

Minutes of a Meeting of the Audit Committee held on 21 November 2017 from 7.00 p.m. to 7.51 p.m.

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

Anne Boutrup
Tony Dorey

Andrew Lea
Linda Stockwell

Neville Walker

* Absent.

Also in Attendance: Hannah Lill, EY
Tom Wilkins, EY
Gillian Edwards, Audit and Risk Manager, Crawley Borough Council
Peter Stuart, Head of Corporate Resources and Section 151 Officer
Tom Clark, Head of Regulatory Services
Hamish Evans, Democratic Services Officer

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

None.

2. APOLOGIES FOR ABSENCE

None.

3. DECLARATIONS OF INTEREST

Councillor Lea declared himself as a serving Member of West Sussex County Council and Councillor de Mierre declared an interest in Orchards Shopping Centre.

4. MINUTES

The Minutes of the meeting of the Committee held on 2 August 2017 were agreed as correct record and signed by the Chairman.

5. URGENT BUSINESS

None.

6. EXTERNAL AUDIT BUSINESS

Hannah Lill from EY, introduced the report including the Annual Audit Letter and brought members attention to the opinion on the Councils financial statements she informed the Committee that this was an unqualified opinion.

The Auditor from EY brought the Committees attention to the overvaluation of The Orchards Shopping Centre within the original statements and apologised on behalf of EY as the overvaluation could have been noticed earlier in the Audit process. The reason for the overvaluation was that irrecoverable landlord costs and costs of purchase had not been deducted from the valuation. The overvaluation required the involvement of EY specialist valuers (EY Real Estate) to critically review the Council's new valuation and its basis. The outcome of the process was a £4.3 million reduction in the valuation.

EY were also required to consider whether the Council had put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

The purchase of the head lease of The Orchards Shopping Centre in Haywards Heath for some £23 million was the main risk that required any consideration. However the report states that EY did not identify any significant weakness in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

A Member queried that as EY had not fulfilled its commitment to have finished the audit by July 2017 what would be done in the future to ensure this would not happen again.

The Auditor from EY, ensured the Committee that this issue had been built into the audit process for next year and that looking forward, EY would bring issues to the Committee as early as possible.

A Member asked for clarification of when the Committee signed off the accounts as there was not a meeting on the 28 September 2017. The Chairman clarified that the agreement to sign off the accounts had been done over email.

A Member queried whether the reason for not meeting the deadline was due to a lack of resources. If this was the case would there be an increase in costs to reflect the need for extra resources.

The Auditor from EY clarified that because of the inclusion of EY real estate in the revaluation of The Orchards Shopping Centre there was an increase in costs however now that there is a benchmark valuation there shouldn't be the need for additional costs for this aspect in the future.

The Chairman noted EY's apology and he commented that the Committee played a significant role in increasing the transparency of the accounts and also highlighting the issues surrounding the valuation of The Orchards Shopping Centre. He believed that a workshop or an additional meeting before the accounts were signed off so that the Committee could be an extra level of scrutiny would be useful. Members were in agreement with this idea.

A Member believed the report was excellent and wanted to thank and congratulate both EY and the Councils finance team for all their hard work.

A Member questioned whether the advent of the General Data Protection Regulation in May 2018 would affect how the audit is undertaken. The Auditor answered that it shouldn't have any effect in regards to EY's work. The Member asked the same question of Peter Stuart, Head of Corporate Resources and he answered that it would be a question for Simon Hughes, Head of Digital and Customer Service.

A Member asked whether the closedown timetable would be brought forward for 2018/19. The Auditor from EY answered that EY are going to bring their work programme forward to allow any problems to be dealt with as early as possible.

The Auditor from EY introduced the Annual Audit and Certification Fees 2017/18 letter. She brought Members attention to Public Sector Audit Appointments Ltd (PSAA) which had set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. The PSAA proposed that the scale fees are set at the same level as the scale fees applicable for 2016/17. She informed Members that the Council will be charged extra for the work done by EY real estates on the revaluation of The Orchards Shopping Centre however this was the first time EY had charged extra. As long as standard deliverables are met by the Council then there will not be additional fees.

A Member asked whether the fees would increase due to work on the housing benefit subsidy. The Auditor from EY answered that a fee would be tendered separately in 2018/19 as it will not be included in PSAA.

The EY Auditor commented that the review of the housing benefit subsidy certificate was now complete even though there were unavoidable delays due to staffing problems in CenSus.

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. REVIEW OF TREASURY MANAGEMNT ACTIVITY 1 APRIL – 30 SEPTEMBER 2017

Peter Stuart, Head of Corporate Resources, introduced the report which stated that all transactions were in order and the performance of the service had met the requirements of the Service Level Agreement (SLA) with our shared services provider. He went on to explain the key points which were that the shared service had adhered to all borrowing limits and counterparty lending limits approved in the Treasury Management Strategy Statement; interest earned on investments were slightly higher than forecast, whilst interest on borrowing is in line with the budget.

A Member asked for clarification on why the £10.9 million capital receipt was not included in the tables. The Head of Corporate Resources informed the Member that it would be received later than forecast and probably in 2018/19.

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

RESOLVED

The Committee was requested to note the contents of the report:

- (i) that no new borrowing had been necessary in the 6 months to 30th September 2017 and the outstanding borrowing had reduced from £22.98m at 31 March 2017 to £12.84m
- (ii) the increase in investments from £34.62m at 31 March 2017 to £37.92m at 30 September 2017 (both figures exclude the £6m investment in the CCLA Local Authorities' Property Fund); and
- (iii) The Committee approved the addition of Goldman Sachs International Bank to the list of approved counterparties, for a maximum investment of £4m and a maximum period of 5 years.

8. INTERNAL AUDIT – MONITORING REPORT, 31 OCTOBER 2017

Gillian Edwards, the Audit and Risk Manager, introduced the report. She outlined that the report was twofold; to update the Committee on the progress of the 2017/2018 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations. She also informed the Committee that Appendix A should have 1 high priority recommendation under 'Procurement'.

The Audit and Risk Manager answered a Members query from the last Committee

regarding what the CenSus Council Tax 'buildings module' entailed. She explained that the buildings module is part of an electronic system that allows details of individual properties to be recorded, including inspections that have been undertaken by Visiting Officers. This links to the Academy Council Tax system and allows all Visiting Officers and office-based staff to access the information.

A Member asked whether business cases are a Council requirement for all projects. The Audit and Risk Manager told Members that it wasn't a constitutional requirement but would be required by the Finance department. The Chairman agreed that it should be made a requirement and asked Officers to report back to the Scrutiny Committee on the possibility of this.

A Member queried the difference between substantial and satisfactory audit opinions. The Audit and Risk Manager told the Committee that satisfactory meant that sound controls were in place however they weren't being followed. Substantial meant that sound controls were in place and they were being followed.

A Member wanted to know the risks attached to purchase orders that weren't recorded on the Contracts Register. The Audit and Risk Manager assured Members that there was low risk. Tom Clark, the Solicitor to the Council, reassured the Committee that the Council's processes were more stringent than needed so it would be unlikely the Council would receive a fine and that it hasn't been a priority for recent Secretaries of State.

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 comment on the report.

9. AUDIT COMMITTEE WORK PROGRAMME 2017/18

The Chairman asked Officers to organise a meeting before the accounts are published so that the Committee can scrutinise the statements.

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

RESOLVED

The Committee note the Work Programme as set out at paragraph 5 of this report.

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

None.

Chairman.