

Minutes of a Meeting of the Audit Committee held on 8 March 2018 from 7.00 p.m. to 8:14 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, EY
Pamela Coppelman, Adur and Worthing District Councils.
Gillian Edwards, Audit and Risk Manager, Crawley Borough Council
Peter Stuart, Head of Corporate Resources and Section 151 Officer
Hamish Evans, Democratic Services Officer

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

Councillor Ellis was in attendance as a substitute for Councillor Boutrup.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Boutrup and Walker.

3. DECLARATIONS OF INTEREST

Councillor Lea declared a personal interest as a serving Member of West Sussex County Council.

4. MINUTES

The Minutes of the meeting of the Committee held on 21 November 2017 were agreed as correct record and signed by the Chairman.

5. URGENT BUSINESS

None.

6. EXTERNAL AUDIT: CERTIFICATION REPORT

Paul King from EY, introduced the report to Members. He informed the Committee that while the audit identified some quality issues with the underlying claims, the Council is in a vastly improved position on previous years. He told Members that thanks to the reduction in errors the Council had not had to repay any sums to the Department of Work and Pensions, in contrast to the previous year when £230k had been repaid. The Council should anticipate 2018/19 as Mid Sussex District Council's auditor (for the Certification Report) had not been appointed by Public Sector Audit Appointments and this would need to be procured separately from the main audit.

A Member queried whether the Revenue and Benefits department being in-house was the reason it was classed as a high risk area for subsidy claims. Also whether EY's recommendations would be taken forward in 2018/19.

The Auditor from EY clarified that the high risk classification was usual for Revenue and Benefits as auditors do find errors and this is not unique to Mid Sussex District Council. However Members should take into account that the department has shown great improvement in reducing errors. The recommendations had been agreed and would be actioned by Management in the coming months.

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

RESOLVED

That the Committee noted the report.

7. INTERNAL AUDIT – MONITORING REPORT 31st January 2018

Gillian Edwards, Audit and Risk Manager, introduced the report. She concluded that four pieces of audit work have been completed: the Income Collection, Sundry Debtors, Census Data Migration and Housing Benefits audits. She updated Members on the Sundry Debtors Audit which discovered that two employees who had left the employ of the Council still had access to the system. This was due to an oversight and the HR section had been reminded to notify all leavers to the relevant sections.

Also the Income Collection Audit identified that two employees who were no longer working at the Council still had access to the system, although their access levels had been reduced to 'read only'. The advice received was that they had not been removed as it was considered necessary that they remain on the system for seven years. Both users have now been removed.

The Audit and Risk Manager informed Members that the CenSus Disaggregation Audit would be completed earlier than planned but had not moved forward sufficiently enough to be completed in this period.

The Chairman thanked Gillian and her team for the detailed update.

A Member queried why the two employees remained on the Income Collection system. She was informed that this was due to a misunderstanding of the regulations that asked for financial records be kept for 6 years; it had been established that this should not go so far as retaining users on systems for 6 years after ending their employment. The users had therefore been deleted.

A Member requested that acronyms be avoided in the future to add clarity for members of the public reading the reports. This was agreed.

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

RESOLVED

That the Committee noted the report.

8. EXTERNAL AUDIT PLAN

Paul King, from EY introduced the report. He informed Members that there are no issues of concern. He told Members that EY had to include Risk of Management Override in their Audit risks and areas of focus. Further, the reason why the Pension Liability Valuation and the Valuation of Land and Buildings were included was due to them being

such large amounts.

The Auditor from EY explained that there was a possibility that the Mid Sussex District Council accounts could be published before the deadline due to the Council being moved up the timeline of EY work. He also informed the Committee that 'Planning materiality' included the overall risk whereas 'Performance materiality' was what drives the amount of testing for risk.

The Auditor from EY confirmed that the risk assessments had considered both the potential financial impact of the issues identified, and also the likelihood that the issue would be of interest to local taxpayers, the Government and other stakeholders. This had resulted in the identification of no significant risks.

