

**Minutes of a Meeting of the Audit Committee held on
11 July 2016 from 7.00 p.m. to 7.44 p.m.**

Present: John Belsey (Chairman)
Ruth de Mierre (Vice-Chairman)

Anne Boutrup	Andrew Lea	Neville Walker
Tony Dorey	Linda Stockwell	

* Absent.

Also Present: Councillors Pete Bradbury, Norman Webster and Jonathan Ash-Edwards.

Also in Attendance: Hannah Lill, Ernst and Young.
Chris Bower, Internal Auditor.
Peter Stuart, Head of Finance and Section 151 Officer.

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

None.

5. TO RECEIVE APOLOGIES FOR ABSENCE.

None.

6. TO RECEIVE DECLARATION OF INTERESTS FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA.

None.

7. TO CONFIRM THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON 16 MARCH 2016 AND ANNUAL COUNCIL HELD ON 11 MAY 2016.

The Minutes of the meeting of the Committee held on 16 March 2016 and Annual Council held on 11 May 2016 were agreed as correct record and signed by the Chairman.

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

None.

9. EXTERNAL AUDIT BUSINESS

Hannah Lill from Ernst and Young explained that the audit is part-way through. The controls testing of key Council systems are satisfactory and Ernst and Young are working with the Council to improve processes. She informed Members that the Audit next year (2016/17) was being brought forward by two months as a dry run for the 2017/18 legislative change. For that year, the Council will prepare draft financial statements by the end of May and the Audit will be brought forward to July. In response to a Member's question, she explained that the deadline change had come from central

government.

The Chairman took the Committee to the recommendations of the report which were agreed.

RESOLVED

That the Committee noted the Audit Progress Report for the Year ended 31 March 2016.

10. ASSURANCE LETTER.

The Chairman explained to Members that Ernst and Young seek assurances in respect to financial systems and control. He reminded Members that the Chairman can sign this off without Committee consent, but he felt that as he had just been elected, it would be better to seek assurance from the Head of Finance and bring it to the Committee's attention.

A Member brought the Committee's attention to Item 7 in the letter response regarding her concerns of the Council's property fund. The Chairman stated that he had been in contact with the Head of Finance and this matter will be explained shortly.

The Head of Finance referred to a statement circulated by the CCLA which reassured Members that the Council's property fund was stable. The property fund had doubled its investment and was a reliable and safe harbour for the Council's money. He reiterated the fund is not for capital gain but to supply a steady stream of income. Last financial year the Council received 4% from the fund which demonstrates a good investment. The Head of Finance then read out a statement from CCLA Investment Advisor John Kelly which explained that the larger the fund the more spread out it is. Furthermore, the quality of tenants is high and there is low exposure to the City of London property market. The statement by Mr Kelly concluded that the long term attractions to the property fund are substantial. The Head of Finance reminded Members that the fund was backed by cash not debt, and that in the current climate it would be good to buy property, but the Council will wait, hold its nerve and keep the current income safe.

The Chairman noted that this was very reassuring and the Audit Committee would not interfere with this policy in any way.

In response to a Member's question, the Head of Finance explained that a Personal Search Claim was about the litigation of personal search companies. Previously, the Council was charging companies £11 per search to look in the Council registers about property. A subsequent court case ruled that this national charge was null and void. The Council has an accrued figure for reimbursing companies for this charge but does not know how many firms will come forward and make claims.

The Solicitor to the Council informed the Committee that these charges date back to 2011.

The Chairman took the Committee to the recommendations of the report which were agreed.

RESOLVED

That the Committee agreed the response to be sent by the Chairman.

11. INTERNAL AUDIT – MONITORING REPORT.

The Internal Auditor summarised that they were making progress in the programme of audits and that there were no high priority findings. He took members through the findings outlined in section 4 of the report. He informed Members that the car parking audit was complete, and that testing on Housing Benefit had outlined agreed actions in the report. Furthermore, the provisions in place to back up the CenSus Academy system are being highlighted as a priority.

Members then asked questions about the robustness of the leaver's policy and CenSus backup. One Member queried why people who had left the Council aren't being removed from the system. The Internal Auditor assured members that this was a priority and he would have answers for the next Committee. He also advised Members that CenSus was a system shared between three District Councils, and that they had done tests and had not found data repetition, and backdated claims had been cleared.

Regarding the security of the system, the Head of Finance and HR explained to Members that there are two CenSus servers; one is based in the Mid Sussex District Council offices, and one at Horsham. One server mirrors the other.

In relation to the Housing Benefits audit and the lack of evidence on 30 backdated claims, a Member queried how many claims there were overall, to which the answer was approximately 18,000 live claims. The Head of Finance agreed the error rate on this control was too many, although there was no reason to think that the claims had been backdated in error, it was more a matter of the reason for the backdating had not been actually evidenced.

A Member highlighted an issue with payments to creditors. She was concerned that a payment of over £1000 had not been signed off. The internal auditor explained that this payment was initially under £1000, but changed after authorisation to over £1000. The Chairman wished to have clarification as to whether you need re-authorisation if a payment goes over £1000. The Head of Finance reassured Members that you do but accepted that this was a serious control weakness in this example. The system had since been changed as a direct consequence of this recommendation.

As there were no further questions the Chairman took the Committee to the recommendation set out in page 31.

RESOLVED

That the report be received and noted.

12. INTERNAL AUDIT ANNUAL REPORT 2015/2016.

The Chairman highlighted items 3.4 and 3.5 which summarised the overall assurance outlined in the report, which is described as "adequate, effective and reliable" and highlighted the recommendations classed as high priority from the CenSus Housing benefits audit and the recovery of the Academy Housing Benefit in the event of system failure. One Member wished to know if there were any occasions when recommendations were not accepted as outlined in 3.1 (c) (high or medium recommendations not accepted by management). The Internal Auditor stated that this was very rare but has occasionally happened. Any recommendations that are not accepted will be in the Internal Audit report with reasoning why. In all cases the Internal Auditor will ask the manager for their reasoning behind the decision.

A Member wished to reiterate that the current backup system in place for the Academy Housing Benefit must be tested to make sure it works, and this must be given high priority.

The Chairman took no further questions and moved to the recommendations outlined in the report.

RESOLVED

That the report on the Internal Audit Annual Report for 2015/2016 be received and noted.

14. COMMITTEE WORK PROGRAMME 2016/2017.

The Annual Report on Treasury Management was added to the 20 September 2016 agenda. The Vice-Chairman enquired whether a mini treasury review could be included in every audit, which was agreed. Furthermore, a Member enquired whether meetings could be moved, to which the representative from Ernst and Young replied that the 2017/18 cycle will be affected but the audit could be brought forward earlier for the dry run.

RESOLVED

That the Committee note the Committee Work Programme for 2016/17.

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

None.

Chairman.