

19 February 2018.

Dear Councillor,

A meeting of the **AUDIT COMMITTEE** will be held in the **Council Chamber** at these offices on **THURSDAY, 8 March 2018 at 7.00 p.m.**, when your attendance is requested.

Yours sincerely,

KATHRYN HALL

Chief Executive

### **A G E N D A**

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1. To note Substitutes in Accordance with Council Procedure Rule 4 – Substitutes at Meetings of Committees etc.	
2. To receive apologies for absence.	
3. To receive Declarations of Interest from Members in respect of any matter on the Agenda.	
4. To confirm the Minutes of the meeting of the Committee held on 21 November 2017.	3 - 6
5. To consider any items that the Chairman agrees to take as urgent business.	
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11. Questions pursuant to Council Procedure Rule 10.2 due notice of which has been given.	

To: **Members of Audit Committee** – Councillors Belsey, Boutrup, de Mierre, Dorey, Lea, Stockwell and Walker.



## **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 MANAGEMENT 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 30<sup>th</sup> 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.

## 6. EXTERNAL AUDIT: CERTIFICATION REPORT

REPORT OF: Head of Corporate Resources  
Contact Officer: Peter Stuart, Head of Corporate Resources  
Email: [Peter.Stuart@midsussex.gov.uk](mailto:Peter.Stuart@midsussex.gov.uk) Tel: 01444 477315  
Wards Affected: All  
Key Decision No

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### 1. Purpose of Report

To inform the Committee of the External Auditor's Annual Report for the Certification of Claims and Returns 2017.

### 2. Recommendations

**The Audit Committee is recommended to note the Annual Report for the certification of Claims and Returns 2017,**

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### 4 Background

4.1 Annex 1 contains the report that sets out the findings from work to certify the Housing Benefit Subsidy claim. In essence, while the the audit identified some quality issues with the underlying claims, this is a vastly improved position on previous years.

4.2 This year Members will be pleased to note that the level of error in the caseload is much lower than in previous years and this is reflected in the level of overpayment and therefore repayment to DWP. To put this in context, for 2015/16 our repayment was £230,000 and this year, given the size of the overpayment of £13,000 no repayment is required and the DWP have closed their files. This turnaround is a great achievement by the team and evidence that the training programme instigated over the past few years, with its emphasis on accuracy over speed has finally borne fruit.

### 5 Financial implications

5.1 There are no financial implications arising from this report. .

### 6 Equalities implications

6.1 The report raises no implications of this nature.

### 7 Risk analysis

7.1 No material risks arise from this report

### Background Papers

None



# Certification of claims and returns annual report 2016-17

Mid Sussex District Council

February 2018

Ernst & Young LLP



**EY**

Building a better  
working world

The Members  
Audit Committee  
Mid Sussex District Council  
Oaklands Road  
Haywards Heath  
West Sussex  
RH16 1SS

15 February 2018  
Ref: MSDC/HB/2016-17

Direct line: **0118 928 1556**  
Email: [pking1@uk.ey.com](mailto:pking1@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2016-17 Mid Sussex District Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Mid Sussex District Council's 2016-17 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £32,907,830. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors, but these did not require amendments to the claim form.

The Council has completed four of the five recommendations from 2015-16 and has improved arrangements. Details are included in section 4. We have seen a significant reduction in the volume of errors identified during 2016/17 compared to previous years. This is reflected in the small extrapolation total of £15,064 detailed in Section 1 of this report, compared to £71,730 in 2015/16.



Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting in February 2018.

Yours faithfully

**Paul King**  
Associate Partner  
Ernst & Young LLP  
Enc

## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,907,830
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016-17	£12,533
Fee – 2015-16	£17,858
Recommendations from 2015-16	Findings in 2016-17
Five recommendations were made in 2014-15 which were brought into 2015-16. The Council has successfully completed four of these recommendations in 2016-17.	We have summarised these recommendations and made an assessment of the progress against them at section 4.

