
12 July 2019

Dear Councillor,

A meeting of **AUDIT COMMITTEE** will be held in the **COMMITTEE ROOM** at these offices on **MONDAY, 22ND JULY, 2019 at 7.00 pm** when your attendance is requested.

Yours sincerely,
KATHRYN HALL
Chief Executive

A G E N D A

	Pages
1. To receive apologies for absence.	
2. To receive Declarations of Interest from Members in respect of any matter on the Agenda.	
3. To confirm the Minutes of the meeting held on 25 February and the Annual meeting held on 22 May 2019.	3 - 10
4. To consider any items that the Chairman agrees to take as urgent business.	
5. Internal Audit Annual Report 2018/2019.	11 - 16
6. Internal Audit - Monitoring Report 30 June 2019	17 - 22
7. Audit Results Report 2018/19.	23 - 24
Appendix A has been provided separately.	
8. Financial Statements 2018/19.	25 - 28
Appendix A has been provided separately.	
9. Review of Treasury Management Activity 2018/19.	29 - 40

10. Committee Work Programme **41 - 42**
11. Questions pursuant to Council Procedure Rule 10.2 due notice of which has been given.
- To: **Members of Audit Committee:** Councillors M Pulfer (Chair), R Cromie (Vice-Chair), A Boutrup, P Budgen, M Cornish, S Hicks and L Stockwell

**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
Andrew Lea

L Stockwell
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

**Minutes of a meeting of Audit Committee
held on Wednesday, 22nd May, 2019
from 7.16 pm - 7.19 pm**

Present:

A Boutrup
M Cornish

R Cromie
S Hicks

M Pulfer
L Stockwell

Absent: Councillors C Phillips

1. ELECTION OF CHAIRMAN.

Councillor Cromie nominated Councillor Pulfer as Chairman of the Committee for the 2019/20 Council year. This was seconded by Councillor Boutrup and with no further nominations put forward, this was agreed.

RESOLVED

That Councillor Pulfer be elected Chairman of the Committee for the 2019/20 Council year.

2. APPOINTMENT OF VICE CHAIRMAN.

Councillor Pulfer nominated Councillor Cromie as Vice-Chairman of the Committee for the 2019/20 Council year. This was seconded by Councillor Boutrup and with no further nominations put forward, this was agreed.

RESOLVED

That Councillor Cromie be appointed Vice-Chairman of the Committee for the 2019/20 Council year.

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

None.

The meeting finished at 7.19 pm

Chairman

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INTERNAL AUDIT ANNUAL REPORT 2018/2019

Report from: Audit Manager
Contact Officer: Gillian Edwards
Email: Gillian.edwards@midsussex.gov.uk/gillian.edwards@crawley.gov.uk
Tel: (01444) 477241/01293 438384
Wards Affected: All
Key Decision No
Date of Meeting 22nd July 2019

EXECUTIVE SUMMARY AND RECOMMENDATIONS

1. Purpose of Report

This is the annual report of the Audit and Risk Manager of Mid Sussex District Council for 2018/2019.

2. Summary

- 2.1 The Internal Audit section completed the programme of audits for the year ended 31st March 2019 in accordance with the UK Public Sector Internal Audit Standards (PSIAS) In carrying out its work, the full cooperation of management and staff was gratefully received throughout the year.
- 2.2 All of the audits within the plan have now been completed and I can report that three high priority findings were identified during the financial year in question and that action to address these weaknesses was agreed and implemented by Management.
- 2.3 In my capacity of Audit and Risk Manager, I have been involved in a special investigation in relation to a loss of monies from a bank account that is separate from the Council's operations. The outcome of my work has been reported to the Head of Corporate Resources/Section 151 Officer. Further details are shown at section 2.1 below.
- 2.4 It is the opinion of Audit and Risk Manager that on the whole, the Council had an adequate, effective and reliable framework of internal control.
- 2.5 We are grateful for the Audit Committee's role in monitoring the implementation of these recommendations.

3. Recommendation

The Committee is asked to receive the report.

INTERNAL AUDIT ANNUAL REPORT FOR 2018/2019

1 Introduction and Background

- 1.1 Internal Audit is a key part of the Council's internal control environment. Central to its role is assessing the adequacy and effectiveness of the systems and controls that have been put in place by management. To this end the work undertaken is designed to:
- inform the members and senior management to what extent they can rely on the internal controls;
 - to make recommendations to enhance controls where weaknesses are identified; and
 - advise individual managers on the reliability of the systems and associated controls for which they are responsible.
- 1.2 The internal control environment comprises the whole network of systems and controls established to ensure that the Council's objectives are met. It includes financial and other controls and also arrangements for ensuring that the Council is achieving value for money from its activities.
- 1.3 There have been no restrictions imposed on the scope of the internal audit function.

