

24 July 2017.

Dear Councillor,

A meeting of the **AUDIT COMMITTEE** will be held in the **Council Chamber** at these offices on **TUESDAY, 1 AUGUST 2017 at 7.00 p.m.**, when your attendance is requested.

Yours sincerely,

KATHRYN HALL

Chief Executive

A G E N D A

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| 1. | To note Substitutes in Accordance with Council Procedure Rule 4 – Substitutes at Meetings of Committees etc. | |
| 2. | To receive Apologies for Absence. | |
| 3. | To receive Declaration of Interests from Members in respect of any matter on the agenda. | |
| 4. | To confirm the Minutes of the meeting of the Committee held on 15 March and 10 May 2017. | 3 - 7 |
| 5. | To consider any items that the Chairman agrees to take as urgent business. | |
| 6. | Internal Audit – Monitoring Report. | |
| 7. | Internal Audit Annual Report 2016/17. | |
| 8. | Review of Treasury Management Activity 2016/17. | |
| 9. | Financial Statements 2017/18. | |
| 10. | Audit Results Report 2017/18. | |
| 11. | Committee Work Programme 2017/18 | |
| 12. | Questions pursuant to Council Procedure Rule 10.2 due notice of which has been given. | |
- To: **Members of Audit Committee** – Councillors Belsey, Boutrup, de Mierre, Dorey, Lea, Stockwell and Walker.

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**Minutes of a Meeting of the Audit Committee held on
15 March 2017 from 7.00 p.m. to 8.30 p.m.**

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

Anne Boutrup*	Andrew Lea	Neville Walker
Tony Dorey	Linda Stockwell	

* Absent.

Also in Attendance: Paul King, Ernst and Young
Hannah Lill, Ernst and Young
Gillian Edwards, Audit and Risk Manager, Crawley Borough Council
Peter Stuart, Head of Corporate Resources and Section 151 Officer

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

None.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Boutrup.

3. DECLARATIONS OF INTEREST

None.

4. MINUTES

The Minutes of the meeting of the Committee held on 23 January 2017 were agreed as correct record and signed by the Chairman.

The Chairman also informed the Committee that since the previous meeting, the Council has now joined Public Sector Audit Appointments (PSAA).

5. URGENT BUSINESS

None.

6. EXTERNAL AUDIT BUSINESS

Paul King, from Ernst and Young, introduced the report to Members. He informed Members that there are no issues of concern. The Post Statements Audit has been brought forward to July 2017 and any issues will be reported to the August 2017 Audit committee.

A Member noted that the Financial Statements Audit relies on the controls within the Council's own financial systems and asked whether the External Auditors conduct their own testing controls.

Hannah Lill from Ernst and Young, replied that the controls perform to guidelines and when they are reviewed the External Auditors repeat the tests.

The Chairman noted that the significant value-for-money risk for the Orchards purchase only looks at the financing for the purchase, not the feasibility of the purchase itself. He reminded Members that due diligence was undertaken and the Council sought professional third-party advice.

Hannah Lill introduced the Housing Benefit Certification report and highlighted that the total sum which may be clawed back by the DWP is £243,925. She informed Members that any errors caused by the Council may be claimed back by the DWP.

A Member wished to know what percentage of total claims is tested on. Hannah Lill clarified that initially a 20 case sample is taken, and then additional testing is undertaken based on errors found and any errors from the previous year.

A Member noted that many weaknesses go back to 2013/14. This was confirmed by Hannah Lill who clarified that there is a time-lag in the reduction of errors which will continue to decrease over time.

In response to a Member question regarding how the Council pays for any administrative errors, Peter Stuart, Head of Corporate Resources, advised Members that any costs are drawn from the Benefits Equalisation Reserve. He explained that this account is ring-fenced.

A Member asked why these errors arise and what can be done to prevent them.

The Head of Corporate Resources advised that Housing Benefit rules are complex and issues around training and recruitment may impact the error rate. Council staff always concentrate on making sure the claim is correct at the assessment stage and have also been processing change of circumstances much quicker. He noted that in recent years the nature of employment has changed, with an increase in temporary and zero-hours work which means assessing incomes can be more complex.