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete three samples of 20 cases for authorities with a Housing Revenue Account (HRA), covering HRA Rent Rebate, Non-HRA Rent Rebate and Rent Allowance cases, plus an undefined sample of Modified Scheme Cases, where each of these are applicable to the Council. Mid Sussex District Council does not have its own housing stock, therefore testing is limited to Non-HRA Rent Rebate and Rent Allowance cases, including related modified scheme cases. Auditors must complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors within the initial samples and carried out extended testing in these areas, along with areas identified within the previous years' claim.

The "40+" testing identified a small number of cases where similar errors had occurred.

For those "40+" tests where we did not test the whole population, we extrapolated the financial impact of our findings to determine the total financial impact of the errors on the claim. This was then reported in our qualification letter, but no amendment was made to the claim form.

The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid.

A summary of the key issues found is shown below:

### Eligible rent

Rent Allowances: Testing of the initial sample identified one case where benefit was underpaid as a result of an inaccurate amount being input for eligible rent. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. However, because errors in entering eligible rent could result in overpayments an additional random sample of 40 cases was tested from manually entered rent in cell 102. Testing of an

additional random sample of 40 cases identified three cases where benefit had been overpaid as a result of incorrectly inputting the claimant's rent. We calculated an extrapolated error of £3,271 which was reported in our Qualification Letter.

### **Income**

Rent Allowances: Testing of the initial sample identified two cases where benefit had been overpaid as a result of incorrectly calculating the claimant's income and one case where benefit had been underpaid as a result of incorrectly calculating the claimant's income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. However, because errors miscalculating the claimant's weekly income could result in overpayments an additional random sample of 40 cases was tested. Testing of an additional random sample of 40 cases did not identify any further cases that had been overpaid. The testing identified two cases where benefit was underpaid as a result of incorrectly calculating the claimant's income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. We calculated an extrapolated error of £8,800, which was reported in our Qualification Letter.

### **Misclassification of overpayment (cell 114)**

Rent Allowances: In our initial sample, we identified one case where an overpayment caused by LA error and admin delay had been misclassified as an eligible overpayment. As misclassification errors could result in an overpayment of subsidy and the error had also arisen in the prior year, an additional random sample of 40 cases was tested. Testing of an additional random sample of 40 cases identified a further six cases where benefit had been overpaid as a result of incorrectly calculating the claimant's income. We calculated an extrapolated error of £2,993, which was reported in our Qualification Letter.

### **Modified Schemes**

In 2015-16, 100% of the population was reviewed and amended, and 100% tested by the Council post year end. We identified one error in the cases tested by the Council in 2015-16. We therefore used our judgement to perform a sample of 20 cases, pro-rated for a population less than 100 cases. We therefore tested two cases, noting no errors within either case and therefore no reporting was required in the qualification letter.

### **Extrapolations**

The total of the extrapolations and errors in the qualification letter had the effect of increasing:

- current year LA error and administrative delay overpayments by £15,064

Where extrapolations impact the LA error and administrative delay overpayments cells, the DWP usually require that the extrapolation amount is repaid to the DWP.

The DWP review the combined LA error and administrative delay overpayments balance, taking the subsidy claim form value and the value of our extrapolations and, where this breaches the upper threshold, the total LA error and administrative delay overpayments incurred during the year are required to be repaid to the DWP. The LA error and administrative delay overpayments upper threshold was £173,340 and the total of the claim form total (£86,374) and the extrapolation effect on the LA error and administrative delay

overpayments (£15,064) is £101,438. This is below both the upper and lower threshold (£154,080), and therefore the Council is entitled to full subsidy on this amount.