Specific requirements for Internal Audit

- 1.4 The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practices as stated within the Regulations are now defined as the Public Sector Internal Audit Standards (PSIAS). The PSIAS replaced the CIPFA Code of Practice for Internal Audit in Local Government (2006) with effect from 1 April 2013.
- 1.5 The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced. The PSIAS included an updated definition of internal auditing, further emphasising the role of internal audit in reviewing all systems of risk, governance and internal control. The definition also focuses on the role of Internal Audit in assisting the organisation to achieve its objectives.
- 1.6 The PSIAS require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter. Additionally, internal auditors must conform to a Code of Ethics: Integrity; Objectivity; Confidentiality; and Competency. The Code of Ethics includes two components:
- 1) Principles that are relevant to the profession and practice of internal auditing; and
 - 2) Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.
- 1.7 The PSIAS are split into two groupings. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated:

Attribute standards

- 1 Purpose, Authority and Responsibility;
- 2 Independence and Objectivity;
- 3 Proficiency and due professional care; and
- 4 Quality assurance and improvement programme.

Performance standards

- 5 Managing the internal audit activity;
 - 6 Nature of work;
 - 7 Engagement planning;
 - 8 Performing the engagement;
 - 9 Communicating results;
 - 10 Monitoring progress; and
 - 11 Communicating the acceptance of risks.
- 1.8 Section 1320 of the PSIAS - Reporting on the Quality Assurance and Improvement Programme – states that ‘the chief audit executive (Audit and Risk Manager) must communicate the results of the quality assurance and improvement programme to senior management and the board’.
- 1.9 These standards require the Audit and Risk Manager to undertake an annual self-assessment of the internal audit service against a Quality Assurance and Improvement Plan (QAIP) checklist and to outline the results as part of the Annual Audit Report. This has been undertaken as at 31st March 2019 and I can confirm that the Internal Audit Service was compliant for the period under review.

Annual Governance Statement

- 1.10 The Audit Committee receives the Annual Governance Statement annually in the Statement of Accounts. This report forms the basis for the Council’s Management Team and the Audit Committee to undertake their annual review of internal control and to approve the Annual Governance Statement for 2018/2019.

This report

- 1.11 This annual report has been produced in accordance with the requirements of the PSIAS. It covers the effectiveness of internal control for the period 1st April 2018 to 31st March 2019.
- 1.12 Whilst the report contributed towards the process outlined above, it should be noted that the Annual Governance Statement can provide only reasonable assurance that, for example: assets are safeguarded; transactions authorised and properly recorded; and that material errors or irregularities are either prevented or would be detected within a timely period.
- 1.13 It should be noted that it is not the responsibility of Internal Audit to operate the system of internal control; rather, this is the responsibility of management. Furthermore, it is management’s responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept any risks arising from not taking action.

2. Internal Audit activity during 2018/2019

Significant events during the year

- 2.1 I am aware of one significant event in the period, which is in respect of an employee bypassing controls in relation to a separate bank account for the Council's operations, which has led to a financial loss. This has been reported to the police for a criminal investigation which is underway and is also the subject of an internal disciplinary process and an insurance claim. As part of our usual follow up work, we will be reviewing the internal controls that have been strengthened in this area, to confirm that they are operating satisfactorily.

Factors affecting the extent of our internal audit work

- 2.2 There were no factors which have affected the extent of our internal audit work during the year.

Summary of Internal Audit Work Undertaken in 2018/2019

INTERNAL AUDIT ASSURANCE OPINIONS	
AUDITS	
Taxi Licenses	Substantial
Sundry Debtors	Substantial
Payroll	Satisfactory
Capital Accounting and Asset Management	Substantial
Income Collection	Substantial
Payments	Substantial
Treasury Management	Substantial
Housing Benefits and Universal Credit	Satisfactory
Capital Accounting and Asset Management	Substantial
Sundry Debtors	Substantial
FMS	Satisfactory
NNDR	Satisfactory
Council Tax	Satisfactory

The Audit Plan

- 2.3 The 2018-2019 audit plan was agreed by the Head of Corporate Resources (Council's S151 Officer) and the Audit Committee was asked to receive the report.
- 2.4 The 2018-2019 audit plan was completed in full and included audits of the Council's fundamental systems, operational audits and computer audits, along with ad-hoc reviews.

3. Assurance Statement by the Internal Audit Provider

- 3.1 As the provider of an internal audit service to Mid Sussex District Council I am required by the PSIAS to provide the Council with assurance on the whole system of internal control. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable

assurance that there are no major weaknesses in the whole system of internal control. In assessing the level of assurance to be given we have taken into account:

- (a) the findings arising from audits undertaken during 2018/2019 and in previous years;
- (b) the results of management action taken in respect of recommendations made in audits from the current and previous years;
- (c) whether or not any high or medium recommendations have not been accepted by management, and the consequent risks;
- (d) the effects of any material changes in the Council's objectives or systems;
- (e) matters arising from previous reports of the external auditor;
- (f) whether or not any limitations have been placed on the scope of internal audit;
- (g) whether or not there have been any resource constraints that may impinge on the Head of Corporate Resources' ability to meet the full audit needs of Mid Sussex District Council; and
- (h) the proportion of the audit needs that have been covered to date.

