

**Minutes of a meeting of Audit Committee  
held on Monday, 25th February, 2019  
from 7.00 pm - 8.23 pm**

**Present:** J Belsey (Chairman)  
R de Mierre (Vice-Chair)

A Boutrup	L Stockwell
Andrew Lea	N Walker

**Absent:** Councillor T Dorey

**Also Present:** Judy Llewellyn-Burke, Cabinet Member for Finance and Performance  
Kevin Suter, Ernst and Young  
Tom Wilkins, Ernst and Young  
Tom Clark, Head of Regulatory Services  
Gillian Edwards, Audit and Risk Manager Crawley Borough Council  
Peter Stuart, Head of Corporate Resources and Section 151 Officer  
Alison Hammond, Democratic Services Officer

**1. TO NOTE SUBSTITUTES IN ACCORDANCE WITH COUNCIL PROCEDURE  
RULE 4 - SUBSTITUTES AT MEETINGS OF COMMITTEES ETC.**

None.

**2. TO RECEIVE APOLOGIES FOR ABSENCE.**

Apologies were received from Councillor Dorey.

**3. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF  
ANY MATTER ON THE AGENDA.**

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

**4. TO CONFIRM THE MINUTES OF THE MEETING HELD ON 20 NOVEMBER 2018.**

The Minutes of the meeting of the Committee held on 20 November 2018 were agreed as a correct record and signed by the Chairman.

**5. TO CONSIDER ANY ITEMS THAT THE CHAIRMAN AGREES TO TAKE AS  
URGENT BUSINESS.**

None.

## **6. INTERNAL AUDIT MONITORING REPORT 31 JANUARY 2019**

Gillian Edwards, Audit and Risk Manager introduced the report. She confirmed that the data matching exercise of Single Person Discount (SPD) to the Electoral Register is completed annually. It is a national fraud initiative instigated by the Cabinet Office and over 4,000 letters had been sent. To date 715 Single Person Discounts had been cancelled and a final figure would not be available as work was still on going. The increased revenue for next year would be over £446,000.

There were two high and five medium priority findings for Payroll. Of the medium priority findings three had been completed and two were to be implemented. An update would be received in July. The high priority findings related to procedure notes which had not been updated since the implementation of the new system and no audit trail was in place if the Payroll Manager or Payroll Officer made changes to their salaries or benefits. It was noted that process maps had been received for the payroll system and the outstanding actions both findings should be ready by the end of February.

The high priority finding for Housing Benefits related to the shredding of the current staff declaration forms. New forms were issued to staff and promptly completed.

In response to a Member's question the Audit and Risk Manager commented that backdating of Council Tax can be done in some circumstances. This will be discussed with the Business Unit Leader Revenues and Benefits and an update would be provided at the next meeting.

A Member commented that two members of staff were not enough for the Payroll Department. The Audit and Risk Manager noted that the consultant who had set up the Payroll system is available to assist if the Payroll Department is short staffed. The Member responded that there was not enough staff for succession planning

A Member noted the comprehensive report and queried why it would take until March to resolve the medium priority findings for Housing Benefits. The Audit and Risk Manager commented that there had been higher priorities in this section which impacted on resources and workload. As a full review was required the work had been planned and should be completed by 31 March 2019.

The Chairman asked if it was a common occurrence that agreed actions were not completed on time. The Audit and Risk Manager noted it was not a common occurrence. They worked collaboratively with staff and agreed time scales that were normally achievable. An Audit plan was in place for other work that is currently in progress and it was confirmed that this should be substantially complete by 31 March 2019.

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

### **RESOLVED**

The Committee received and noted the report.

## **7. THREE YEAR INTERNAL AUDIT PLAN**

Gillian Edwards, Audit and Risk Manager introduced the report and highlighted

Appendix A. She noted that an extra 16 days had been added for areas where an independent assurance is required such as commercial properties, the financial management system, housing allocations, temporary accommodation and refuse collection contracts.

The Audit and Risk Manager confirmed that new risks had been identified this year relating to some topical issues and additional funding agreed with the Head of Corporate Resources. . It is possible that the subsequent two years will also see an increase in the number of days allocated, but as risks are constantly changing it is not possible to look any further ahead. Any key risks to the Council are audited.

As there were no further questions, the Chairman took Members to the recommendation as outlined in the report, which was agreed unanimously.

## **RESOLVED**

The Audit Committee received and noted the Internal Audit Plan for 2019/2020 and the 3 Year Internal Audit Plan.

## **8. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20 TO 2021/22**

Peter Stuart, Head of Corporate Resources introduced the report. He highlighted the minor changes in 3(i) and 3(v) and noted that new members of the Audit Committee would receive mandatory training to comply with the CIPFA Code.

The Chairman queried the increased capital expenditure and asked if this was normal. The Head of Corporate Resources confirmed that the Council had acquired some investment properties and as this had not been planned it did not show in the estimates.