## 2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	12,533	12,533	17,858
<b>Total:</b>	12,533	12,533	17858

Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15

### 3. Looking forward

#### 2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £17,858. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

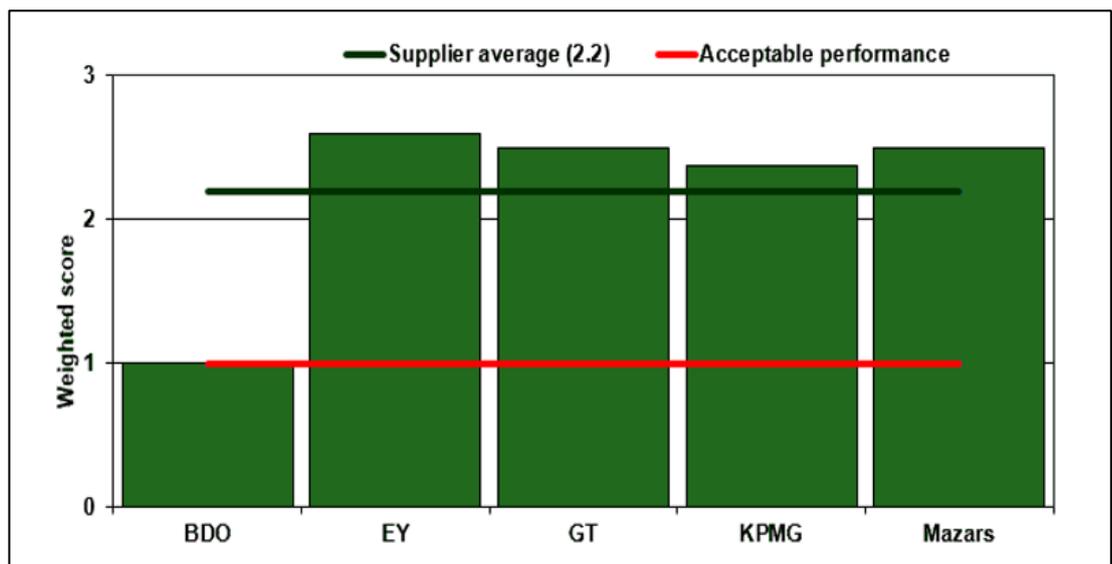
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Corporate Resources before seeking any such variation.

#### 2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



Additionally, as we have been appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

## 4. Summary of recommendations

We have made one recommendation as a result of our 2016-17 work, and consider that all other recommendations from 2015-16 have been successfully completed. We have outlined all recommendations from both the current and prior year below, together with our assessment of progress to date.

We acknowledge that the Council takes getting the Housing Benefit Subsidy claims right very seriously and they have undertaken a change of the Revenues and Benefits Service management during 2016-17 to ensure that this is done. The Council have also employed a subsidy specialist external company, Branch and Lee, to data cleanse the earned income claims for 2017-18 and eradicate any errors in those claims. This is in addition to the steps already being taken in the agreed actions and comments section of the table below. They also compare relative performance by benchmarking the Housing Benefit Subsidy to that of similar local authorities. The DWP publish this data at <https://www.gov.uk/government/collections/housing-benefit-expenditure-and-subsidy-data>.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer	Progress to date
1 Undertake work or review the 2016-17 subsidy claims in high risk areas, such as claims with self-employed earnings and earned income, to ensure that these claims have been correctly processed and to reduce the likelihood of future qualifications of the subsidy claim.	High	The running of subsidy each month has recommenced. The subsidy officer undertakes checks of high risk cases; there is a written procedure and a signed check-list which are in turn supported by details of specific cases checked. A quarterly exercise is undertaken to compare and contrast current subsidy with the subsidy claim in past years.	Ongoing	Kevin Stewart, Business Unit Leader for Revenues and Benefits	Evidence of review of the modified schemes and overpayment classification has been reviewed as part of the certification work. The initial training focus was on earned income and we identified fewer errors in this area in our initial testing for 2014-15. The training focus in 2015-16 was on self-employed earnings and we saw a reduction in the number of errors identified in this area. We again note for 2016-17 improvements to the total number of errors identified, although we did still identify multiple errors relating to earned income.