3.2 The matters raised in this report are only those that came to our attention during our internal audit work during the course of the year, and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all improvements that may be required.

3.3 This report is prepared by Gillian Edwards, Audit and Risk Manager at Crawley Borough Council, acting as Head of Audit for Mid Sussex District Council as part of a shared service arrangement. Details may be made available to the specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

Overall assurance

3.4 In my opinion, for the 12-month period to 31st March 2019, Mid Sussex District Council had an adequate, effective and reliable framework of internal control that provides reasonable assurance regarding the effective and efficient achievement of the Council's objectives.

3.5 During this period we raised one recommendation classed as high priority, which related to a finding in the Housing Benefits audit, outstanding from the previous year. This has been reported to the Audit Committee and Internal Audit will undertake testing to confirm that appropriate action has been taken, in a timely manner.

Operational assurance

3.6 The internal audit service examined systems operating to achieve the Council's objectives in several areas.

3.7 During the conduct of our audit work we have had regard to the following objectives of internal audit:

- (a) to review and appraise the soundness, adequacy and application of the whole system of internal control;
- (b) to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
- (c) to ascertain the extent to which the assets and interests entrusted to or funded by the Council are properly controlled and safeguarded from losses of all kinds;

- (d) to ascertain that management information is reliable as a basis for the production of financial, statistical and other returns;
- (e) to ascertain the integrity and reliability of information provided to management including that used in decision making; and
- (f) to ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.

3.8 The level of assurance given by an individual audit is directly related to the significance of the findings and categories given to the resultant recommendations.

4 Policy Context

4.1 Receiving this report enables the Committee to perform its duties under the Accounting and Auditing regulations

5. Other Options Considered

5.1 None.

6. Financial Implications

6.1 This is a report on the activity of Internal Audit in the previous year and as such does not have any financial implications. The budget for Internal Audit relating to work undertaken during 2018/2019 has been discussed previously in the Revenue Budget Management reports for the year.

7 Risk Management Implications

7.1 None.

INTERNAL AUDIT – MONITORING REPORT 30th June 2019

REPORT OF: Audit and Risk Manager
Contact Officer: Gillian Edwards
Email: gillian.edwards@midsussex.gov.uk Tel: 01444 477241
Wards Affected: None
Key Decision: No
Report to: Audit Committee
22nd July 2019

Purpose of Report

1. The purpose of this report is twofold; to update the Committee on the progress of the 2018/2019 and 2019/2020 Internal Audit Plans 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 31st January 2019, the following reviews have been completed.

Audit Title / Year	Audit Opinion
Capital Accounting and Asset Management (2018/2019)	Substantial Assurance
Sundry Debtors (2018/2019)	Substantial Assurance
FMS (2018/2019)	Substantial Assurance
NNDR (2018/2019)	Satisfactory Assurance
Council Tax (2018/2019)	Satisfactory Assurance
Refuse Contract Monitoring (2019/2020)	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. High priority findings in this period

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

6. Follow Up Audits:

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

Payroll – issued 3rd December 2018

High Priority findings – 2 –

Medium Priority findings – 5

The high priority findings that we identified related to the following:

- During the Payroll audit undertaken in 2017/2018 we found that procedure notes for the Payroll Manager's responsibilities were not up to date and a date for their completion was agreed as 20th September 2018. We sought to confirm that this agreed action had been implemented in the audit in 2018/2019 and we were advised that this action had not yet been completed. A new date for this was agreed - *implementation date - 28th February 2019*

Status of agreed action – Implemented

Procedure notes have been compiled in the form of process maps that were worked on with consultants earlier this year, who are linked to XCD (this is the HR and payroll software).

- There is not a separate audit trail for when the Payroll Manager and the Payroll Officer makes a change to their salaries or benefits which under the XCD system are referred to as the Rewards. We were advised that there is an “unwritten rule” that neither of these employees can change their Rewards in the XCD system. However there is a risk that such changes could be made without any Management approval. Action has therefore been agreed, whereby the BUL HR, Training and Payroll would work with XCD to create a report that would run whenever there are any changes to the Rewards module for the two staff responsible for Payroll data input and checking - *implementation date - 28th February 2019*

Status of agreed action – not implemented

The Business Unit Leader (BUL) for HR & Payroll confirmed that he discussed this briefly with XCD at the time of the audit, but this had not been progressed further. He has confirmed that for any entries on the XCD system it is clear who has made them as the member of staff is identified by name. However, he will pursue the report option with XCD and I will report the outcome of this as the next meeting of this Committee.

