

## **Minutes of a meeting of the Audit Committee held on 18th March 2014 from 7.00 p.m. to 8.12 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:** Paul King and Emma Bryant from Ernst & Young.  
Ben Durrant from Haines Watts, Internal Auditors.  
Peter Stuart, Head of Finance and ICT and Section 151 Officer.  
Tom Clark, Solicitor to the Council.

### **32. SUBSTITUTES AT MEETINGS OF COMMITTEE – COUNCIL PROCEDURE RULE 4**

None.

### **33. APOLOGIES FOR ABSENCE**

None.

### **34. DECLARATIONS OF INTEREST**

None.

### **35. MINUTES**

The Minutes of the meeting of the Committee held on 20th November 2013 were agreed as a correct record and signed by the Chairman.

### **36. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2014/15 TO 2016/17**

The Committee received a report from the Head of Finance. He explained that there was no particular change with the strategy since it was last updated in March 2013. He confirmed that no further investments would be made with the Council's banker, Co-operative Bank plc, following its downgrading last year. He reminded Members that the bank had announced that it was withdrawing from local authority banking when the existing contract expired, adding that the Council was going through a tendering process to appoint a new banker.

Responding to Members' questions, the Head of Finance confirmed that the Council was using Money Market Funds (MMF) for its collective investment schemes and that if anything changed with them as a result of the European Commission's recent proposals, a change of policy requiring full Council approval would be necessary.

Replying to another Member's question, the Head of Finance confirmed that Santander UK plc remained on the Council's list of approved investment institutions and noted that the threat of a run on its parent bank in Spain appeared to have

receded.

Other Members agreed and expressed concerns around the risks to the Royal Bank of Scotland if Scotland were to secede from the United Kingdom.

The Chairman proposed that Santander UK plc remain on the Council's list of approved investment institutions, which was agreed unanimously.

As there were no further questions, the Chairman took Members to the report's recommendations, which were agreed.

## **RESOLVED**

That

- (1) the proposed Treasury Management Strategy Statement (TMSS) for 2014/15 and the following two years;
- (2) the Annual Investment Strategy (AIS) and the Minimum Revenue Provisions Statement (MRP) as contained in Sections 6 and 8 respectively of the report, and
- (3) the Prudential Indicators contained within Appendix B of the report, be recommended to Council.

## **37. EXTERNAL AUDIT BUSINESS**

The Committee received a report from the Head of Finance. He proposed that a minor amendment be made to the report's third recommendation, that the Head of Finance be delegated to draft a response to the Management Assurance letter in consultation with the Chairman.

Paul King of Ernst & Young took Members through the progress report appended to the Head of Finance's report. He confirmed that progress for 2012/13 had now been completed and that planning was underway for the 2013/14 audit. He confirmed that meetings had taken place with key officers and that a workshop would take place on 20th March to examine good practice and ensure a common understanding with the Council's Finance team to ensure a smooth auditing process. He added that progress on the key deliverables outlined in the timetable at section four of the report would be reported to the Audit Committee by the end of September 2014 statutory deadline.

Responding to a Member's questions, Mr King confirmed that the work of the CenSus joint partnership was audited separately by Ernst & Young, as agents of the Audit Commission. He confirmed that the Commission would be disbanded by the end of March 2015, although Ernst & Young's contract to audit the District Council included 2016/17. He explained that the Commission's activities would be dispersed amongst other government departments.

Mr King then took Members through his report on the certification work for 2012/13, also appended to the Head of Finance's report. He explained that the certification approach required him to review and re-perform a sample of the testing undertaken by the Council and that as a result of errors identified, he had to produce a qualification letter to report his findings in these areas.

In reply to a Member's questions, Emma Bryant of Ernst & Young explained that 13 errors in calculation and payment of rent rebates, rent allowances and council tax had been found, as well as 26 errors in overpayments that exceeded the threshold allowed by the Department for Work and Pensions and which would likely have an impact upon subsidy.

Mr King pointed out that the amounts concerned were small compared to an overall claim value of £39 million and confirmed that issues of error were usually down to the claims processing teams.

The Head of Finance explained that the operations audited were across three Councils that form the CenSus partnership and not exclusively down to Mid Sussex District Council staff. He pointed out that some of the errors may have existed elsewhere but were discovered and resolved by MSDC staff. He noted that Horsham District Council's internal audit on housing and council tax benefits highlighted the same errors in the 2013/14 caseload and that recommendations would be put before the June 2014 meeting of the Committee. He added that the Management Team were due to meet shortly to agree an action plan.

Responding to Members' concerns that the Council could be taking the impact of other Councils' errors, the Head of Finance confirmed that as the Council was lead authority and completely in control of the situation, it would seek to resolve any issues with its partner authorities.

In reply to another Member's questions, Mr King confirmed that a sample of 20 cases across the main benefit types was taken and if errors were found, another 40 cases were tested and from these figures a result extrapolated, against the population as a whole. He agreed to provide the Member with the proportion of cases that were found to be wrong.

The Head of Finance added that some of the extrapolations had been questioned by the Council and confirmed that the CenSus Head of Revenues and Benefits would appear before the Committee at its next meeting to answer any questions.

As there were no further questions, the Chairman took Members to the report's recommendations, including the minor amendment proposed by the Head of Finance, which were agreed.

## **RESOLVED**

That

- (1) note the 2013/14 Audit Plan;
- (2) note the Annual Report for the certification of Claims and Returns, and
- (3) delegate the Head of Finance to draft a response to the Management Assurance letter in consultation with the Chairman, in readiness for the next meeting of the Committee.

## **38. INTERNAL AUDIT - MONITORING REPORT 18th MARCH 2014**

The Committee received a report from Ben Durrant, from Haines Watts. He explained that the audit plan provided for a mix of coverage on fundamental systems that had been identified as potential risk areas. He confirmed that all reports had now

been issued, with the exception of Back-up and Disaster Recovery, Change and Configuration management and the Public Service Network, which were nearing completion before the end of March 2014. He reported that the issues highlighted in the previous item were also being followed up.

Responding to a Member's questions about the impact of cumulative expenditure within the Property service, the Head of Finance confirmed that a monitoring system was now in place.

The Chairman confirmed that the Property and Asset Maintenance Manager would contact the Member to discuss any issues of concern.

In reply to another Member's questions, the Head of Finance confirmed that the timetable for addressing the issues was only four months and that he believed the issue was already resolved.

In response to the Member's concerns, Tom Clark, Solicitor to the Council confirmed he would address the matter, as Head of Service and pointed out that in recent times much more work had been subject to formal tendering processes.

As there were no more questions, the Chairman took Members to the report's recommendations, which were agreed.

#### **RESOLVED**

That the report be received.

#### **39. INTERNAL AUDIT - ANNUAL INTERNAL AUDIT PLAN 2014/15**

The Committee received a report from the Head of Finance. He explained that the Council would be moving to a new internal auditing contractor for 2014/15 and took Members through the Council's internal audit plan for 2014/15. He confirmed that some contingency had been built in, most of which could be used to look at benefits processing and that an action plan would be delivered by June 2014.

As there were no questions, the Chairman took Members to the report's recommendation, which was agreed.

#### **RESOLVED**

That the detailed Internal Audit Plan for 2014/15, at Appendix A to the report, be received and noted.

Chairman.