

Minutes of a meeting of the Audit Committee held on 24 November 2015 from 7.00 p.m. to 7.55 p.m.

Present: Andrew Lea (Chairman)
John Belsey (Vice-Chairman)

Tony Dorey Neville Walker
Bruce Forbes Linda Stockwell*

* Absent.

Also Present: Councillors Jonathan Ash-Edwards

Also Present (as an appointed substitute): Councillor Ruth de Mierre.

Also in Attendance: Gillian Edwards, Internal Auditor and Paul King from Ernst and Young.
Peter Stuart, Head of Finance and Section 151 Officer.

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

The Committee noted that, in accordance with Council Procedure Rule 4 – Substitutes at Meetings of Committees etc. Councillor de Mierre had replaced Councillor Stockwell for the duration of the meeting.

26. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Stockwell.

27. DECLARATIONS OF INTEREST

None.

28. MINUTES

The Minutes of the meeting of the Committee held on 29 September 2015 were agreed as a correct record and signed by the Chairman.

30. EXTERNAL AUDIT BUSINESS

Paul King from Ernst Young introduced the report and explained that the report comprised the timetable for the 2015/16 audit, which included the Audit Letter signed off at the last meeting of this Committee. He added that a more detailed Audit Plan would be submitted to the March meeting of this Committee.

He referred to the 2014/15 Housing Benefit Subsidy Claim and explained that this is in the process of being finalised and confirmed that the claim would be certified by the deadline of 30 November.

Mr. King referred Members to the local appointment of Auditors and explained that the Department for Communities and Local Government had recently announced that it had decided to extend the existing arrangements for awarding external audit contracts by one year to the end of 2017/18. From 2018/19 onwards, changes would come into force to allow auditors to be appointed locally.

Members were then referred to the planned fees for the 2015/16 audit and noted that the indicative fee for the 2015/16 audit would be reduced from that of previous years.

He then referred Members to the Annual Audit Letter which was a summary of work undertaken, and highlighted a new requirement to identify Highways Network Assets which included footways; unadopted roads on industrial estates; cycleways and street furniture.

In response to a question from a Member, the Head of Finance and Human Resources confirmed that the Council does have some footways, bus stops and twittens which will need to be evaluated.

Mr. King also highlighted the earlier deadline for production and audit of the financial statements from 2017-18, which, as a result, the Council will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.

In response to a question from another Member about the local appointment of auditors and ensuring value for money, the Head of Finance and Human Resources said that the Council could go out to tender and end up paying more. He added that another option could be to undertake a procurement exercise with other Councils. Mr. King added that a fuller picture would emerge over the coming months.

One Member referred to the likely impact of Highways Network Assets and the Head of Finance and Human Resources explained how these would be reflected in the accounts. Mr. King added that there could, potentially, be more work involved which could result in an increase in audit fees.

In response to a question from a Member as to a start date for this exercise, the Head of Finance and Human Resources explained that training would need to be undertaken before undertaking the process of identifying assets.

One Member referred to the Housing Benefit Subsidy Claim and asked the External Auditor if there had been any specific issues. Mr. King confirmed that CenSus is working to address issues raised in previous letters. He referred to the draft qualifying letter, the content of which would be agreed with the Officers. The findings will then be sent to the Department of Work and Pensions who will make a determination under legislation and make the decision on the subsidy to be reclaimed.

In response to a question from the Chairman as to what is being done to make sure this does not happen again, the Head of Finance confirmed that more testing is being undertaken with more errors being found. He added that this Council is not alone; a majority of other local authorities find themselves in the same position. He added that a rigorous training exercise is being undertaken to ensure that subsidy claims are correct.

The Head of Finance and Human Resources clarified that a 1p error is still an error in the audit; there was no de minimis level and that the audit regime was very prescriptive. He explained how the audit works and how burdensome it is for the authority.

As there were no Members wishing to speak the Chairman took the Committee to the recommendation which was agreed.

RESOLVED

That the report be received and noted.

31. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL – 30 SEPTEMBER 2015

The Head of Finance introduced the report and explained that all transactions are in order and there are no exceptional events on which to report.

One Member questioned whether there is any capacity to pay loans back early. The Head of Finance and Human Resources said that he had examined the Public Works Loan Board loan premium and said that it costs more to pay back early rather than let it run for the term.

The Chairman asked if it was possible to have the effect of the average interest rate over the last quarter. The Head of Finance and Human Resources confirmed that it would be possible to include in future reports to the Committee.

As there were no more questions, the Chairman took Members to the recommendation which was agreed, subject to the inclusion of the average interest rate over the last quarter being shown in future reports to the Committee.

RESOLVED

That the Committee note the contents of the Half Yearly report for 2015/16, particularly:-

- (1) the increase in net investments from £23.953m to £36.908m in the period 1 April to 30 September 2015;
- (2) that no new long term borrowing has been necessary; and
- (3) that interest costs are below budgetary estimates, whilst interest from investments are £13k above the annual budgetary target due to an increase in the expected amount available for investment.

32. TREASURY MANAGEMENT CURRENT INVESTMENTS

The Head of Finance introduced the report, prepared following the Committee's request at their previous meeting, for a regular update on the Council's current Treasury Management investments.

He also informed the Committee that a branch of Handlesbank would shortly be opening in Haywards Heath. Whilst it would be recommended as an addition to the Council's lending list in March, it was a prudent bank that often offered lower rates than the Council desire as a lender. It was thus possible that, even if approved, it would not be regularly used.

As there were no more speakers, the Chairman took Members to the recommendation which was agreed.

RESOLVED

That the report be received and noted.

33. INTERNAL AUDIT – MONITORING REPORT

The Committee received the Internal Audit's report which updated them on the progress of the 2015/16 Internal Audit Plan and progress made in implementing previously agreed recommendations.

The Committee were informed that the follow-up review of the Anti-Fraud Work Audit for 2015/16, undertaken earlier in the year, would now be implemented on 31 December 2015 because of three outstanding issues of an administrative nature rather than a control weakness.

The Committee noted that the Payroll audit had been completed, one medium finding had been identified and the recommendation of Internal Audit had been implemented immediately.

In response to a question from the Chairman regarding the Anti-Fraud work and data matching, Mrs. Edwards informed the Committee that matches for comparing would be received in February and the work on that would be prioritised.

As no Members wished to speak, the Chairman took the Committee to the recommendation which was agreed.

RESOLVED

That the Internal Audit Monitoring report be received and noted.

34. COMMITTEE WORK PROGRAMME

The Committee received the Work Programme for 2015/16. The Head of Finance and Human Resources said that, following the request of the Committee for a regular update on Treasury Management Current Investment, this would be added to the Work Programme for the March meeting and any future meetings of this Committee. This was agreed by the Committee.

As there were no more speakers the Chairman took the Committee to the recommendation.

RESOLVED

That the Committee Work Programme for 2015/16 be noted, subject to the addition of the item on Treasury Management activity being added to the 16 March 2016 meeting.

Chairman.