

**Minutes of a meeting of Audit Committee  
held on Tuesday, 1st March, 2022  
from 5.00 pm - 7.00 pm**

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

M Cornish                      S Hicks  
I Gibson                         L Stockwell

**Absent:** Councillors A Boutrup

**1. TO RECEIVE APOLOGIES FOR ABSENCE.**

Apologies were received from Councillor Boutrup.

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

Councillor Gibson declared an interest in Item 7: Financial Statements 2020-21 in relation to the Collection Fund, as he is a Member of West Sussex County Council.

**3. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 16 NOVEMBER 2021.**

The Minutes of the meeting of the Committee held on 16 November 2021 were agreed as a correct record and signed by the Chairman.

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

None.

**5. INTERNAL AUDIT PROGRESS REPORT.**

Peter Stuart, Head of Corporate Resources introduced the report on behalf of Juan Fosco, Internal Audit Manager who was unable to attend the meeting. He highlighted that Covid has continued to present challenges with staff becoming unavailable at very short notice, which has delayed the audits until the beginning of 2022, but work is now progressing. He noted that Management had requested to defer the audit of the Covid-19 Grant Assurance until the 2022-23 Audit plan and the draft reports for the Council Tax audit have been issued with a medium priority recommendation. There was no formal handover of previously raised recommendations from the former Auditors at Crawley Borough Council nor a record listing these including timescales for implementation. However, Mazars have considered this as part of the 21-22 field work. They will continue to monitor recommendations raised as part of the

21-22 internal audits and create a centralised record capturing the recommendations, including agreed management actions and timescales for implementation. Mazars have discussed updates with the Head of Corporate Resources and the Committee will be kept informed, including details of any outstanding actions. Mazars have already established monthly meetings with the Head of Corporate Resources to discuss progress, issues arising from the internal audit and Council activities. A three-year plan was formally established by the previous internal auditor and approved by the Committee, Mazars proposed plan was detailed in the report.

Members expressed concern over the handover process from the previous internal auditor, the impact of Covid on staffing for the audit and access to the previous audit files.

The Head of Corporate Resources confirmed the previous audit files were up to date and they are accessible as they are held on the Council's server. There was no formal handover for the internal audit due to the sudden departure of the previous auditors.

In response to a Member's question the Head of Corporate Resources noted the contract had started slowly, however Mazars are extremely professional and are flagging up issues which may not have been detected previously.

The Chairman expressed concerns regarding the lack of succession planning and staff resilience. In the absence of Mazars, the Head of Corporate Resources would bring this to their attention and ask them to feedback on both and monitor the business continuity in reports regarding staff resilience.

## **RESOLVED**

The Committee received the report.

## **6. EXTERNAL AUDIT - AUDIT RESULTS REPORT 2020-21.**

Kevin Suter, EY introduced the report of the audit results up to 31st March 2021. He reminded the committee that an objection had been received to the Councils accounts and therefore all the information presented had to be caveated; the audit cannot be completed until the objection had been processed and a decision made. EY was able to provide an update on the work to date and drew Members' attention to the key findings of the audit of Investment Properties and a net amendment of £1.4million. EY updated the committee on the Assessment of Control Environment recommending better communication between the Property Valuers and the Council officers before accounts are produced.

The Chairman asked for clarification on what impact the outstanding objection would have on the decision to sign off the accounts for 2020-21 and the deadline for the completion of the External Audit. EY confirmed that due to the nature of the objection, it would affect the Audit process and therefore delay the completion of the Audit. They were unable to give an exact date for completion of the Audit.

A Member thanked EY for a comprehensive report. Members discussed the audit of the investment properties, if EY had confidence with the future information provided by the Council, the cost and consequences of the delay in completing the external audit and asked for clarification on the net pension liability.

EY advised they were confident in their communications with MSDC to work on the issues. A delay in completing the audit was not an ideal position to be in, but there would not be any direct consequences to the Council.

They advised the pension liability falls within the materiality amount, there would be a delay to future audits which would be monitored along with the LA backlog due to Covid. The cost of the objection would fall to the Council.

The Chairman asked if the valuation issues around investment properties was as a result of errors of judgement or accuracy. EY advised that it was due to both, these have now been resolved and the recommendations in place by EY will mitigate the issue occurring in the future.

A Member asked for clarification on the procedure for the Committee being updated on the progress of the objection. EY advised general updates would be provided to Committee Members and officers going forward.

