

Minutes of a meeting of the Audit Committee held on 26th June 2012 from 7.00 p.m. to 8.31 p.m.

Present: Andrew Lea (Chairman)
Bruce Forbes (Vice-Chairman)

Simon Banham Heidi Brunsdon
Stephen Barnett Sue Seward

Also Present: Ben Durrant and Steve Connors from Internal Audit Partner.
Peter Stuart, Head of Finance and ICT and Section 151 Officer.

* Absent

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

The Committee noted that no substitutes were notified in accordance with Council Procedure Rule 4 – Substitutes at Meetings of Committees etc.

4. APOLOGIES FOR ABSENCE

There were none.

5. DECLARATIONS OF INTEREST

There were none.

6. MINUTES

The minutes of the meetings of the Committee held on 14th March and 9th May 2012 were agreed as a correct record and signed by the Chairman, subject to the misspelling of Councillor Barnett's name being corrected on the minutes of 9th May.

7. MID SUSSEX REVIEW OF TREASURY MANAGEMENT ACTIVITY 2011/12

The Committee received a report setting out the Council's Treasury Management activity for the year ended 31st March 2012.

Peter Stuart, Head of Finance introduced the report. He said that all transactions were in order and the performance of the service had been excellent.

Responding to questions from a Member about the procedures in place to ensure that staff training met the Council's requirements, what information on credit risk had been used to ensure safe investment of the Council's funds, and its response to market changes, the Head of Finance confirmed that the author of the report was a Treasury Management professional and qualified accountant and that whilst not formally set out in the SSA, the level of training met the needs of both Adur/Worthing and Mid Sussex District Councils. Referring to Appendix 3 of the report, the Head of Finance confirmed with whom the Council can invest, which included the decision to invest in Building Societies, which were not credit rated but had done well throughout

the recession and possessed significant, safe assets. He added that in his opinion the Council had balanced its security against yield.

In response to a question from the Chairman, the Head of Finance confirmed that none of the Council's investments were placed outside of the UK.

Responding to another Member's question, the Head of Finance confirmed that the review of the Shared Services Agreement would be reported to this Committee.

In response to a Member's question about the ratio of financing costs to revenue stream, the Head of Finance confirmed that he would obtain written clarification from the report's author and notify the Committee in writing.

Responding to another Member's question, the Head of Finance confirmed that the Council had no investments with Santander UK Ltd.

The Committee Chairman then took Members to the report recommendation, which was agreed.

RESOLVED

That the Audit Committee notes the report.

8. INTERNAL AUDIT MONITORING REPORT 26th JUNE 2012

The Committee received a report updating the Committee on the progress of the 2011-12 and 2012-13 Internal Audit Plans and the progress made in implementing previously agreed recommendations.

The report was introduced by Ben Durrant, the Internal Audit Manager. He explained that the audit plans provide for a mix of coverage on fundamental systems, IT systems and those service systems, which have been identified as potential risk areas. Appendix A summarised the progress to date on both plans whilst Appendix B provided an update on the implementation of previously agreed recommendations. He added that a report on Housing Needs had been issued since this report but that no high priority recommendations had been identified. He said that two high priority recommendations were contained in the report; Bank Reconciliation and Information Governance, which had since been completed and would not appear on the next report.

In response to a Member's question about honorariums, the Committee Chairman confirmed this issue had been resolved at the Council's meeting in March 2012. The Internal Audit Manager added that no issues had come to light in the 2010/11 audit.

Responding to a Member's question about comparative timeframes for completing reconciliation between spreadsheets and a fully automated system, the Head of Finance confirmed that the use of spreadsheets was a proven method, adding that it could be reviewed again in future.

Responding to a Member's question about the deferral of planned audits, the Head of Finance confirmed that the Management Team constantly sought value for money and to reduce the Council's costs, balanced against the risk of not having an audit done. He explained that the Partnerships audit stood out as low risk and managers agreed that the risk was manageable. With regard to the Staff Training audit he said that the Management Team wanted to change the emphasis to ensure agreements

on individual training arrangements were watertight, emphasising that this audit was being deferred and not cancelled. The Committee Chairman then asked that more detail on deferrals of this nature be provided in future reports.

