

**Minutes of a meeting of Audit Committee
held on Tuesday, 16th November, 2021
from 5.02 pm - 5.40 pm**

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

A Boutrup
M Cornish

S Hicks
R Jackson

L Stockwell

Also present: Cllr J Llewellyn-Burke

1. ROLL CALL AND VIRTUAL MEETING EXPLANATION.

The Chairman introduced the meeting and took a roll call of Members in attendance. Peter Stuart, Head of Corporate Resources explained the meeting is being held virtually in the interests of public health due to the high number of Covid cases in the Mid Sussex area.

2. TO RECEIVE APOLOGIES FOR ABSENCE.

No apologies were received as all Members were present.

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

None.

4. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 27 JULY 2021.

The Minutes of the meeting of the Committee held on 27 July 2021 were agreed as a correct record and electronically signed by the Chairman.

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

None.

6. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL - 30 SEPTEMBER 2021.

Pamela Coppelman, Group Accountant at Adur-Worthing Councils introduced the report. She highlighted that the actual figure for Capital Financing Requirement (CFR) on page 20/21 was correct but the net movement for CFR should include £19.7m that was allocated as a capital receipt against The Orchard Shopping Centre expenditure.

Members asked for clarification on the assessment made when making a deposit for over one year, the reason for increasing the Council's counterparty investment limit,

the ability to independently assess the analysis of ethical investments and on access to the General Reserves.

The Group Accountant advised before investing funds a balanced view must be taken as there is no certainty with interest rates, for the last 18 months investments have been short term as it has been felt that interest rates may increase soon. The Council's policy allows 50% of the funds placed on the money market to be for more than one year, but most have been in short term deposits. The Council currently has £90M invested with counterparties and increasing the limit gives greater flexibility to take advantage of possibly higher interest rates. As the total funds available for investment have increased the Council's existing counterparty limit is low compared to another local authorities in the county. There is no standardised way to measure ethical investments, she noted the recommendation to add HSBC Environmental, Social and Governance Sterling Liquidity fund to the money market fund (MMF) counterparties list. More ethical investment opportunities are emerging, and the Council are trying to maximise these deposits, and are checking the institutions' policies before investing. Funds placed on the money market are liquid funds which the Council can access immediately or at short notice.

The Chairman confirmed at the current time it can be difficult to place funds on deposit. He asked for clarification on the Prudential Indicator figures for CFR.

The Group Accountant explained the CFR and how money must be set aside over a number of years to ensure the capital cost is spread over more years to make it fair to Council Tax payers. This is done when money is borrowed or internal funds are used. The purchase of The Orchards Shopping Centre was part of the CFR last year and the capital receipts from the sale of Hurst Farm were used to offset some of the capital costs of the purchase of the shopping centre.

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

RESOLVED

The Committee recommended the following to the full Council:

- (i) that no new borrowing has been necessary in the 6 months to 30th September 2021 and the outstanding borrowing has reduced from £7.556m at 31 March 2021 to £7.341.
- (ii) the increase in investments from £57.035m at 31 March 2021 to £78.254m at 30 September 2021 (both figures exclude the £6m investment in the CCLA Local Authorities' Property Fund).
- (iii) due to the increase in funds available for investment, and the requirement to keep significant liquidity, the Head of Corporate Resources recommends increases in the Council's counterparty investment limits as follows, subject to compliance with the approved ratings:
 - from £4m to £5m for UK banks: HSBC, National Westminster, Barclays, Santander, Handelsbanken, Goldman Sachs International Bank and Close Brothers
 - from £4m to £7m for the Council's banker, currently Lloyds Bank.

(iv) Add HSBC Environmental, Social and Governance Sterling Liquidity fund to the list of money market fund counterparties subject to confirmation of AAA rating. Further details are in section 10.6.

7. EXTERNAL AUDIT PROGRESS REPORT 2020 - 21.

Kevin Suter, EY introduced the report noting the audit results are late as an objection has been received to the Council's accounts. He highlighted the public's statutory right to ask questions, raise objections and can ask for items to be considered for a public interest report, or for the auditor to consider applying to the courts a declaration that a transaction is unlawful. He confirmed he has been asked to consider both aspects for a number of items. The objection related to several material items in the accounts and to governance and decision making which are part of the auditor's value for money (VFM) responsibilities. The audit cannot be completed until the objection has been processed, he is waiting for a formal response from the Council to the objection, within the agreed timescales. He confirmed the audit is significantly complete and there are no other important items to raise.

A Member expressed concern over the impact of the objection and implications of the delay in completing the audit.

The External Auditor confirmed the objection did include material numbers within the accounts. Natural justice must be observed as a Judicial Review could be requested if the member of the public disagreed with the auditor's decision. The audit must be completed correctly. The Council's obligation is to publish their accounts by 30 September with an opinion if one has been given. As no opinion from the Council's external auditor has been received, the Council has met their statutory responsibilities, and accounts can be republished once an opinion has been given.

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

RESOLVED

The Committee received the report.

8. INTERNAL AUDIT UPDATE 2021-22.

Peter Stuart, Head of Corporate Resources noted that the new audit contract started slowly. All audits are normally completed in the winter and spring months to get maximum sample size at end of the financial year. Mazars now have access to all files, the programme of work is underway, and Mr Fosco has spoken to all key contacts to finish planning the audits of the fundamental systems and to commence a cyber security audit.

Juan Fosco, Mazars advised he has met with Heads of Service and Business Unit Leaders for all the audits in the plan and the previous auditor to understand the earlier results and identify any key risks to focus on. Mazars senior auditors will work on the key finance audits, start dates have been agreed and will avoid periods of high work volume. The audit of Housing Benefits will commence 29 November and then Business Rates after that. Grants Assurance and Risk Management training audits are also planned, a date for the cyber security date has been agreed along with an IT needs assessment which will allow audits to concentrate on areas of significant risk. All remaining audits have been resourced with the latest start date of April 2022. A report will be available for the meeting in July 2022.

In response to a Member's enquiry about the impact of the delay in receiving the final report from the External Auditors, the Internal Auditor advised they are in communication with EY with the progress of the external audit and to determine any areas of work the internal audit should concentrate on.

A Member thanked the Internal Auditor for his comprehensive report.

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

RESOLVED

The Committee received the report.

9. COMMITTEE WORK PROGRAMME.

Peter Stuart, Head of Corporate Resources introduced the Committee's Work Programme which noted the business for the remainder of the year. He advised an additional meeting may be scheduled before the 1st March meeting to review the External Audit Report and agree the Financial Statements. He confirmed the Grant Certification item relates to the Housing Benefit subsidy grant.

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

RESOLVED

The Committee noted the Work Programme for 2021/22.

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

None.

The meeting finished at 5.40 pm

Chairman