- It was also agreed that the BUL would work with XCD to create a report that would run whenever there are any changes to the Rewards module for the two staff responsible for Payroll data input and checking - *implementation date - 28th February 2019*

Status of agreed action – not implemented

The Business Unit Leader confirmed that he discussed this briefly with XCD at the time of the audit, but this had not been progressed further. He has confirmed that for any entries on the XCD system it is clear who has made them as the member of staff is identified by name. However, he will pursue the report option with XCD and I will report the outcome of this as the next meeting of this Committee.

The medium priority findings that we identified related to the following:

Job descriptions need to be updated to reflect the changes made by the introduction of the new Payroll system – *agreed implementation date - 28th February 2019*

Status of agreed action – implemented

- Training of additional staff on the Payroll system is needed to provide cover if the Payroll Manager is absent – *agreed implementation date - 31st March 2019*

Status of agreed action – implemented

Whilst this has not been progressed further, the BUL considers that the process maps which form the basis of Procedure Notes will allow colleagues to run the Payroll in the Payroll Manager's absence.

- The Overtime policy should be revised to reinforce the fact that it is not permissible to claim overtime and take additional hours worked as flexitime - *agreed implementation date – 31st January 2019*

Status of agreed action – implemented

- The Overtime policy should specifically confirm that it is not permissible for managers to approve overtime claims of family members - *agreed implementation date – 31st January 2019*

Status of agreed action – implemented

- The Payroll checklists should be signed by both the Payroll Manager and the Payroll Officer to confirm that all entries, including Overtime, Members allowances, expenses and adjustments have been checked to confirm that they are correct - *agreed implementation date – 31st January 2019*

Status of agreed action – implemented

Housing Benefits – 31st January 2019

High Priority findings – 1 – previously implemented

Medium priority findings – 3 with 1 previously implemented

High Priority Finding 1

The medium priority findings that we identified related to the following:

- Procedure notes for the Housing Benefits section have not been updated to reflect the new structure and processes that are not in place – *agreed implementation date – ongoing. Whilst a date for completion had not been set, this is an ongoing piece of work, and we will report progress towards this at the next meeting of this Committee.*

Status of agreed action – The procedure updates have started but are still ongoing.

- Whilst a review is currently being undertaken to confirm that access to the Housing Benefit system is appropriately restricted, this is not yet complete - – *agreed implementation date – 18th March 2019.*

Status of agreed action – Housing Needs have had their access restricted and we are continuing to review other access restricting where appropriate.

7. Work in Progress

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

All work has been planned and allocated to Audit staff and we are confident that the audit plan will be substantially complete by 31st March 2020.

8. High priority findings in this period

There were no high priority findings to report in this period.

Payroll Audit 2018/2019

9. Follow Up of Audits Previously Reported to the Audit Committee

None.

Background Papers

- Internal Audit reports relating to 2018/2019 and 2019/2020
- Working papers relating to 2018/2019 and 2019/2020

Internal Audit Plans 2018/2019 and 2019/2020

Progress Report as at 30th June 2019

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Capital Accounting and Asset Management	2018/19	Substantial		
Sundry Debtors	2018/19	Substantial		
FMS	2018/19	Substantial		
Council Tax	2018/19	Satisfactory		
NNDR	2018/19	Satisfactory		
Waste and Recycling Contract Monitoring	2019/20	Substantial		
B. Work In Progress				
HR Review	2018/19			
Procurement Quick Review	2018/19			
Follow Ups				
Payroll	2018/19			
Housing Benefits	2018/19			
Council Tax	2018/19			
NNDR	2018/19			

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AUDIT RESULTS REPORT 2018/19

REPORT OF: Head of Corporate Resources
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Audit Committee
22nd July 2019

Purpose of Report

1. This report introduces the auditors' 'Audit Results Report' and provides some context for Members' consideration.

Recommendations

2. That the report be received.
-

Background

3. The Audit Results Report (attached) sets out the auditor's opinion on both the financial statements and the arrangements to secure Value for Money. It is the key document arising from the annual audit and is to be read by 'those charged with governance' as well as being a public document for all stakeholders.
4. At the time of writing, the audit is not quite finished but it is expected that the opinion on the accounts will be unqualified. This is a very positive statement and shows that the statements offer a true and fair view of the authority's financial position for 2018/19.
5. The External Auditor will attend the meeting to present his report and answer Member's questions.

Policy Context

6. Receiving the report enables the Council to fulfil its statutory obligations.

Other Options Considered

7. None.

Financial Implications

8. This report has no financial implications.

Risk Management Implications

9. None.

Equality and Customer Service Implications

10. This report has no such implications.

Other Material Implications

11. This report has no such implications.

Background Papers

None.

