

11. EXTERNAL AUDIT PLAN FOR EAST SUSSEX PENSION FUND 2022/23

11.1 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 2022/23 accounts of the East Sussex Pension Fund (ESPF).

11.2 Andy Conlan from Grant Thornton UK LLP presented the audit plan to the Committee and highlighted the challenges around assessing materiality.

11.3 The Committee discussed the challenges regarding valuation of liquid assets and noted that the External Audit Plan for ESPF 2022/23 has been considered by the Pension Board and Pension Committee ahead of consideration by the Audit Committee.

11.4 The Committee RESOLVED to note the content of the external audit plan for the East Sussex Pension Fund for 2022/23.

12. APPOINTMENT OF INDEPENDENT MEMBERS TO THE AUDIT COMMITTEE

12.1 The Committee considered a report by the Chief Finance Officer which set out the CIPFA Position Statement proposal that all local government Audit Committees should have at least two independent Members.

12.2 The Committee discussed the benefits of bringing additional skills, resilience across electoral cycles and impartiality to the Committee and noted that many other local authorities either have or are moving towards at least one independent member on their Audit Committees.

12.3 The Committee discussed the need for a detailed job description and person specification, aligned to any complimentary knowledge/experience requirements. The Committee agreed that the self-assessment exercise would help to identify and analyse any gaps ahead of potential recruitment of an independent Member.

12.4 The Committee discussed remuneration levels and the potential, at a future point, for an independent Chair of the Audit Committee.

12.5 The Committee RESOLVED to support the proposal and recommendation to Governance Committee to amend the size and composition of the Audit Committee to include two independent members to the Audit Committee, in line with the CIPFA Position Statement on Audit Committees 2022.

13. STRATEGIC RISK MONITORING - QUARTER 4 2022/23

13.1 The Committee considered a report by the Chief Operating Officer which presented current strategic risks faced by the Council, their status and risk controls and responses together with the current Risk Management process.

13.2 The Committee RESOLVED to:

- 1) Note the process of strategic risk management.
- 2) Note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.

14. WORK PROGRAMME

14.1 They Committee considered its current work programme of forthcoming items.

14.2 The Committee RESOLVED to note the programme and Treasury Management training for Audit Committee Members and all Members be added to the Work Programme for November 2023.

The meeting ended at 11.41 am.

Chair