

Minutes of a meeting of the Audit Committee held on 25th June 2013 from 7.00 p.m. to 7.50 p.m.

Present: Bruce Forbes (Chairman)
Simon Banham (Vice-Chairman)

Stephen Barnett Heidi Brunsdon
Jack Callaghan Neville Walker

Also Present: Councillor Jonathan Ash-Edwards.

Also in Attendance: Kevin Suter from Ernst & Young.
Steve Connors and Ben Durrant from Haines Watts, Internal Auditors.
Peter Stuart, Head of Finance and ICT and Section 151 Officer
Tom Clark, Solicitor to the Council.

3. SUBSTITUTES AT MEETINGS OF COMMITTEE – COUNCIL PROCEDURE RULE 4

The Committee noted that there were no substitutes in accordance with Council Procedure Rule 4 – Substitutes at Meetings of Committees etc.

4. APOLOGIES FOR ABSENCE

None.

5. DECLARATIONS OF INTEREST

None.

6. MINUTES

The minutes of the meetings of the Committee held on 19th March 2013 and 8th May 2013 were agreed as a correct record and signed by the Chairman.

7. ANNUAL GOVERNANCE STATEMENT

Peter Stuart, Head of Finance and ICT, introduced the report. He explained that the Annual Governance Statement sets out the Council's approach to internal controls and the Council's governance procedures. He drew Members' attention to the significant issue around Census ICT management and infrastructure, specifically the need for an emergency Backup and Disaster Recovery plan. He explained that an interim manager had been appointed by Horsham District Council to deal with this issue and that a thorough review was underway. He added that the plans would be implemented in the forthcoming year.

One Member asked whether the Council needed to be cautious and do more to ensure that the data was backed up because there was currently no emergency back up plan. The Head of Finance explained that all data was backed up every day, but this had not been tested completely and that the Interim Manager was putting together the disaster recovery plan which would be subject to a full testing regime.

In response to Member's questions, the Head of Finance explained the audit reports by Deloitte had been commissioned by Adur/Worthing Councils and that Members could examine the papers of the Census Joint Committee, which was already considering this issue. He also reassured Members that there was no need for the Council to take an independent stance on the adequacy of the assurance process and timetable as there were action plans for both management and infrastructure set out in the Census Joint Committee, and these were available in the public domain. The action plan had also been scrutinised by a committee at Adur/Worthing councils. He advised Members that additional overview by the Committee would only be necessary if Members were not happy with the level of reporting of the action plans.

One Member commented that it was important for Members' to understand the operational data recovery management and suggested that the Interim Manager gives a presentation to the Committee. One Member questioned whether this would be value for money.

Councillor Brunson proposed a motion for a Council officer to give a presentation to the Audit Committee on operational data recovery management for the Council. This was seconded by Councillor Barnett.

The Chairman placed the motion before the committee and the motion was rejected with three votes in favour and three votes against. The Chairman used his casting vote to reject the motion.

The Chairman took the Committee to the recommendation, which was agreed unanimously.

RESOLVED

That the Annual Governance Statement be approved for inclusion with the Financial Statements.

8. EXTERNAL AUDIT BUSINESS

Kevin Suter, the Audit Manager from Ernst and Young, introduced the report. He drew Members' attention to the Audit Progress Report and highlighted an audit risk related to the Census Partnership accounting. He explained that significant steps had already been taken to resolve the issue and that this had highlighted the very good relationship between the auditors and Council officers, who had identified the error. In response to a Member's question, Mr Suter confirmed that this had been a technical issue and did not affect the 'bottom line'. He added that overall progress was positive.

As there were no further questions, the Chairman took the Committee to the recommendation, which was agreed unanimously.

RESOLVED

That the Committee:-

- (1) note the 2012-13 Audit Progress Report;
- (2) note the Ernst and Young 'Sector Briefing'; and
- (3) agree that the Chairman sign the Management Assurance letter on behalf of

the Committee.

9. TREASURY MANAGEMENT POLICY COUNTERPARTY LIST

The Head of Finance introduced the report. He explained that the report proposed leaving Santander (UK) PLC and Co-operative Bank on the permitted list of counterparties, but restrict investments made with the banks. He added that this followed the same approach as Adur and Worthing Councils.

In response to a Member's question, the Head of Finance confirmed that the position of both banks would be reviewed at the next annual review and it was agreed to amend the wording of the recommendations to make this clear.

One Member asked whether the annual review would go to the Audit Committee and asked that the wording of the recommendations be changed to specify this. One Member asked for clarification around the role of the Committee.

In response, the Head of Finance explained that the next annual review would be at Council in March 2014. He further explained that the actual processing of the transactions was outsourced to Adur/Worthing Councils, but the overall strategy and policy was decided by this Council. He added that the role of the Audit Committee was to oversee and review the work done by Adur/Worthing Councils.

Members commented that it was also the role of the Committee to make policy recommendations to Council, who would then decide whether to accept them or not, and requested that the report's recommendations be amended to ensure the annual review would go to the Audit Committee in the first instance.

The Chairman took the Committee to recommendations, as amended, which were agreed unanimously.

RESOLVED

That it be recommended to Council that:-

- (1) Santander (UK) PLC remain as a permitted counterparty for the present, but that no investments be made with the bank;
- (2) the Co-Operative Bank remain as a permitted counterparty for the present, but that no investments be made with the bank; and
- (3) both of these restrictions be reviewed by the Audit Committee prior to the next annual review of the permitted list.

10. REVIEW OF TREASURY MANAGEMENT ACTIVITY 2012/13

The Head of Finance introduced the report. He drew Members' attention to the summary of the report that noted all transactions were in order and the performance of the service had been excellent.

As there were no questions, the Chairman took the Committee to the recommendation.

RESOLVED

That the Committee noted the report.

11. INTERNAL AUDIT ANNUAL REPORT 2012/12

Steve Connors, Audit Manager, introduced the report which commented on the internal control environment for the Council and updated Members on any areas of concern. He confirmed that the Council has a robust internal control environment and drew Members' attention to one area of concern, that of the impact on the Authority of the Census Partnerships, as already discussed by the Committee.

As there were no questions, the Chairman took the Committee to the recommendation.

RESOLVED

That the Committee received and noted the report.

12. INTERNAL AUDIT – MONITORING REPORT

Ben Durrant, Audit Manager, introduced the report. He explained that in line with the audit programme, one audit for the year had so far been completed. He also explained there was one high priority recommendation identified in the Census audits relating to discounts and exemptions for Council Tax. He added that the management response to this priority had been satisfactory.

In response to a Member's question, the Audit Manager explained that the auditors would have tested a range of examples of different discounts and the report only highlighted where there was an issue.

In response to another Member's question, he clarified that the leisure and refuse contracts both had five days work allocated. He explained that the refuse contract would cover contract monitoring arrangements and contract payments and agreed to send the terms of reference for both the leisure and refuse contracts to interested Members.

The Chairman confirmed that there was one year left on the leisure contract.

As there were no further questions, the Chairman took the Committee to the recommendation.

RESOLVED

That the Committee received and noted the report.

13. INTERNAL AUDIT – 2012/13 RECOMMENDATIONS

The Audit Manager introduced the report. He explained that the recommendations were now brought to the Committee on an annual basis and there was no significant change from last year.

As there were no questions, the Chairman took the Committee to the recommendation.

RESOLVED

That the Committee received and noted the report.

Chairman.