**Prior Year Completed Recommendations:**

<b>Recommendation</b>	<b>Priority</b>	<b>Agreed action and comment</b>	<b>Deadline</b>	<b>Responsible officer</b>	<b>Progress to date</b>
<b>1</b> Review the CenSus Quality Plan to ensure that it is robust and addresses the weaknesses reported in the 2013-14 qualification letter	Completed	A Quality plan was Implemented as a result of the 2012-13 certification work. This plan was internally audited and assurance given that the actions in the plan had been effectively undertaken. Some elements of the plan have been incorporated into 'everyday business' and are ongoing. A further plan based on the 2013-2014 certification work was developed and was finalised following the DWP Performance Development Team visit to offer guidance and advice.	Completed	Tim Delany, Head of Revenues and Benefits (CenSus)	We are aware the Quality Plan has been implemented and have seen evidence of this reducing the volume of errors identified, therefore we have closed this recommendation from the prior year.
<b>2</b> Monitor progress against the CenSus Quality Plan and report progress to the CenSus Programme Board (PMB) and CenSus Joint Committee (CJC).	Completed	Activity and outcomes related to the 2013-2014 action plan have been reported at each PMB and CJC. The Benefits Manager reported and discussed progress with the Head of Service each month.	Completed	Tim Delany, Head of Revenues and Benefits (CenSus)	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus. Therefore we have closed this recommendation from the prior year.
<b>3</b> Increase quality assurance checks and implement training in areas where errors have been identified including self-employed and earned income.	Completed	Additional staff were deployed to complete an exercise to review all earned income and self-employed cases and to conduct 100% quality checks on 'current' cases. Several strands of training have been and are being implemented	Completed	Morag Freitas, CenSus Benefit Manager	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus. Therefore we have closed this recommendation from the prior year.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer	Progress to date
		Employ additional staff to check the accuracy of earnings case assessments	Completed	Morag Freitas, CenSus Benefit Manager	This was a new action put in place during 2016-17. We have seen that additional members of staff have been employed by Council and we have seen a few number of errors this year as a result of this, therefore we deem the action to be completed.
		Introduce a clerical action sheet for completion in all cases to enable staff to a) explain/justify their decision on the evidence in each case and b) take the time to review their decision in each case	Completed	Morag Freitas, CenSus Benefit Manager	This was a new action put in place during 2016-17. We have noted fewer errors within 2016-17, therefore we deem this action to be completed.
<b>4</b> Introduce robust, evidenced checks on the preparation of the subsidy claim to ensure that the Head of Finance and HR can certify the claim to state that the Council's administrative systems, procedures and key controls for awarding benefits operate effectively.		As above	Completed	Tim Delany, Head of Revenues and Benefits (CenSus)	We have seen evidence of the Quality Plan implementation, with fewer errors identified in the areas of focus. Therefore we deem this recommendation completed.

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## 7. INTERNAL AUDIT – MONITORING REPORT 31<sup>st</sup> January 2018

REPORT OF: Audit Manager  
Contact Officer: Gillian Edwards  
Email: [gillian.edwards@midsussex.gov.uk](mailto:gillian.edwards@midsussex.gov.uk) Tel: 01444 477241  
Wards Affected: All MSDC Wards  
Key Decision: No  
Report to: Audit Committee  
27<sup>th</sup> February 2018

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### Purpose of Report

1. The purpose of this report is 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.

### Recommendation

2. **The Committee is asked to receive this report.**

### Background

3. Work Completed

Since the last report, as at 31<sup>st</sup> October 2017, the following reviews have been completed.

Audit Title	Audit Opinion
Income Collection	Substantial Assurance
Sundry Debtors	Substantial Assurance
Census Data Migration	Substantial Assurance
Housing Benefits	Substantial Assurance

4. Work in Progress

The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

5. Work allocated but not started – form completion by 31<sup>st</sup> March 2018

- Capital Accounting and Asset Management
- Treasury Management
- Budgetary Control
- FMS

All outstanding work will be complete by 31<sup>st</sup> March 2018.

