

## **Minutes of a Meeting of the Audit Committee held on 24 July 2018 from 7.00 p.m. to 8:02 p.m.**

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

Anne Boutrup \*                      Andrew Lea                      Rex Whittaker  
Tony Dorey \*                      Linda Stockwell \*  
Neville Walker

\* Absent.

**Also in Attendance:** Judy Llewellyn-Burke  
(Cabinet Member for Finance and Economic Growth)  
Norman Webster (Cabinet Member for Community)  
Paul King, Ernst and Young  
Tom Wilkins, Ernst and Young  
Gillian Edwards, Audit and Risk Manager, Crawley Borough Council  
Chris Bowers, Internal Auditor, Crawley Borough Council  
Peter Stuart, Head of Corporate Resources and Section 151 Officer  
Cathy Craigen, Business Unit Leader for Finance  
Tom Clark, Head of Regulatory Services  
Alexander Austin, Democratic Services Officer  
Alison Hammond, Democratic Services Officer

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

Councillor Whittaker was in attendance as a substitute for Councillor Stockwell.

### **2. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Boutrup, Dorey and Stockwell.

### **3. DECLARATIONS OF INTEREST**

Councillor Andrew Lea declared a personal interest as a serving Member of West Sussex County Council.

### **4. MINUTES**

The Minutes of the meeting of the Committee held on 8 March and 9 May 2018 were agreed as correct record and signed by the Chairman.

### **5. URGENT BUSINESS**

None.

### **6. INTERNAL AUDIT MONITORING REPORT 31 JANUARY 2018**

Gillian Edwards, Audit and Risk Manager, introduced the report to update the Committee on the progress of the 2018/19 Internal Audit Plan and to report on progress made in implementing previously agreed recommendations. She highlighted a few key findings:

The monthly reconciliations for payroll 2017/18 had not been completed. This was due to extenuating circumstances with the new payroll system, XCD. However an end of year reconciliation had been completed, a small difference was found and corrected. Monthly reconciliations are required and she will liaise with the Head of Corporate Resources and Section 151 Officer. Therefore the assurance level is recorded as satisfactory.

The NNDR audit, completed by Horsham District Council as part of a shared working program, was given a reasonable assurance. The wording used by Horsham District Council is different but equates to our 'satisfactory' level. A meeting was held today with the relevant Business Unit Leader regarding the two key findings, inspections and procedure notes. These will be resolved as part of the revised structure of the Revenues and Benefits department, an updated report will be received later in the year.

A limited assurance was given for Tech Forge Financial Management System Additional Feeder System 2018/19 given there was only a narrow scope for the audit. The system is still in testing mode and the link between FMS and Tech Forge has not been fully established.

The National Fraud Initiative 2018/19 matches data from the Electoral Roll against claims for Single Persons Discount for Council Tax. There were some inconsistencies with Electoral Roll and Council Tax data entry, 29 queries have been passed to the Business Unit Leader for Revenues and Benefits. An action plan is required to check the remainder of the sample.

There have been some improvements with the Contracts Register and further work is required to show the improvements. There were a few advisory points on Data Migration, the central location of data held and some training issues due to the loss of knowledge as staff have left following the streamlining of the department due to the disaggregation of Census.

A report will be provided in September to include the suggestion of the Council insuring against cyber-attacks. The committee was advised that this is currently a topical issue.

The Chairman thanked Gillian Edwards and her team for the detailed report.

A Member asked for the rankings of assurance level and whether the auditors checked that back-up copies of data were held for data located in the cloud. He wanted assurance that there are back-up copies of data for information held on external servers, since he had a professional interest from an IT perspective. The Internal Auditor explained the rankings were substantial, satisfactory (most controls in place or correctly working), limited and no assurance (this has never been used for this council). They audit fundamental systems only; they do not usually look at the processes to back-up data but do get assurances from the Heads of Service. An audit to test the retrieval of this data can be checked in the next few months and an update report provided.

A Member asked as Tech Forge was still in the testing phase, has a decision been made whether to use it. Peter Stuart, Head of Corporate Resources, replied that it was a long running project that had taken longer than expected and that it was starting to clash with the new FMS project that was to go live on 1 April 2019. There was limited time to check the interface works and if during testing next week the system does not perform correctly it may be shelved for the time being. Invoices would then still be raised through FMS and not Tech Forge.

A Member asked whether the issues with payroll were ongoing, and was there a training need to prevent future occurrences. The Internal Auditor advised that a member of her

team would liaise with the Business Unit Leader to see if it was a system problem or training need. If an end of year reconciliation can be completed monthly reconciliations should be possible, with an update report to follow.

A Member asked for a report in September on how the Council currently deal with cyber-attacks and how it could be prevented, it may be a low risk but is a topical issue. The Internal Auditor confirmed to the committee an update report would be provided to include this issue.

As there were no further questions the Chairman took Members to the recommendation in the report which was unanimously approved.

## **RESOLVED**

The Committee received and noted the report.

### **7. INTERNAL AUDIT ANNUAL REPORT 2017/18**

Gillian Edwards, Audit and Risk Manager, introduced the annual report of the Internal Audit and Risk Manager of Mid Sussex District Council for 2018/19. The report provided the evidence that the auditing team had complied with the relevant regulations, summarised the work that supported the opinion of the auditor and provided the assurance opinions. The Audit and Risk Manager advised that Mid Sussex District Council had an adequate, effective and reliable framework on internal control that provided reasonable assurance regarding the effective and efficient achievement of the Council's objectives.