## **RESOLVED**

The Committee received the report.

## **7. FINANCIAL STATEMENTS 2020-21.**

Peter Stuart, Head of Corporate Resources introduced the report noting that the audit had not been concluded by EY. He highlighted the recommendations to the Committee subject to any changes following the outcome of the objection.

Members discussed the revenue expenditure in relation to the Leisure Centre closures during the pandemic, asked if Places Leisure had a contingency plan and requested clarity on the debtors and general allowance for bad debt, and the Collection Fund.

In response to the Chairman's question whether the Leisure Centres were insured against the closures, the Head of Corporate Resources confirmed Places Leisure were not insured and due to the nature of the event it is difficult to predict and obtain insurance. The Chairman requested the Leisure Centres put this in writing and that a Risk Assessment be carried out on Leisure Centre Funds.

The Head of Corporate Resources advised he supply in writing a breakdown of the actual debts for Members and any surplus in the Collection Fund is carried forward to the next financial year to reduce the need to increase Council Tax.

The Chairman sought clarification on the Temporary Accommodation Reserve and the actual types of accommodation it was allocated to.

## **RESOLVED**

The Committee:

- a) Approved the Financial Statements for the year ending 31st March 2021, and
- b) Authorised the Chair and Vice Chair of the Committee to sign the accounts when the audit has concluded, subject to any changes being immaterial to the accounts.

## **8. CAPITAL STRATEGY 2022-23 TO 2025-26.**

The Head of Corporate Resources advised there were no changes to the Capital Strategy from 2021-22. He noted a correction to the background papers on p.163, the meetings were correct, however the dates were different.

Members discussed how the Capital Strategy would impact on the funding of Affordable Housing, Temporary Accommodation and assessing projects with regard to sustainability issues

The Head of Corporate Resources confirmed when developers are unable to provide affordable housing within their developments, they provide Section 106 monies so the housing can be provided at other locations, and he referenced the Sustainability Economic Strategy which will be brought to Council for adoption shortly.

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

### **RESOLVED**

The Committee agreed to forward the draft Strategy for approval by Council at the meeting on 2nd March 2022.

## **9. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022-23 TO 2024-25.**

Peter Stuart Head of Corporate Resources to introduce the report in the absence of Pamela Coppelman, Group Accountant for Adur & Worthing Council. He advised the Strategy was still current and drew Members' attention to the recommendation to increase the Council's counterparty investment limits.

A Member asked for clarification of the Debt Management Office. The Head of Corporate Resources confirmed this was Central Government.

### **RESOLVED**

The Committee recommended the following:

- (i) the proposed Treasury Management Strategy Statement (TMSS) for 2022/23 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 proposed amendments to the specified and non-specified investment appendices, and
- (iv) the Prudential Indicators contained within this report.

## **10. PROCUREMENT OF AN EXTERNAL AUDITOR.**

Peter Stuart, Head of Corporate Resources, introduced the report and noted that although some Local Authorities were conducting their own procurements, the recommendation is for Mid Sussex District Council is to join the nationwide PSAA. He advised that subject to the recommendation at this Committee the Item would be presented as an urgent Item at the Council meeting on Wednesday 2nd March 2022.

## **RESOLVED**

The Committee recommended the following to Council:

i) that MSDC joins in the nationwide PSAA procurement for an external auditor with the contract starting 1st April 2023 and running to 2028.

**11. TO CONSIDER WHETHER TO EXCLUDE THE PRESS AND PUBLIC FROM THE MEETING DURING CONSIDERATION OF THE FOLLOWING ITEMS IN ACCORDANCE WITH SECTION 100A OF THE LOCAL GOVERNMENT ACT 1972 ON THE GROUNDS THAT IT INVOLVES THE LIKELY DISCLOSURE OF EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 3 AND 7 OF PART 1 OF SCHEDULE 12A OF THE SAID ACT.**

The Chairman moved a motion that the Press and Public be excluded from the meeting during consideration of the exempt business on the agenda. This was agreed unanimously and Kevin Suter, EY was invited to stay.

The meeting moved into the exempt session at 6.24pm.

**12. CREDITORS SYSTEM UPDATE**

The Chairman brought the meeting back into open session at 6.58pm on completion of consideration of the exempt item and moved to the recommendations included at item 12, subject to any offline discussions, the Committee recommended the report and the actions taken, this was agreed unanimously.

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

None.

The meeting finished at 7.00 pm

Chairman