The Chairman asked whether the causes of errors are fed back to staff.

The Head of Corporate Resources stated that staff have to justify each claim, and the level of errors are starting to come down as outlined in page 29 of the report, suggesting that feedback to staff works.

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

RESOLVED

That the Committee receive and note the report.

7. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

The Head of Corporate Resources introduced the report and outlined that the report is essentially the same as the previous years' report but includes small changes due to the purchase of the Orchards.

A Member sought clarification on the Capital Financing Requirement projections. The Head of Corporate Resources advised that the loans will be paid back gradually and will be completely paid off by 2021.

A Member noted that the incremental impact of capital investment decisions on band D Council Tax as outlined on page 39 should show a positive increase.

The Head of Corporate Resources agreed that they should be positive sums and highlighted to Members that the approved authorised limits as set out in page 41 of the report which were recently increased will stay at this level for simplicity, and won't be reduced.

The Chairman sought clarification that a policy decision could be made on the Minimum Revenue provision (MRP) policy statement if factors were to change.

The Head of Corporate resources confirmed that the MRP policy statement and affordability indicators set out a prudent repayment schedule, and could be changed if necessary.

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

RESOLVED

That the Committee recommends to Council:

- i. the proposed Treasury Management Strategy Statement (TMSS) for 2017/18 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.

8. THREE YEAR INTERNAL AUDIT PLAN

Gillian Edwards, Audit and Risk Manager, introduced the report. She informed the Committee that the report outlines the assessment of risk undertaken over 220 days. The dissolution of CenSus means that Internal Audit will audit all three fundamental systems on an annual basis, as outlined on page 61.

A Member noted that the need to audit all three fundamental systems from CenSus will reduce the hours available in the contingency, and asked how the total hours are calculated.

The Head of Corporate Resources informed Members that the hours on each system are agreed between the Committee and himself, and all areas are looked at equally. If more hours are needed they can be provided.

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

RESOLVED

That the Committee receive and comment on the report.

9. INTERNAL AUDIT – MONITORING REPORT 28th February 2017

Gillian Edwards, Audit and Risk Manager introduced the report. She advised Members that this is the regular report with six high priority and two medium priority findings

arising from the procurement audit. Findings relate to the contract database being out of date and the lack of use of exemption forms. There is a new team and agreed actions have been put in place.

Regarding Members concerns from the previous Committee, the Audit and Risk Manager advised that the Council is confident the amount of money in the machines is reasonable for them to be self-insured. She confirmed that the Council is confident only legitimate users have access to the Council's main financial systems.

A Member asked whether the officer responsible for updating the contract register has been allocated and that relevant training will be put in place.

The Audit and Risk Manager replied that she is confident the right processes have now been put in place and reassured Members that procurements have been looked at and are all sound, only exemption forms should have been completed.

A Member asked whether the 43 staff members who have joined the Council since November 2016 need training on procurement, and whether it could be possible to undertake an audit of the Council's staff training programmes.

The Head of Corporate Resources advised that there is not an overall training scheme in place, and the Committee can express the view that it wishes training to be audited if it so wishes. Not all new starters need training on procurement.

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

RESOLVED

That the Committee receive the report.

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

None.

Chairman.

Minutes of the Annual meeting of Audit Committee held on 11th May 2017 from 7:17 p.m. to 7:18 p.m.

Present:

John Belsey
Anne Boutrup
Ruth de Mierre

Tony Dorey*
Andrew Lea

Linda Stockwell
Neville Walker

* Absent

1. ELECTION OF CHAIRMAN

Councillor Ruth de Mierre nominated Councillor John Belsey as Chairman of the Committee for the 2017/18 Council year. This was seconded by Councillor Neville Walker and agreed.

RESOLVED

That Councillor John Belsey be elected Chairman of the Committee for the 2017/18 Council year.

2. APPOINTMENT OF VICE-CHAIRMAN

Councillor John Belsey nominated Councillor Ruth de Mierre as Vice-Chairman of the Committee for the 2017/18 Council year.

RESOLVED

That Councillor Ruth de Mierre be appointed Vice-Chairman of the Committee for the 2017/18 Council year.

3. URGENT BUSINESS

None.

Chairman.