FINANCIAL STATEMENTS 2018/19

REPORT OF: Head of Corporate Resources
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Audit Committee
22nd July 2019

Purpose of Report

1. This report presents the Financial Statements to the Committee for approval.

Summary

2. The Financial Statements have been circulated to all Members of the Committee. They have been subject to the annual audit and have an unqualified opinion. No further changes arise from the Audit Results Report.
3. Recommendations

i) That the Financial Statements are approved;

Background

4. The Financial Statements present a picture of the Council's financial position over the year. This year they have again been prepared in accordance with International Financial Reporting Standards, and to the advanced timescales the Committee have previously been made aware of.
5. The statements are appended to this report and have been subject to audit.
6. The Head of Corporate Resources will sign the accounts as presenting a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31st March 2019.
7. The Letter of Representation sets out the Committee's responsibility for approving the statements and their contents and is included as Appendix B. Note that this has been signed by the previous Chairman who was Chair for the financial year in question.

Policy Context

8. Receiving the report and following the recommendation enables the Council to fulfil its statutory obligations.

Other Options Considered

9. None.

Financial Implications

10. None.

Risk Management Implications

11. None.

Equality and Customer Service Implications

12. This report has no such implications

Other Material Implications

13. None.

Background Papers

None.

Contact:
Mr John Belsey Tel: 01444 458166
John.belsey@midsussex.gov.uk

Your Ref:
Our Ref: JB/PS

Date:
4 June 2019

To Kevin Suter
Ernst and Young LLP
UK

Dear Kevin,

Understanding how the Audit Committee gains assurance from management

I am writing to you to provide the responses to the specific points raised in your letter of 18 March 2019.

1. Our oversight of management processes relies on the audit plan agreed by the Council's Management Team with the Internal Audit service and the External Auditor.
 - The plan is designed to encompass all the fundamental systems in use at the authority and check the controls within these each year, whilst also examining controls in other key systems on a rotating basis of at least every three years. The risk that the financial statements could be misstated is therefore mitigated.
 - The Committee relies on the professional opinion of the Head of Corporate Resources and the Management Team in assessing these risks. Where appropriate, further audit work could be commissioned if it was felt that there was a risk of matters being inadequately dealt with. However, the Head of Corporate Resources does advise that his assessment of these risks is low given that the Council has no housing stock, no direct works and has outsourced many elements of its operations including its Indoor Leisure business.
 - Communication to the employees regarding standards of business practice and conduct is generally left to the Management Team. Were this to prove inadequate, the Audit Committee would have to consider its role in this regard but this is not an area of concern at present.
 - Staff can raise their concerns about any aspect of the councils work, or individual behaviour, under the Whistleblowing Policy. Paragraph 2.2 covers the scope of the concerns that could be raised. The policy is advertised at every pay day and appears on the intranet.
 - This is much as points 1 and 2 above. Given the size of the authority, communication between the Committee and the Management Team presents little problem were these issues to arise.

Working together for a better Mid Sussex



2. The Committee is aware that it can influence the work of Internal Audit and that if any Member has concerns the plan can be adapted to cover specific areas. We have a constructive and open relationship with both management and both internal and external audit and have dialogue with both sets of auditors outside of the committee meetings. In this way we remain satisfied that we are addressing any issues that may arise in a timely and appropriate fashion.
3. I am aware of a breach of internal control during 2018/19 in the operation of a bank account related to the Council's activities but not directly controlled by it. I have been briefed on the occurrence and the actions that have been taken subsequent to the discovery of the breach. I also understand that a criminal prosecution is pending and that an insurance claim has been made and is being considered. The audit committee will be updated by the new Chairman as these matters progress.
4. No, none that would have any bearing on fraud or financial misstatement.
5. The Audit Committee relies on the overall control framework to ensure that all relevant laws and regulations have been complied with. In the last few years we did commission a piece of work to look at the extent of existing policies and whether these were adequate. The results formed a report to the Committee and had no high priority findings. We are not aware that this situation has changed in the intervening period.
6. No.
7. The authority is in robust financial health and I have no hesitation in adopting the going concern basis.
8. I am not aware of any significant related party or associated transactions that affect the Statements or should be reported as of any concern. We have one Member that has made a disclosure but this is of limited significance.
9. No, none.

I trust that this provides the information requested to inform your audit.

Yours sincerely



Councillor John Belsey
2018-19 Chairman of the Audit Committee

REVIEW OF TREASURY MANAGEMENT ACTIVITY 2018/19

REPORT OF: Peter Stuart, Head of Corporate Resources

Email: pamela.coppelman@adur-worthing.gov.uk Tel: 01903 221236

Wards Affected: All

Key Decision No

PURPOSE OF REPORT

1. The report sets out the Council's treasury management activity for the year ended 31 March 2019.

SUMMARY

2. All transactions are in order and the performance of the service has been in keeping with the requirements of the Service Level Agreement (SLA) with our shared services provider.

