

**Minutes of a meeting of Audit Committee
held on Tuesday 20th September 2022
from 7.00 pm - 8.32 pm**

Present: M Pulfer (Chair)
L Stockwell (Vice-Chair)

M Cornish
J Dabell

I Gibson
S Hicks

Absent: Councillors A Boutrup

1. APPOINTMENT OF VICE-CHAIRMAN.

The Chairman nominated Cllr Stockwell to fill the vacant Vice-Chairman position for the remaining 2022/23 Council year. This nomination was seconded by Councillor Dabell and with no further nominations put forward, this was agreed.

2. TO RECEIVE APOLOGIES FOR ABSENCE.

Apologies were received Councillor Boutrup.

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

No declarations were received.

4. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 26 JULY 2022.

The Chairman asked Stephen Fitzgerald, the Interim Head of Finance and Corporate Resources to report on a few matters that were mentioned in the previous minutes of the meeting given he had not been in attendance.

The Interim S151 Officer updated Members on Item 5: Internal Annual Report in which covered issues relating to Revenues and Benefits. He was accompanied by Simon Hughes, Director of People & Commercial Services who was invited to cover the matter in further detail.

The Director of People & Commercial Services outlined two key priorities. The first priority is to work through the High Risk Strategy contained in the Business Rates Audit Report. Subject to Member approval, the Council will use data analytics of payment of Covid-19 grants to identify rate payers. When that work is finished it will be discussed with the cabinet member and an action plan developed. The second priority is to ensure that all covid and energy rebate grants are paid, reconciled and audit assurance work is completed.

A Member asked for a further explanation of wider issues of cyber security.

The Director of People & Commercial Services confirmed he had recently received a draft report from the Cyber 360 review. Additionally, the Council receives and implements guidance from the National Cyber Security Centre (NCSC). The Cyber 360 report, internal audit and NCSC report review risks including software and hardware suppliers, where information is hosted and where there may be a risk of cyber-attacks. Supplier business continuity arrangements are reviewed and the Council plans for how it may need to respond in the event of a cyber-attack. Once the Cyber 360 report is finalised a strategy and action plan will be developed which includes recommendations from these sources of cyber security intelligence in order to mitigate risks. When this report is finalised it will be brought to the Committee.

A Member thanked officers for sharing the Corporate Risk Register and asked to what extent its financial impacts are considered in cyber security.

The Director of People & Commercial Services replied that the Council does consider financial impact which can vary dramatically in terms of loss of data, loss of system or loss of access. He added that it informs decisions about what the Council purchases and business continuity arrangements. It was also stated that it is revisited as new types of cyber threats arise.

The Interim Head of Finance and Corporate Resources discussed matters under Review of Treasury Management Activity 2021/22 relating to phrases mentioned as being incorrect and the Service Level Agreement (SLA) with Adur & Worthing Councils. He stated that the SLA is concluding, and the Council must decide whether to continue with the arrangement or choose another arrangement. He proposed a report being brought to the November meeting of the Committee to discuss the options and the respective financial implications.

On other matters, he confirmed he had circulated Q & A brief that referred to over and under borrowing and whilst the terminology is generally used in the field which is relatively opaque however it reflects a position of capital financing requirements. He also referred to an apparent discrepancy in the report which wasn't a discrepancy but two different things being described in the similar way that may have given a view of this. The reconciliation, however, explains the differences and shows that the report is indeed correct.

The Chairman moved to discuss the objection to the 2020/21 Accounts

The Interim Head of Finance and Corporate Resources noted the objection made to the External Auditor who asked for further comments and information which has now been provided. He stated that the Auditor will reflect on the evidence and issue his final decision as to whether to accept the objection or reject it.

The Chairman enquired about the implications if the delay continues.

The Interim Head of Finance and Corporate Resources replied that the main implication is the frustration of not having closure. However, the external auditor had to be allowed to go through due process and ultimately the council had to wait and allow him to complete his deliberations

The Minutes of the meeting of the Committee were then held on 26 July 2022 were agreed as a correct record and signed by the Chairman.

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

The Chairman confirmed he has no urgent business.

6. AMENDMENT TO LOCAL AUTHORITY INVESTMENT CRITERIA.

Stephen Fitzgerald, Interim Head of Finance and Corporate Resources, introduced the report which sought to strengthen the investment criteria for placing investments with other Local Authorities.

Joseph Saville, from Adur and Worthing Treasury Management, confirmed that it is a diversification from holding cash in building societies and banks.