An update on the recommendations regarding Housing Benefit confirmed all recommendations had been completed, the report having been written on 31 March 2018. There were other items in the progress report that will appear in next year's report, but these do not change the assurance level.

Several Members commented on the comprehensive report and the quality of the work which gives a level of confidence to the Members.

A Member noted that item 2.1 commented on the purchase of the Orchards Shopping Centre. Paul King, from Ernst and Young, informed Members that the purchase was looked at in the 2017/18 audit and they looked at how the lease was obtained. However on a value for money basis it was not qualified as there was no risk.

The Chairman thanked Gillian Edwards and her team for the detailed report.

As there were no further questions the Chairman took Members to the recommendation in the report which was unanimously approved.

## **RESOLVED**

The Committee received and noted the report.

### **8. AUDIT RESULTS REPORT 2017/18**

Tom Wilkins, Manager for Ernst and Young, presented the report which introduced the auditors' "Audit Results Report" and provided some context for Members' consideration. The status of the audit was outlined and most of the work has been completed, and it

was confirmed in response to a Member's question that the statutory deadline of 31 July 2018 would be met. The Manager highlighted two significant differences:

The comparison of the West Sussex Pension Fund's net assets as estimated by the actuary at the year end and the actual net assets showed a difference. The difference was positive, in the favour of the Council. In response to a question by a Member, Paul King advised that it was more a judgemental difference, a timing issue as the initial forecast differed to the actual figure. The second issue related to the all-weather pitches. They had been treated as land and not an asset and had not been depreciated, but this made no significant difference. The report had been compiled two months earlier than last year and he thanked the Council's Officers for their assistance.

In reply to a Member question regarding the valuation of some commercial assets, the Manager informed the committee that assets are usually valued every five years but investments properties are usually valued annually. In response to a further question on revaluing only part of the assets each year, Paul King explained that if the assets were broadly similar appropriate adjustments can be made.

A Member thanked the Ernst and Young and the Council finance team for their excellent work.

The Chairman thanked Ernst and Young for providing the detailed report earlier than last year and suggested they report back on suggestions that would assist for next year's report.

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

## **RESOLVED**

The Committee received and noted the report.

## **9. FINANCIAL STATEMENTS 2017/18**

The Chairman advised the committee that a number of Members had attended an audit workshop which had been very productive. Members had been encouraged to email in their questions regarding the audit reports before the workshop. The Members were provided with a good level of detail and were reassured.

Peter Stuart, Head of Corporate Resources, thanked his team for producing the report and the attached Statement of Accounts which set out the Council's financial position. He advised that the figures in the statement were unchanged but there were some minor changes in the notes, Cathy Craigen, Business Unit Leader for Finance provided the amendments for pg 69 and 98.

The Chairman advised the Committee that the report could not be signed off as the audit was not yet complete. It was agreed that a delegation would enable the sign off if minor amendments were needed, by the statutory deadline of 31 July 2018.

A Member commented that the Cabinet had received five excellent budget management reports. The year had ended with an under-spend and considering the current pressures on budgets this report was good.

In response to a Member's question the Head of Corporate Resources informed the Committee that the purchase of software is listed as an Intangible Asset. The Council buys major software at a significant cost sometimes and this is capitalised but

increasingly this software is now bought under a 'Software as a Service' platform.

As there were no further questions the Chairman informed the Committee that the Letter of Representation to the Auditors was ready to be signed and asked the Member to receive the report subject to some minor amendments which was unanimously received.

#### **RESOLVED**

- i) the Financial Statements are approved subject to minor amendments.
- ii) the Committee authorises to the Chair and Vice Chair that the Statement of Accounts be signed by them, together with the Head of Corporate Resources, on completion of the audit, subject to any amendments raised and agreed within the Audit Results Report.
- iii) the Letter of Representation be approved and the Chairman be authorised to add his signature to that letter.

#### **10. REVIEW OF TREASURY MANAGEMENT ACTIVITY 2017/18 AND AMENDMENTS TO COUNTERPARTIES FOR 2018-19**

Peter Stuart, Head of Corporate Resources advised that there had been no breaches of the policy and the Committee were asked to approve the amendments to the specified investments lists as detailed in the report. Approval was sought to add an institution to the specified Money Market Funds list and an amendment was required as the main British banks had split their business into "ring-fenced" and 'non ring-fenced' entities.

A Member asked that in relation to the new CIPFA code, would a report come to the Committee in September or the end of year. In reply the Head of Corporate Resources advised that the report would come before the Committee by the end of the financial year, 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 noted the contents of the report proposed that Council agree to:

- i) approve the addition of the CCLA Public Sector Deposit Fund to the list of specified Money Market Funds.
- ii) approve the amendment of the specified investments list to include only the ring-fenced parts of banks which have split their activities.

#### **11. COMMITTEE WORK PROGRAMME 2018/19**

The Chairman informed the Committee that the Auditors would have update reports for the next meeting. Members were asked to note the Work Program and the Capital Strategy Report was added to the agenda for 5 November meeting.

#### **RESOLVED**

That the Committee Work Programme for 2018/19 be noted accordingly.

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

None.

Chairman.