6. High priority findings in this period

We did not identify any high priority findings in this period.

7. Access Controls

During our review of all fundamental systems, we routinely seek to confirm that only current employees of the Council are afforded access to the financial systems. During our work in this period, we found the following:

**Sundry Debtors**

Two employees who had left the employ of the Council still had access to the Sundry Debtors system. This was due to an oversight. We have reminded the HR section to notify all leavers to the relevant sections.

These have now been removed.

**Income Collection**

We also identified two employees who were no longer working at the Council still had access to the Income Collection system, although their access levels had been reduced to read only.

We were advised that they had not been removed as it was considered necessary that that they should remain on the system for seven years. Both users have now been removed.

8. Follow up Audits

We have undertaken these follow ups since the last Audit Committee.

Contracts Register

The Department for Communities and Local Government (DCLG) issued a revised Transparency Code in February 2015, which specifies what open data local authorities must publish. This includes the need for local authorities to provide details about contracts and it is advised that this information is best provided in a contract register. Compliance is mandatory and non-compliance holds the risk of fines from the Information Commissioner and reputational damage to the Council.

The Code requires that any purchase orders over £5,000 must now be recorded for publication under the Code.

During our review of the Contracts Register as at 30<sup>th</sup> June 2017, we noted it had not been updated since 1<sup>st</sup> April 2017 and were advised that this would be done on a monthly basis.

In order to provide the most up to date information, we will review this in the week commencing 12<sup>th</sup> February 2018 and I will provide a verbal update to the Committee.

**Background Papers**

- Internal Audit reports relating to 2017/2018
- Working papers relating to 2017/2018

## Internal Audit Plan 2017/2018

Progress Report as at 31<sup>st</sup> January 2018

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Income Collection (Cash and Bank)	2017/18	Substantial		
Sundry Debtors	2017/18	Substantial		
CenSus Data Migration	2017/18	Substantial		
Housing Benefits	2017/18	Substantial		
<b>B. Work In Progress</b>				
ICT Risk Assessment	2017/18			
Payments (Creditors)	2017/18			
Payroll	2017/18			
CenSus Disaggregation	2017/18			On hold
NFI Data Matching	2017/18			
<b>Follow Ups</b>				
Procurement – Contracts Register	2017/18			

## 8. EXTERNAL AUDIT PLAN

REPORT OF: Head of Corporate Resources  
Contact Officer: Peter Stuart, Head of Corporate Resources  
Email: [Peter.Stuart@midsussex.gov.uk](mailto:Peter.Stuart@midsussex.gov.uk) Tel: 01444 477315  
Wards Affected: All  
Key Decision No

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### 1. Purpose of Report

To inform the Committee of the External Auditor's Audit Plan.

### 2. Recommendations

**The Audit Committee is recommended to note the 2017/18 Audit Plan;**

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### 3 Background

3.1 Attached labelled Appendix 1 is the Audit Plan which outlines the work and the emphasis to be given to our audit for this financial year.

3.2 Members will note that there no issues of particular concern this year again. The Audit Director will be able to elucidate on any points raised.

### 4 Financial implications

4.1 There are no financial implications arising from this report. .

### 5 Equalities implications

5.1 The report raises no implications of this nature.

### 6 Risk analysis

6.1 No material risks arise from this report

### Background Papers

None



Mid Sussex District  
Council  
Audit planning report  
Year ended 31 March 2018

February 2018

Private and Confidential  
Mid Sussex District Council  
Oaklands Road  
Haywards Heath  
RH16 1SS

February 2018

Dear Audit Committee Members

#### Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the 27 February 2018 Audit Committee, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King  
For and on behalf of Ernst & Young LLP  
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Mid Sussex District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Mid Sussex District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Mid Sussex District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.