RECOMMENDATIONS

3. **The Committee is requested to note the contents of the report.**
-

BACKGROUND

4. The Treasury Management function of this Council has been provided by Adur and Worthing Councils as a shared service since October 2010. This has enabled the cost of the service to be reduced whilst giving access to specialist advice and the administration skills of a larger authority. The SLA was extended for a further three years from 18th October 2016 and is currently under negotiation for further extension.
5. The 2018-19 Treasury Management Annual Report produced by the Group Accountant (Strategic Finance) is attached as Appendices 1 to 2. Members should note that this report format and level of detail is similar to that presented to the other authorities in the shared service and whilst it may appear to contain much in the way of industry knowledge, it would reward careful reading by those with an interest. For those Members seeking a summary, paragraph 11.2 of Appendix 1 sets out the key points:

"The actual outturn performance for investment income was higher than the budgeted estimate due to the increase in Base Rate and the higher than forecast average investment balance. The shared service will continue to monitor the market carefully for the best possible interest rates."
6. The Group Accountant would welcome questions and queries from Members using the contact details above.

POLICY CONTEXT

7. The presentation of this report fulfils the requirements under the Council's treasury management policy to produce an annual report by 31st August 2019 after the year end. Providing transparency and approval of the strategies contained in this report is an important part of the Council's statutory role. Treasury Management has become increasingly topical given the nature of the world's financial markets in recent years, and Members are expected to have a basic understanding of how the Council uses its reserves and cash flows which are in the stewardship of the Head of Corporate Resources.

OTHER OPTIONS CONSIDERED

8. None – this report is statutorily required by regulations issued under the Local Government Act 2003.

FINANCIAL IMPLICATIONS

9. This report has no quantifiable financial implications. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget but are not required to support the provision of services.

RISK MANAGEMENT IMPLICATIONS

10. This report has no specific implications for the risk profile of the Council.

EQUALITY & CUSTOMER SERVICE IMPLICATIONS

11. None

BACKGROUND PAPERS

- Treasury Management Strategy Statement & Annual Investment Strategy 2018/19 to 2020/21 (Council on 28th March 2018), and Review of Treasury Management Activity 1 April – 30 September 2018 (Audit Committee 20th November 2018).
- The CIPFA code of Practice on Treasury Management (the code).
- CIPFA Prudential code for Capital Finance in Local Authorities (the Prudential Code)
- Link Asset Services report template (May 2019)

1. SUMMARY

- 1.1 This report summarises the operation of the treasury management service for the financial year 2018/19. The presentation of this report fulfils the requirements under the Council's treasury management policy.

2. INTRODUCTION AND BACKGROUND

- 2.1 Treasury management is defined as:

“The management of the local authority's cash flows and investments, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”

- 2.2 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

- 2.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report therefore provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

- 2.4 For 2018/19 the minimum reporting requirements were that the Council should receive the following reports, which incorporate a variety of policies, estimates and actuals:

- The Annual Treasury Management Strategy Statement and Annual Investment Strategy approved by full Council in advance of the year (Council – 28th March 2018)
- The mid-year treasury management operations update report (Audit Committee – 20th November 2018)
- An annual review (this report) to be presented to the Audit Committee following the end of the year, describing the activity compared to the strategy.

- 2.5 The Council confirms that it has complied with the requirement under the code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken on 6th June 2018 in order to support member's scrutiny role.

3. OVERALL TREASURY POSITION AS AT 31 MARCH 2019

- 3.1 *The following commentary has been supplied by **Link Asset Services Ltd**, the professional consultants for the Council's shared treasury management services provider. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.*

Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in

the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.

Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

3.2 The Council's position at the beginning and end of the year was as follows:-

	Principal at 31.03.18 £m	Average Rate of Return	Average Life in Years	Principal at 31.03.19 £m	Average Rate of Return	Average Life in Years
<u>Borrowing</u>						
PWLB	(0.698)	4.55%	5	(0.571)	4.55%	4
Other Borrowing	(12.000)	0.87%	2.31	(13.000)	1.00%	1.27
Finance lease	0.000			(2.541)		
TOTAL BORROWING	(12.698)			(16.112)		
CFR	25.357			27.948		
(Over)/under borrowing	12.659			11.836		
<u>Investments:</u>						
Local Authority Property Fund	5.851	4.30%	n/a	5.942	4.30%	n/a
In-house:						
Long Term	4.000	0.98%	1.17	0.025	n/a	n/a
Short Term	27.550	1.01%	< 1 year	25.210	0.99%	< 1 year
TOTAL INVESTMENTS	37.401			31.177		
NET INVESTMENTS	24.703			15.065		

- 3.3 The Council's debt comprises one loan from the Public Works Loan Board (PWLB), which matures on 1 March 2023 and loans with other local authorities, totalling £13m, £6m of which was a temporary loan repaid on 1st April 2019, with the rest payable in 2020. The local authority loans are at rates lower than those available from the PWLB, ranging from 0.90% to 1.1%, and they will be repaid using capital receipts and maturing investments.