In response to a question from the Committee Chairman about National Non-Domestic Rates (NNDR) reports, the Head of Finance confirmed these were dealt with by the Census partners but that this Audit Committee would normally be informed only of the high priority recommendations contained in them, adding that this Committee could request the full report if it so desired.

The Chairman asked that the full NNDR reports be circulated and this was agreed.

Responding to a question from the Committee Chairman, the Internal Audit Partner confirmed that the Council's ICT forms part of the Census partnership but that this did not cover all of the Council's ICT service, adding there had been issues in obtaining a unified response to questions regarding ICT. The Committee agreed that the Cabinet Member for Finance and Service Delivery should be informed of this in his role on the Census Joint Committee. The Internal Audit Partner added that no serious issues had been identified in the audit.

Responding to a Member's question about the Council's ICT, the Internal Audit Partner confirmed that there were a set of procedures covering all of the Census ICT Partnership and some of the procedures at the Council had not moved along in line with those of CenSus.

In response to another Member's question about the method of banking reconciliation, the Internal Audit Manager confirmed that the Council could continue using spreadsheets or could revisit the possibility of introducing a fully automated system.

The Committee Chairman then took Members to the recommendation in the report, which was unanimously agreed.

RESOLVED

That the Internal Audit Monitoring Report is received by the Audit Committee.

9. AUDIT COMMITTEE WORK PROGRAMME FOR 2012/13

The Committee received a report detailing its work programme for the year 2012/13. The report was introduced by the Committee Chairman who took Members through it.

The Committee Chairman referred to the Statement of Accounts and confirmed they were due to be signed off this week by the head of Finance and that Committee Members would receive a copy in the following week. He added that Member Training on accounts was also planned.

In response to the Committee Chairman's question about any policies or procedures the Council needed to adopt or could relinquish, the Internal Audit Partner confirmed there were both regulatory and voluntary policies, which were discussed in the previous year's Corporate and Information Governance reviews. He confirmed that Revenues and Benefits policies are covered by audit and that the Council did not have a register of its regulatory and voluntary policies. He explained that auditors

examined both types of policy but did not assess on a value for money basis to ascertain whether certain policies were redundant.

In response to questions from several Members about the size and scope of an examination of the Council's policies, the Internal Audit Partner confirmed there was a raft of government legislation, not all of which required the Council to have its own policy, adding that those the Council was required to have were identified and assessed by the auditors through criteria according to owner, review date and relevance. The Head of Finance would discuss the scope of any work with the Internal Audit Partner and the Chairman.

In response to a Member's question about the Service Level Agreement for banking reconciliation, the Head of Finance confirmed that the agreement is reviewed by delegated officers on the Audit Committee's behalf and that the outcome of that review could be added to the half-yearly Treasury Management report due for discussion on 27th November 2012.

Responding to questions about measuring the effectiveness of the Committee from several Members, the Head of Finance confirmed that the District Auditor would take a view regarding the work of the Committee and its effectiveness.

Responding to another Member's question, the Internal Audit Partner confirmed that the effectiveness of the Audit Committee could be judged by the number of its outstanding high priority recommendations. He added that the Committee had made an impact on the Council's financial controls and processes, and that audits were now more risk focussed.

In response to questions from Members regarding their training and development, the Head of Finance confirmed that the Audit Committee was primarily charged with financial scrutiny and suggested that the Scrutiny Committee for Leader and Service delivery would be an appropriate forum to discuss the subject of Member Development. The Committee Chairman offered in conjunction with Councillor Sue Seward to discuss the subject with the Chairman of the Scrutiny Committee for Leader and Service Delivery and report back to this Committee at its next meeting, which was agreed.

RESOLVED

That the Audit Committee's Work Programme for 2012/13 be agreed.

Chairman.