

**Minutes of a meeting of Audit Committee
held on Tuesday, 3rd March, 2020
from 7.00 pm - 7.50 pm**

Present: M Pulfer (Chair)
R Cromie (Vice-Chair)

A Boutrup
M Cornish

S Hicks
L Stockwell

Absent: Councillors P Budgen

Also Present:

1. TO RECEIVE APOLOGIES FOR ABSENCE.

Apologies were received from Councillor Budgen.

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

None.

3. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 12 NOVEMBER 2019.

The Minutes of the meeting of the Committee held on 12 November 2019 were agreed as a correct record and signed by the Chairman.

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

None.

5. INTERNAL AUDIT - MONITORING REPORT 21ST FEBRUARY 2020.

Chris Bower, Senior Auditor Crawley Borough Council introduced the report and he apologised for the absence of Gillian Edwards.

The Chairman asked for comments on the report.

Members discussed the monitoring report and expressed concern with the high priority findings of the payment made in error and the Council Tax credit balances. The Senior Auditor advised that the erroneous payment was human error with the new financial management system (FMS) and measures are now in place to prevent a reoccurrence. He noted that Council Tax credit balances occur when properties are revalued by the Valuation Office Agency and a new process will be in place from May to manage the credit balances. Kevin Stewart, Business Unit Leader for

Revenues and Benefits advised that some credit balances are created when residents move out of the area and the Revenues Team are working through the accounts in credit. He confirmed that new Council Tax bills include any credit and outstanding balances and provide a revised total. In response to a member's question he will provide by email a summary breakdown of the credit balances indicating the value for those who have moved out of the District.

Members discussed the rating system for audits and the Human Resources audit and had some concern with the Contracts Register finding. The Senior Auditor advised that the highest rating is 'substantial assurance' followed by 'satisfactory', 'limited' and the lowest is 'no assurance'. The Senior Auditor referred to the follow up HR audit and confirmed that all new staff have a right to work in the UK which is stated on a copy of their passport. Members were given a verbal update on the Contracts Register. A recent review of the register has shown that there had been no updates since November 2019. Business Unit Leaders have been reminded to update the register as this does not form part of the contract documentation created when contracts are finalised. The Committee will be updated on this work at the next meeting.

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.

6. THREE YEAR INTERNAL AUDIT PLAN.

Chris Bower, Senior Auditor, at Crawley Borough Council introduced the report. He confirmed most of the audits were complete.

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

RESOLVED

The Committee received and noted the report.

7. TREASURY MANAGEMENT COUNTERPARTY COMPARISON.

Peter Stuart, Head of Corporate Resources introduced the report which included a comparison of UK banks and building societies. He advised that the article was from a respected journal and there had been no significant changes since the article was written. The Committee were advised that there is no significant problem in using the building societies and these are more than adequate for the Council's financial business.

The Chairman suggested that having researched the Council's use of financial institutions due diligence is now complete.

Members conformed that the report provided reassurance. It was noted that even though the article was from 2015 and some banking systems have changed, it was still a good indicator from the Council's perspective.

It was agreed that the Head of Corporate Resources will check whether a more recent report has been commissioned and he will report back at the meeting on 15 September.

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.

8. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21 TO 2022/23.

Peter Stuart, Head of Corporate Resources introduced the report. He highlighted that Halifax and HBOS have been removed as they are no longer on the suggested credit list and noted the amendment to the investment in the Local Authorities' Property Fund.

Members discussed the use of "green" and "ethical" investments and whether the financial institutions used by the Council have ethical investment practices. The Head of Corporate Resources advised that the service is provided by Adur and Worthing and he could ask what their plans are on this issue. The Chairman asked for a report to update the Committee on 15 September.

In response to a Member's question the Head of Corporate Resources noted that the treasury management strategy statement is not a balance sheet and only lists cash and cash equivalents.

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

RESOLVED

The Committee agreed to recommend to Council:

- (i) the proposed Treasury Management Strategy Statement (TMSS) for 2020/21 and the following two years,
- (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. EXTERNAL AUDIT PLAN.

Jack Dunkley, Manager Ernst and Young introduced the report. He noted the risks associated with the introduction of a new FMS (listed as a ledger system in the report), the valuation of land and pension liabilities. He highlighted a new area of focus, IFRS 16 leases which the Council must disclose the impact of now before the change in standards next year and which will be reported on in 2020/21. He concluded that there is no significant risk in the 'value for money' part of the plan.

Kevin Suter, Ernst & Young advised they are working through the procedures and will report back on any concerns with the Contracts Register at the meeting in July. He commented that guidance on the new directive is being released slowly. In response

to a question from the Chairman he confirmed that the valuation of the pension fund is underway, and the management team will report any concerns to the Committee.

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 audit plan.

10. EXTERNAL AUDIT: HOUSING BENEFIT ASSURANCE REPORT.

Kevin Suter, Ernest & Young introduced the report. He noted the work to certify the Housing Benefit Subsidy claim for 2018/19 and the 11 sets of extending testing. He confirmed that there was no repayment of subsidy to the Department of Work and Pensions (DWP) for the year.

Kevin Stewart, Business Unit Leader for Revenues and Benefits highlighted the complexity of Housing Benefit Subsidy claims. He confirmed that measures were in place to retrain staff and to mitigate against mistakes going forwards. He explained the sensitivity historically of Housing Benefit Subsidy to the Council and noted that for three years there has been no repayment of the subsidy to DWP. He also stated that year on year testing is dependent on the errors found. The increase in fees was noted and so too the different way in which audit work is now procured through the DWP.

Members expressed concerns over the errors in processing claims and sought reassurance that progress was being made in terms of accuracy. The Business Unit Leader stated that the DWP had signed off the claim so that should provide some reassurance and he will feed back at a later meeting on the procedures and action plan now in place. He noted that he is also making a representation to the DWP as some cases are very complex, i.e. changes in income and the current inflexibility of the current subsidy audit.

In response to a question Kevin Suter confirmed that the DWP do take their assurance from the report by Ernst & Young and a standard methodology is used in preparing the report. He confirmed that cases are complex, and they do not consider the rounding of figures as errors but differences of 1p must be investigated given that there is no materiality floor.

The Head of Corporate Resources stated that a formal response will be given on the issue of quality assurance and training.

Kevin Suter highlighted the time constraints for auditors and that auditing housing benefit claims is a difficult and specialist area and that costs for the subsidy audit can now be fully recovered. It was noted that the audit for the Council has been signed off on time when other Local Authorities are experiencing difficulties with external audit resources, with other 100 Authorities not meeting the DWP deadline.

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.

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

None.

The meeting finished at 7.50 pm

Chairman