4. THE STRATEGY FOR 2018/19

- 4.1 Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.
- 4.2 It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.
- 4.3 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.
- 4.4 Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

5. THE BORROWING STRATEGY

- 5.1 During 2018-19, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 5.2 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Corporate Resources therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks
- 5.3 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

5.4

Link Asset Services Interest Rate View 12.2.18													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

- 5.5 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31 March 2018 Actual	31 March 2019 Strategy	31 March 2018 Actual
CFR (£m)	25.357	5.130	27.948
External Debt	(12.698)	(7.729)	(13.571)
Finance Lease	0.00	0.00	(2.541)*
Total Borrowing	(12.698)	(7.729)	(16.112)
(Over)/under borrowing	12.659	(2.599)	11.836

- 5.6 The table above compares the Gross Debt against the underlying need to borrow (the CFR) thereby highlighting any over or under borrowing. This comparison is one of the Prudential Indicators of affordability under the Prudential Code to show that borrowing levels are prudent over the medium term, and sustained for capital investment purposes – i.e. that the Council is not borrowing to support revenue expenditure.
- 5.7 The difference between the borrowing budget and the actual is due to a temporary £6m loan taken to cover the purchase of property. It was repaid on 1st April 2019. The difference between the CFR in the strategy and the actual CFR is due to a delayed capital receipt.
- 5.8 The Authority has a contract with SERCO for the provision of waste collection. The new fleet of vehicles used to provide the service are shown as Property, Plant and Equipment in the Balance Sheet, with a vehicle life of 10 years 4 months which ends 30 July 2028. Accordingly this is recognised as a *Finance Lease.
- 5.9 Accordingly, the amount of borrowing should not exceed the CFR for 2018/19 (plus any expected changes to the CFR over 2019/20 and 2020/21) except in the short term. This requirement has been fully met in 2018/19 as the gross debt is below the CFR by **£11.836m**.

6 BORROWING OUTTURN for 2018/19

- 6.1 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
- 6.2 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.
- 6.3 The following loans were repaid on maturity during the year

Lender	Principal	Type	Interest Rate	Maturity
London Borough of Islington	£5m	Fixed interest rate	0.60%	19/11/2018

7 INVESTMENT OUTTURN FOR 2018/19

- 7.1 **Investment Policy** – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on **28th March 2018**. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 7.2 **Investments held by the Council** - the Council maintained an average balance of **£37.72m** of internally managed funds, which earned an average rate of return of **0.971%**. The comparable performance indicator is the average 6 month LIBID rate, which was **0.788%**. This compares with a budget assumption of **£27.65m** investment balances earning an average rate of **0.95%**. The Treasury investment returns (excluding returns from the Local Authority Property Fund) included in the reported income of the Council for 2018/19 amount to **£368k £105k** above the budgeted investment estimate. This was due to the higher than projected interest rates available for investments and the higher than forecast average balance.
- 7.3 **Investment Properties**
As part of the Council's investment strategy, In 2018/19 the main purchases made by the Authority are two industrial estate buildings, 255-269 London Road, Burgess Hill for £6,622,000 and 208-216 London Road, Burgess Hill for £5,271,000.
- 7.4 **Local Authority Property Fund** – the Council has invested £6m with the Local Authority Property Fund and earned **£257k** in dividend interest in 2018/19.
- 7.5 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2018	31 March 2019
	£'000s	£'000s
Balances	6.854	3.098
Earmarked Reserves	20.714	16.840
Provisions	1.924	2.323
Usable capital Receipts	1.323	1.061
Total	30.815	23.322

7.6 Investments held at 31 March 2019 (excluding the Local Authority Property Fund):

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Saffron Building Society	03/04/2018	03/04/2019	£1,000,000	1.0500	*
Goldman Sachs Int Bank	03/04/2018	03/04/2019	£2,000,000	1.2750	A
Lloyds Bank	05/06/2018	05/06/2019	£1,000,000	1.0000	A+
Lloyds Bank	27/06/2018	27/06/2019	£1,000,000	1.0000	A+
Progressive Build Soc	27/09/2018	27/09/2019	£2,000,000	1.0500	*
Newcastle Build Soc	07/11/2018	07/11/2019	£1,000,000	1.1500	*
Saffron Building Society	15/03/2019	16/03/2020	£2,000,000	1.2500	*
Progressive Build Soc	20/04/2017	18/04/2019	£1,000,000	1.0200	*
Nottingham Build Soc	05/09/2017	05/09/2019	£2,000,000	0.9500	BBB+
Nth Lincolnshire Council	09/03/2018	09/04/2019	£1,000,000	0.9800	N/A
National Counties BS	10/04/2018	11/04/2019	£1,000,000	1.0300	*
Principality BS	10/04/2018	11/04/2019	£1,000,000	0.9500	BBB
Nottingham Build Soc	15/05/2018	16/05/2019	£1,000,000	0.9600	BBB+
National Counties BS	15/05/2018	16/05/2019	£1,000,000	0.9600	*
Close Brothers Limited	29/03/2019	30/03/2020	£2,000,000	1.2500	A
CCLA	17/08/2018	01/04/2019	£2,815,000	0.7903	AAA
Invesco STIC	03/04/2018	01/04/2019	£2,385,000	0.7840	AAA
Handelsbanken	15/06/2018	01/04/2019	£10,000	0.5000	AA-
TOTAL			£25,210,000		

* - Not on credit list

All investments listed are due to mature within 12 months.

8. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

- 8.1 The Council, in accordance with legislation, makes a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year. MRP is set aside each year at an amount equivalent to the value of debt repaid in the year.
- 8.2 For 2018/19 an amount of **£498k** has been set aside in the annual accounts as the MRP for repayment of debt.

9. OTHER ISSUES AND MATTERS

Shared Services Arrangements

- 9.1 The Council's treasury management services are provided under a shared services arrangement (SSA) performed by the in-house treasury management team formed out of partnership working between Adur District Council and Worthing Borough Council. The treasury management team is based at Worthing Town Hall, but services all three Councils' treasury management operations from this location utilising similar banking arrangements.

The SSA is provided under a Service Level Agreement that was renewed from 18th October 2016, and which defines the respective roles of the client and provider authorities for a period of three years. A new partnership agreement with Adur District Council and Worthing Borough Council is currently being drawn up.

10 Statutory override

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This will be effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

11. CONCLUSION

- 11.1 This report fulfils the requirements of the CIPFA Codes as well as the Council's own treasury management practices to present an annual outturn report on treasury management activity before 31st August 2019.
- 11.2 The actual outturn performance for investment income was higher than the budgeted estimate due to the increase in Base Rate and the higher than forecast average investment balance. The shared service will continue to monitor the market carefully for the best possible interest rates. All counterparty lending limits approved at the start of the year were met and all Prudential Limits were adhered to.

APPENDIX 2

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19
Extract from budget	Actual	Full year	Actual
	£'000	Estimate	£'000
	£'000	£'000	£'000
Capital Expenditure	3,477	13,533	24,626
Ratio of financing costs to net revenue stream	-0.68%	0.62%	0.50%
Borrowing Outstanding			
Brought forward 1 April	22,819	12,698	12,698
Carried forward 31 March	12,698	7,571	16,111
Net in year borrowing / (repayments)	(10,121)	(5,127)	3,413
Capital Financing Requirement at 31 March	25,357	5,130	27,948
Change in Cap. Financing Requirement	379	(20,227)	2,591

2. TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2018/19
	Actual	Original	Actual
	£'000	£'000	£'000
	£'000	£'000	£'000
Authorised Limit for external debt -			
Borrowing	30,000	30,000	30,000
Other long term liabilities	1,000	1,000	1,000
Total Authorised Limit for external debt	31,000	31,000	31,000
Operational Boundary for external debt			
Borrowing	28,000	28,000	28,000
Other long term liabilities	1,000	1,000	1,000
Total Operational Boundary for external debt	29,000	29,000	29,000

COMPLIANCE WITH PRUDENTIAL INDICATORS 2018/19

The maturity structure of the debt portfolio was as follows:

	2018/19 upper limits	2018/19 lower limits	31-Mar-19 actual
Under 12 months	50%	0%	40%
12 months and within 24 months	60%	0%	15%
Over 2 Years	80%	0%	45%

The authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The Council did not breach the authorised limit during the year.

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The Council did not breach the operational boundary during the year.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

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COMMITTEE WORK PROGRAMME 2019/20

REPORT OF: Tom Clark, Head of Regulatory Services
Contact Officer: Alison Hammond, Member Services Officer
Email: alison.hammond@midsussex.gov.uk Tel: 01444 477227
Wards Affected: All
Key Decision: No

Purpose of Report

1. For the Audit Committee to note its Work Programme for 2019/20.

Summary

2. Members are asked to note the attached Work Programme. The Work Programme will be reviewed as the final piece of business at each meeting, enabling additional business to be agreed as required.

Recommendations

3. **The Committee are recommended to note the Committee's Work Programme as set out at paragraph 5 of this report.**
-

Background

4. It is usual for Committees to agree their Work Programme at the first meeting of a new Council year and review it at each subsequent meeting to allow for the scrutiny of emerging issues during the year.

The Work Programme

5. The Committee's Work Programme for 2019/20 is set out below:

Meeting date	Item
10 September 2019	Internal Audit – Monitoring Report Committee Work Programme
12 November 2019	Review of Treasury Management Strategy Grants Certification Internal Audit – Monitoring Report. Committee Work Programme
3 March 2020	Audit Planning Report Treasury Management Strategy Internal Audit Monitoring Report Committee Work Programme

Policy Context

6. The Work Programme should ideally reflect the key priorities of the Council, as defined in the Corporate Plan and Budget.

Financial Implications

Audit Committee - 22 July 2019

7. None.

Risk Management Implications

8. None.

Background Papers

None.