A Member queried whether the revaluation of a specific asset that EY had asked the Council to complete had been done. This had been completed and included within the statement of accounts.

A Member asked whether EY would audit the Councils compliance with the General Data Protection Regulations.

The Auditor from EY informed the Member that although EY would look into the Council's general compliance with the law it would not specifically look at the General Data Protection Regulation.

A Member asked if the Committee would have access to the draft accounts before they were published. If not, would there be a level of commitment by EY to communicate any problems or delays to the Committee.

The Auditor from EY confirmed that if there were any problems with the draft accounts both Officers and EY would have a joint responsibility to inform Members and this would be done through the Chairman.

The Head of Corporate Resources informed the Committee that the draft accounts could be published online by the end of May.

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

RESOLVED

That the Committee noted the report.

9. TREASURE MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19 TO 2020/2021

Pamela Coppelman from Adur and Worthing Councils introduced the report which outlined the Council's investment and borrowing strategy for the forthcoming three years and the repayment status of the necessary borrowing to purchase the Orchards Shopping Centre. She informed the Committee that the addition of the UK registered Goldman Sachs International Bank was needed as an additional counter party and helped to diversify the portfolio.

A Member queried how the Minimum Revenue Provision was calculated. He was informed that this was done easily as the Council holds low levels of debt. The loan for the purchase of the Orchards Shopping Centre head lease increased the Capital

Funding Requirement. However, as the Council is forecasting possible capital receipts of £20m in 2018/19, MRP will only be provided on the balance of nearly £5m.

Pamela Coppelman informed Members that it is a statutory requirement for the Council to have a Minimum Revenue Provision that it considers prudent. She also confirmed that the need for borrowing was low and that it was not a concern for the Council at present.

A Member queried the amount of movement in the Capital Financing Requirement estimate in 2018/19. She was informed that this was due to the forecast Capital Receipts.

Pamela Coppelman confirmed that there is an Investment Benchmarking group that consists of other Local Authorities to discuss investment opportunities. Mid Sussex District Council has had successful investments compared to other authorities in the group. She also informed the Committee that regarding refinancing loans the Members approve a strategy which the Officers work from. They have software that forecasts cash flow 18 months in the future which allows Officers to look at investment opportunities and propose those options to the Head of Corporate Resources.

A Member asked whether the three Councils pooled their finances. Pamela Copenham confirmed that they were not a pooled service.

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

RESOLVED

That the Committee propose that Council agree to:

- (i) the proposed Treasury Management Strategy Statement (TMSS) for 2018/19 and the following two years;
- (ii) the Annual Investment Strategy (AIS) and the Minimum Revenue Provision Statement (MRP) as contained in Sections 5 and 3.3 respectively of the report;
- (iii) the Prudential Indicators contained within this report.

10. THREE YEAR INTERNAL AUDIT PLAN

Gillian Edwards, Audit and Risk Manager, introduced the report and referred Members to Appendix B which listed the proposed audit work to be undertaken over the next three years.

The Audit and Risk Manager, informed the Committee that there was a 6 day contingency added to the audit work.

Members asked that Officers also look at Mid Sussex District Council's preparedness for implementation of the General Data Protection Regulation. Officers confirmed that if needed they could purchase extra contingency days to accommodate the work needed. They also informed the Committee that NFI stood for National Fraud Initiative.

The Audit Risk Manager told Members that Officers could look at a one year plan instead of three year if this was considered to be more appropriate, as the audit plan is fluid and often not relevant by the beginning of year 2. She also reassured Members that based on Officers knowledge of the Council and the level of internal control Officers are happy with the amount of days allocated to the audit.

The Head of Corporate Resources informed Members that working practices within the

Council were improving which was reducing the amount of Audit time necessary to be within the audit plan.

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

RESOLVED

That the Committee approve the detailed Internal Audit Plan for 2018/19 (Appendix A) and the 3 Year Internal Audit Plan (Appendix B).

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

None.

Chairman.