

Minutes of a Meeting of the Audit Committee held on 23 January 2017 from 7.00 p.m. to 7.52 p.m.

Present: John Belsey (Chairman)
Ruth de Mierre (Vice-Chairman)

Anne Boutrup*	Andrew Lea	Neville Walker
Tony Dorey	Linda Stockwell*	

* Absent.

Also in Attendance: Paul King, Ernst and Young
Gillian Edwards, Audit and Risk Manager, Crawley Borough Council
Peter Stuart, Head of Corporate Resources and Section 151 Officer

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

None.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Anne Boutrup and Linda Stockwell.

3. DECLARATIONS OF INTEREST

None.

4. MINUTES

The Minutes of the meeting of the Committee held on 16 November 2016 were agreed as correct record and signed by the Chairman.

5. URGENT BUSINESS

None.

6. AUDIT PLAN

Paul King, from Ernst and Young, introduced the report. He stated that the material contained in the report is standard and similar to previous Audit Plans presented to the Committee. He directed Members' attention to section 2 of the report, listing the financial statement risks. He clarified that the risk of management override is a standard risk which is not unique, and there is no concern and the audit response is a standard response.

Regarding section 3, value for money risks, the auditor has identified the recent purchase of the Orchard's shopping centre as a 'significant risk'. However, he advised Members the audit will assess the value for money of the Council's arrangements to finance the purchase, not the actual decision to purchase the Orchard's itself. This 'significant risk' should not be taken as criticism as it looks at the decision making process involved in financing such a large purchase, not the justification for the purchase itself.

In section 4.7 of the report it outlines the timetable of deliverables. The work for the

2016/2017 Audit will be completed in July, and should be signed by early August 2017. He noted that in previous years the audit work had started later but due to the bringing forward of accounts, the audit must be completed by July, not September. Therefore, the audit work is brought forward so the by the 2017/18 it will be fully delivered by July 2018.

In response to a Members' question about whether the audit fee is likely to increase, Mr King stated that the fee is fixed until 2017/2018, however, if a different amount of work were to be carried out then this would increase, but this is not anticipated to happen. He stated that Ernst and Young will continue to be the Council's auditors until April 2018, after which a new auditor will be appointed.

A Member asked whether Council officers were meeting the agreed timetable and if there was any risk of the Council being unprepared to meet the timetable of deliverables due to the earlier schedule.

Peter Stuart, Head of Corporate Resources confirmed that in previous years the audit had been delivered even earlier than by the end of July, no problems are anticipated and the Council is planning accordingly.

The Chairman sought clarification on the current progress of the Housing Subsidy audit.

Paul King stated that they have not yet received the certification report from the Department for Work and Pensions (DWP). It was certified by 30 November 2016, and this was sent with a qualification letter containing the findings to the DWP. The DWP have not formally responded to this letter, there is no set timetable for their response but the auditors usually expect to hear from them by the end of March 2018. The DWP will determine the amount of subsidy that is repaid by the Councils.

Regarding Brexit, Mr King stated that Ernst and Young Item Club, which supplies economic forecasting on the state of the UK economy, can be circulated to Members.

As there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

That the Committee receive and note the report.

7. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman informed the Committee that it is for this Committee to recommend a decision, and for the following Council meeting to take the decision with reference to the Audit Committee's recommendation.

Peter Stuart, Head of Corporate Resources, introduced the report. He outlined that the Committee has a choice between an uncertain and lengthy procurement process using the OJEU principles or a tried and trusted method using Public Sector Audit Appointments (PSAA), which have performed well in the past and this is a more certain less resource intensive option which comes at a reasonable cost for the Council.

He stated that local firms could be approached but it is still recommended to use the PSAA method.

In response to a Member question about whether the appointment of a new auditor is to

be to a specific standard, the Head of Corporate Resources clarified that using the PSAA the quality is assured, and all parties have been happy when it has been used previously.

The Member agreed that a qualified auditor should be procured, as it was not the responsibility of Members to double check figures presented to them.

The Chairman agreed that any potential auditors need the relevant experience and qualifications, and it was a possibility that some local firms may not have this.

A Member enquired whether using PSAA would be more expensive than procuring locally, and wished to know how it is funded.

