

AUDIT COMMITTEE

7 MARCH 2024

Present: Councillors Foster (Chair), Rogers (Vice-Chair), Collins, Marlow-Eastwood and Sinden.

In attendance: Mark Winton (Chief Internal Auditor), Kit Wheeler (Chief Finance Officer), and Danny Saxby (Democratic Services Officer). Councillor Barnett.

In attendance remotely: Rita O'Mahoney (Chief Accountant), and Mufutau Gbadamosi (Corporate Finance Officer).

11. APOLOGIES FOR ABSENCE

None received.

12. DECLARATIONS OF INTEREST

| Councillor | Item | Interest |
|-----------------|--|--|
| Marlow-Eastwood | All items pertaining to East Sussex County Council | Personal – East Sussex County Councillor |

13. MINUTES OF THE LAST MEETING

RESOLVED that minutes of the meeting held on 7th December 2023 be agreed as a true record.

14. INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (OCTOBER 2023 - DECEMBER 2023)

The Chief Internal Auditor presented a report to provide councillors with an update on all internal audit and counter fraud activity completed during quarter 3, including a summary of all key findings. The report also provides an update on the performance of the internal audit service during that period.

Audit work has been undertaken in relation to the debtors/accounts receivable function. An opinion of partial assurance is provided by Internal Audit, with the main issue being the lack of policy, procedures, and operational guidance. Discussions are underway with the finance team to develop these and deliver improvements. This information has been fed into the Debt Recovery Working Group to support its work.

A formal audit opinion hasn't been provided on business continuity as this was a light touch piece of work and there is currently a lot of work in progress in this area.

It was confirmed that the accounts receivable team are carrying a vacancy, and this has had an impact. All debts, however historic, are pursued to the full extent of the law.

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RESOLVED (unanimously):

Note the report and consider any further action required in response to the issues raised.

Reasons:

i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).

ii) To support the committee's responsibilities for assessing the effectiveness of the internal control environment and the effectiveness of the internal audit service.

15. INTERNAL AUDIT STRATEGY, INTERNAL AUDIT PLAN AND AUDIT CHARTER 2024/25

The Chief Internal Auditor presented a report to introduce the Council's Internal Audit Strategy and Internal Audit Plan for 2024/25.

The Council's Internal Audit Strategy and Internal Audit Plan 2024/25 (Annexe A) set out how the Council will meet its statutory requirements for internal audit, as defined within the Accounts and Audit Regulations 2015.

In response to a question the Chief Internal Auditor said that the intention is to commit to all of the work set out in the Internal Audit Plan. There is flexibility to work and negotiate with client departments to deliver the programme of work and summaries of the work will be presented to the Audit Committee as and when completed.

A question was raised regarding the TUPE transfer of staff from Hastings Borough Council to Orbis. The Chief Finance Officer replied that a paper was brought forward to agree the contract with Orbis. The identified savings were around £24,000 so the arrangement is a financial benefit to the Council. There are no wider impacts on the finance team. Prior to this the Internal Audit team were involved in a lot of non-audit work which has had to be reallocated throughout the organisation.

In response to a question regarding the identification of emerging risks the Chief Finance Officer replied that the organisation needed to be proactive in highlighting risks and has setup a Risk Management Group to monitor this and feed in emerging risks. The highest risk areas are escalated to the Senior Leadership Team for discussion.

The Chair asked how the Committee can be assured that the priorities for 2024/25 in the Internal Audit Plan will be delivered. The Chief Internal Auditor replied that the audit team will consult with departments to find the best time to conduct an audit. The Committee will be able to hold the audit team to account through monitoring the KPIs and the work undertaken.

The Committee agreed that there needs to be more clarity on the timing and schedule of the Internal Audit Plan so that the Committee can hold Internal Audit to account for

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their work. It was agreed that this issue should be raised at the next Committee meeting.

RESOLVED (unanimously):

Approve the Council's Internal Audit Strategy, Internal Audit Plan and Audit Charter for 2024/25.

Reasons:

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).
- ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

16. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) - SELF ASSESSMENT SUMMARY

The Chief Internal Auditor presented a report to provide councillors with an update on the outcome of the Self-Assessment against the Public Sector Internal Audit Standards (PSIAS).

The Chief Internal Auditor thanked the audit team for supporting the development of the internal audit service, which is overall in a good place. Following the self-assessment process, the results show that internal audit is compliant in 308 of 344 standards, with partial compliance in 13 and non-compliance in 1 standard. 22 of the standards in the self-assessment process are not applicable.

RESOLVED (unanimously):

Note the report and the next steps in achieving further the level of compliance.

Reasons:

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).
- ii) To support the committee's responsibilities for assessing the effectiveness of the internal control environment and the effectiveness of the internal audit service

17. TREASURY MANAGEMENT STRATEGY AND CAPITAL STRATEGY 2024/25

The Chief Finance Officer presented a report to consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to full Council as appropriate.

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This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year. The Council is expected to have £64.9 million of external debt (as at 31 March 2024), and there is no planned increase in the level of debt for 2024/25.

These strategies would normally be brought for consideration earlier in the financial year, but the delay has been due to the significant changes around the capital programme following the budget setting process.

There will likely be revisions to the strategies in the future when a new Corporate Plan is developed. These documents are interim and ensure compliance with regulations and allow the treasury management team to continue investing for the Council. Revised documents will be presented in the future.

In response to a question regarding the risks related to the Housing Company the Chief Finance Officer replied that it is highlighted on the risk register. There will be a report coming to Audit Committee and Cabinet on the Housing Company.

RESOLVED (unanimously):

Audit Committee recommends to Cabinet and full Council that:

A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy.

B. Note the draft Capital Strategy.

C. The strategies listed are updated as necessary during 2024/25 in the light of changing and emerging risks and the Council's evolving future expenditure plans.

Reasons:

1. The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments.
2. The 2024/25 Budget included significant reductions in the Capital Programme to help the Council address its financial deficit including agreeing to asset sales, with the primary focus being on financial stability and addressing the housing crisis.
3. The CIPFA Treasury Management Code of Practice, previously adopted by the Council, takes account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code has represented best practice and helps ensure compliance with statutory requirements.
4. The Council can diversify its investments and must carefully consider the level of risk against reward. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing, and enhance the long-term sustainability of the town. However, over reliance on such income streams would involve taking unnecessary risks with the future of the Council and its ability to deliver statutory services.

(The Chair declared the meeting closed at 7.27pm)