

## SCRUTINY & AUDIT PANEL

**Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at The Yarrow Room, Lewes Town Hall, High Street, Lewes BN7 2QS at 9.30 am on Tuesday, 28 September 2021.**

Present: Councillors Maples (Chair), Lambert, Scott, Theobald and Dowling (In place of Redstone)

Also present: M O'Brien (Deputy Chief Fire Officer), L Culbert (Legal Advisor), D Savage (Assistant Director Resources/Treasurer), J Knightly (Principal Accountant, East Sussex County Council), S van der Merwe (EY, External Auditor) and E Simpkin (Democratic Services Officer)

### **16       Declarations of Interest**

There were none.

### **17       Apologies for Absence**

Apologies had been received from Councillor Redstone. Councillor Dowling was attending as his substitute. Apologies were also received from Councillor Azad.

### **18       Notification of items which the Chair considers urgent and proposes to take at the end of the agenda/Chair's business items**

There were none.

### **19       Minutes of the last Scrutiny & Audit Panel meeting held on 22 July 2021**

**RESOLVED:** That the minutes of the Scrutiny & Audit Panel meeting held on 22 July 2021 be approved as a correct record and signed by the Chair.

### **20       Callover**

Members reserved the following items for debate:

21       External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2020/21

### **21       External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2020/21**

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) which presented the External Auditor's Results Report (ISA 260) and the opinion on the Authority's 2020/21 Statement of Accounts. The Panel noted that EY, the Authority's external auditors, had substantially completed its audit of the Authority's financial statements for the year ended 31 March

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2021, however, there were outstanding matters, as listed in the report. It was now unlikely that these outstanding matters would be resolved for the audit opinion and certificate to be issued before the statutory deadline of 30 September 2021. In this eventuality the Accounts and Audit Regulations 2015 (as amended) required that the Authority published a notice stating that it had not been able to publish the statement of accounts and its reasons for this. The Authority was then required to publish its statement of accounts together with any audit opinion or certificate as soon as reasonably practicable after the receipt of the auditor's final finding. There was no penalty for failing to meet the statutory deadline for the publication of the audited accounts.

The Panel noted that as of 17 September 2021, EY had made no recommendations for improvement as a result of its audit of the accounts and had raised no specific issues which required a response in the Letter of Representation. The ISA 260 confirmed that the Authority had in place proper arrangements for securing value for money.

The Panel welcomed Stephan van der Merwe from EY to the meeting who confirmed that the audit had been substantially completed, however there was an outstanding matter of the final assurance letter from the auditor of East Sussex Pension Fund which was still awaited. In addition, whereas in previous years the audit accepted the valuation of the Pension Fund by the Authority's actuary, Barnett Waddingham, in the IAS19 report, there was now a requirement for the auditor to assess the valuation calculation which would need to be carried out by a specialist team at EY. It was unlikely that this work would be completed before the 30 September deadline. Mr van der Merwe added that the value for money assessment was set out in the Auditor's Audit Results Report and no significant issues had been identified. A Value for Money commentary would be presented to the Panel at its next meeting in the Auditor's Annual Report.

The ADR/T reassured the Panel that there had been no material misstatements and no recommendations arising from the audit and that despite not meeting deadline, the Authority was in a positive position. Should the conclusion of the audit identify the need for any material adjustment to the accounts then a revised version would be submitted to the Panel for consideration.

A proposed additional recommendation to 'delegate authority to the Assistant Director Resources/Treasurer, following consultation with the Panel Chair, to make any minor amendments required to the 2020/21 Statement of Accounts on receipt of the final Audit Opinion from the Authority's External Auditors.' was tabled. This was moved by Councillor Scott, seconded by Councillor Lambert and accepted by the Panel.

Discussion was had over the scale fee variations and Members expressed their concern over the level of increase. The ADR/T explained that EY had submitted fee scale variations to the Public Sector Audit Appointments (PSAA) in relation to the 2019/20 accounts, the outcome of which was still awaited. Provision for the full amount of £55,585 had been made in the

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2020/21 accounts. With regard to the fees for the 2020/21 audit, EY had submitted a fee variation which would take the scale fee from £23,690 to £51,243. The budget had been increased by £30,000 to account for the fee variation and the Authority had also received a Government grant of £12,212 and been allocated £4,670 from the PSAA towards the increased costs. The ADR/T did not envisage any budget pressure but could not confirm the position until the figures had been finalised. The ADR/T added that increased audit fees were sectorwide and a result of the broader issues as identified by the Redmond Review. The Panel would be informed when a response from the PSAA on the scale fee variations was received.

Members asked whether the cost of providing the services of the Authority across the different departments (page 70 the report) had been compared to that of other services. The ADR/T responded that a piece of work on this had commenced and discussions were being had through the National Fire Chiefs Council (NFCC) and the Home Office.

The Panel asked about the use of rating agencies and whether consideration had been given to the use of alternative organisations to help ensure that the Authority's investments were 'future proof'. The ADR/T informed Members that although the Authority currently operated at industry standard approach to ensuring the financial stability of its counterparties, and assessed potential investments against the criteria of security, liquidity and yield, as set out in the Treasury Management Strategy, officers were considering options for taking into account the environmental and social aspects of treasury management. Any proposals would be included in the Treasury Management Strategy 2022/23 for consideration at the full Fire Authority meeting in February 2022.

Members also asked for a further explanation on the grant from the Environment Agency which had been received in 2017 but not yet spent. The ADR/T explained that there were specific conditions attached to grant and that the spend had to relate to flooding response. A new technical rescue unit was currently being scoped which would meet the requirements and the grant would be applied to its purchase in due course.

The Panel thanked EY and officers for their report.

**RESOLVED:** That the Panel:

- (i) noted the External Auditor's Audit Results Report (ISA 260);
- (ii) noted the action required should the audit opinion not be issued by the statutory deadline;
- (iii) authorised the Assistant Director Resources / Treasurer and the Panel Chair to sign the formal letter of representation to the External Auditor;
- (iv) approved the 2020/21 Statement of Accounts for publication and

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- (v) delegated authority to the Assistant Director Resources/Treasurer, following consultation with the Panel Chair, to make any minor amendments required to the 2020/21 Statement of Accounts on receipt of the final Audit Opinion from the Authority's External Auditors.

The meeting concluded at 10.15 am

Signed

Chair

Dated this

day of

2021