The Head of Corporate Resources replied that the PSAA is funded by the Local Government Association and this does not mean there will be a higher fee to the Council. He stated that PSAA do allow local firms to bid for parts in a lot, and they are flexible when it comes to inviting businesses to tender. At the Members' request, he stated that he will report back to Members at the Council Meeting on 1 March if any local auditors are found.

The Chairman advised Members that as outlined on page 7 of the report, if Members were to recommend the independent OJEU procurement option, it would mean an audit panel would have to be set up independently, and local providers may not be able to meet the demands.

Mr King advised Members that firms need to register to meet the quality threshold, and most are accredited audit partners; he advised that this threshold may preclude small local firms. As a firm, Ernst and Young are committed and most local authorities will sign up to the PSAA. The PSAA will procure big bulk contracts and the process has increased competition e.g. in the Health Audit.

As there were no further questions, the Chairman took Members to the recommendation as outlined in the report, which was agreed unanimously; with the addition that extra consideration will be given to local firms.

RESOLVED

That the Audit Committee advised the Council to accept the invitation to procure a new auditor as part of the national offer.

8. TREASURY MANAGEMENT – AN INTERIM UPDATE

Peter Stuart, Head of Corporate Resources, introduced the report. He outlined that the figures highlighted in yellow are the loans have been actioned. The report also provides a snapshot of the loans the Council currently has. He advised Members that there had been no digression from our Treasury Management Strategy, and Appendix 1 outlines the counterparties and rates the Council achieved on the day of purchase.

A Member said it would be useful to have a summary of the figures at the end of the report, as it was quite confusing to read. This was echoed by other Members.

The Head of Corporate Resources suggest that in the future the figures can be in a spread-sheet format to make them more user-friendly and the presentation could be improved. He clarified that the figures highlighted in yellow are a subset of the pages that follow.

A Member stated that it may be inadvisable to have another sub report of a Treasury Report as the overall Treasury Management Report gives Members this information already, and this would create extra work.

The Chairman reminded Members that the next Treasury Management Report will be included in the following meeting of this Committee.

As there were no further questions, the Chairman took Members to the recommendation to note the report.

RESOLVED

That the Committee receive and note the report.

9. INTERNAL AUDIT – MONITORING REPORT 31st October 2016

Gillian Edwards, Audit and Risk Manager, introduced the report. She concluded that three pieces of audit work have been completed: the CenSus Council Tax audit; the Procurement Audit and the Anti-Fraud CenSus Starters and Leavers Audit.

The Census Council Tax Audit has resulted in one low priority finding, which is how inspectors report details when inspecting properties. However, this will shortly resolve itself as inspectors can now record information on a hand held device which links in with the Academy system.

Four pieces of work will be coming by March 2018; Income Collection, Payments, Sundry Debtors and Capital Account and Asset Management.

It was decided by the Business Unit Leader for parking that insuring the parking machines is not value for money as incidents of damage and theft are low and the Council will self-insure.

Regarding CenSus starters and leavers, 74 users confirmed no longer working at the Council have been removed. She advised Members that HR do not appoint temporary and contract staff, and that it is the line manager's responsibility to notify IT when that staff Member leaves. It has been found that managers are not notifying IT, and a message has been put on the Council's intranet explaining that they need to do this.

She informed the Committee that Simon Hughes, the Head of Digital and Customer Services will liaise with Horsham and Adur Worthing Councils in March regarding their staff leavers. If the issue of leavers does not resolve itself, then it will be brought back to the managers who will be held accountable.

A Member expressed his thanks for the original concerns of the Committee being answered, and for the thorough response and solutions to these.

A Member wanted to know if the Council is confident that the amount of money in the machines is reasonable for them to be self-insured, and whether there are provisions for removing staff leaver accounts in other non-CenSus systems.

The Audit and Risk manager replied that the machines are hard to break into and often situated in conspicuous locations covered by CCTV, and will return to Members with assurance that the amount in the machines does not necessitate insurance. She stated that the audit is currently working through all IT systems used by the Council, and will

provide a breakdown in the March Committee.

The Chairman echoed Members' appreciation for the report took Members to the recommendation to receive the report.

RESOLVED

That the Committee receive and note the report.

10. COMMITTEE WORK PROGRAMME 2016/2017

The Chairman took Members to the recommendation to receive the report.

RESOLVED

That the Committee Work Programme for 2016/17 is noted with no amendments.

11. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.

None.

Chairman.