Several Members queried the authorised limit for “other long term liabilities”. The Head of Corporate Resources confirmed that Serco leased the refuse vehicles and if they pulled out of the contract the Council would have to continue to provide the service. Councillor Walker confirmed that the collection of refuse is a statutory duty and therefore the right of the Council to use the vehicles leased by Serco had been written into the original contract.

Several Members asked for an explanation on Capital Finance Requirements, the Head of Corporate Resources advised he would provide a written response to the Members by email.

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

## **RESOLVED**

The Committee propose that Council agree to:

- (i) the proposed Treasury Management Strategy Statement (TMSS) for 2019/20 and the following two years, including the additions to specified investments listed above;
- (ii) the Annual Investment Strategy (AIS) and the Minimum Revenue Provision Statement (MRP) as contained in Sections 4 and 2.3 respectively of the report;

(iii) the Prudential Indicators contained within this report.

## **9. CAPITAL STRATEGY 2019/20**

Peter Stuart, Head of Corporate Resources introduced the report which set out the strategic direction for capital investment. He noted that it was an extension of the capital strategy in the Corporate Plan and the spreadsheet on page 63 had been taken from that plan. The Council did not have a property investment strategy or prioritisation for capital growth but, this strategy would create a longer term plan for the future. He confirmed that the strategy would not be audited but would be inspected.

The Members discussed time limits on funding for disabled grants. The Head of Corporate Resources noted that the West Sussex County Council prefer the money to be spent in the same year it is given. Tom Clark, Head of Regulatory Services commented that Central Government had given additional funds this year.

The Chairman noted that some projects would stretch into the following year and new projects would be coming in. The Capital Strategy was overall guidance.

A Member commented that it would be helpful if the report can be synchronised with other budgeting reports.

In response to a Member's question, the Head of Corporate Resources noted that the capital strategy was an indicative document and in future, it was expected that the Strategy would look further ahead. He confirmed that an asset survey had been completed and the strategy would also be more detailed in the future.

A Member commented that the strategy would be of more use to new Members if it showed how it related to the four main priorities of the Council. Several Members advised that the wrong Scrutiny Committee had been noted in para 3.2 on pg 62, it should be Scrutiny Committee for Leader Finance and Performance.

Councillor Boutrup proposed that the Committee recommend the draft Strategy for approval by Council subject to minor changes and it was seconded by Councillor Walker and agreed unanimously.

### **RESOLVED**

The Committee recommends that Council approves the draft Strategy.

## **10. EXTERNAL AUDIT PLAN**

Kevin Suter, External Auditor Ernst and Young introduced the report and highlighted a few key items. The Plan sets out the key risks and aspects for the current year. He noted that it did not list every transaction but detailed where additional attention would be paid. The 'misstatements due to fraud or error' and 'incorrect capitalisation or revenue expenditure' were generic risks and were not necessarily happening at MSDC. He commented that the valuation of land, building and the pension liability is a specialism and the estimates provided need to be robust. The External Auditor noted that with Brexit these estimates may change. He highlighted page 12 and 13 and confirmed that the new national accounting standards had been adopted by the Financial Reporting Council (FRC) and they apply to local government. Under Section 3 the arrangements for property investment will be scrutinised to ensure all due diligence has been completed and full compliance with regulations. He noted

that there were no issues of particular concern and that all local authorities who invest in commercial property are subject to the same level of scrutiny.

In response to a Member's question he advised that there might be an increase in time to complete the audit as the auditors would be looking at new risks and this could increase the fees charged. The Head of Corporate Resources noted that any increase in fees must be agreed with the PSAA.

The Chairman commented on the Value for Money conclusion and the External Auditor noted that in future investments would be looked at on a case by case basis, i.e. if a valuation falls was the risk recognised and an action plan put in place to mitigate this. In other words, there would be scrutiny of the risk profile adopted by the Council when buying these properties. .

The External Auditor advised that if they found an irregularity it would be reported to the Head of Corporate Resources to check.

A Member wanted an assurance that the audit would be completed on time and the External Auditor confirmed that Ernst and Young would use their best endeavours to meet the audit deadline.

He commented that if Members had any further questions they could be forwarded by the Head of Corporate Resources.

As there were no further questions, the Chairman took Members to the recommendation to note the 2018/19 Audit Plan.

#### **RESOLVED**

The Audit Committee received and noted the report.

### **11. EXTERNAL AUDIT: CERTIFICATION REPORT**

Tom Wilkins, External Auditor, Ernst and Young, introduced the report. He had identified some minor quality issues with Housing Benefits claims but the quality had improved on previous years. The level of error had been reduced which reflects well on the training programme which was introduced to improve accuracy rather than the speed of processing claims ; the result is the level of overpayment and repayment to the Department of Work and Pensions (DWP) had been minimal.

A Member asked whether the Council would have to make a repayment to the DWP this year, Tom Wilkins advised that it was unlikely.

As there were no further questions, the Chairman took Members to the recommendation to note the Certification of Claims and Returns Annual Report 2017/18.

#### **RESOLVED**

The Audit Committee received and noted the report.

### **12. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.**

None.

The meeting finished at 8.23 pm

Chairman