Joel Goacher, from Adur and Worthing Treasury Management, stated that it is not an investment in capital intervention and the Central Government has history for keeping Councils afloat therefore it is considered an extremely low-risk investment.

A Member questioned what due diligence the Council does and what will occur with the Adur & Worthing Council's Service Level Agreement (SLA).

The Interim Head of Finance and Corporate Resources outlined the advantage of an SLA rather than a contract as it provides a greater degree of flexibility. There is scope for the Committee to come back in November to decide the way forward. He added that there is always due diligence in the Investment Strategy and doing so is much easier than investments in a money market fund or security which makes Local Authorities naturally the lowest risk of all counter parties. The External Auditor also stated that they are extremely risk-averse and conduct research before making an investment.

The Chairman believed it would be interesting to discuss the relation between Adur & Worthing Councils and Link at the next meeting. He also asked for where the Council will be in pecking order for payment of investment however, he did note that if it can never fail then why should the Council worry. The Chairman then took Members to the recommendation which was agreed unanimously.

RESOLVED

The Committee noted the contents of the report.

7. INTERNAL AUDIT STRATEGY AND PROPOSED OPERATIONAL PLAN 2022/2023.

Juan Fosco, Internal Auditor at Mazars LLP, introduced the report sets out the Internal Audit Strategy and proposed Operational Plan (Plan) for 2022/23 which details how the Council will meet its statutory requirements for Internal Audit.

A Member referred to the cyclical process of organising the audit process and enquired about the internal effort and costs associated to support the process.

The Internal Auditor replied that the audit process focuses on one area over a two-week timeframe which is then reported on.

Stephen Fitzgerald, Interim Head of Finance and Corporate Resources, explained that he could assist however not at the meeting and offered to provide a ratio analysis on it at a later time. He said time was taken up to inform the internal audit process however the process drives efficiency within the Council.

A Member noted the changes to the Strategic Risk Assessment and asked how it features in the Internal Audit Plan. He also felt it prudent to mention the Council's plans for leisure centres given the big increases in energy costs that are to occur.

The Internal Auditor stated that Mazars are reviewing the leisure centre continuity plans and providing an opinion about best practice. He added that the risks are considered in the plans and they are dynamic in nature and have built in contingency days where they react appropriately to any changes that arise.

The Interim Head of Finance and Corporate Resources highlighted that there will be a report discussed at a forthcoming Cabinet meeting in which the risk of spending pressures will be presented.

The Member referred to the full income of the leisure centres and asked whether the Council is taking money off on the other side.

The Interim Head of Finance and Corporate Resources responded that the Council has thought about the issue carefully and will await what situation will occur as it may be the position of the previous winter where income was affected. He, however, noted mitigations that would be brought forward and resources drawn upon to deal with any outcomes.

The Chairman expressed hope that the government will provide support for the heating of swimming pools.

The Vice-Chairman referred to most reports being carried out online and assumed it was because officers are working at home. She asked whether working from home causes a delay in officers providing information.

The Internal Auditor confirmed that in the last two years the way audits have been conducted has changed. Audits can now take place through Microsoft Teams and screen sharing arrangements as well as enabling a secure portal where information can be shared to make the process less time consuming.

A Member referred to Item 11 and 12 on the IT Audits and asked what the scope of the audit is dependent on as well as when it is implemented.

The Internal Auditor explained that the two audits are included in response to the Audit Needs Assessment. Currently the draft report is with the Digital to assess and scope the delivery of timescales. He also assured he Chairman that the audits will be delivered sometime in Q3 and Q4 of the year and at the very least by March 2023.

The Chairman sought assurances that the list of matters the Internal Audit will review will not be constrained by fees or resources.

The Internal Auditor assured the Committee that it will not be constrained and provided examples of where some audits were removed in order to focus on audits that gave the most value.

The Chairman referred to the small print on P.15 and found it interesting how Mazars see the interaction of the auditor and the committee. He suggested that perhaps he could include bullet points of the auditor's expectation of the Council.

The Vice-Chairman noted the removal of some audits and the addition of others and enquired whether Mazars revisits them if at all.

The Internal Auditor outlined the process in which a master spreadsheet is used to record all audits that have occurred and will occur and consider each respectively every 2, 3 or 5 years especially in light of legislation changes.

The Chairman referred to the first line of Part 5.2, P.11 and enquired whether consideration is in fact a fee.

The Internal Auditor confirmed that it refers to when Mazars raises a recommendation with Management that has a financial implication.

The Chairman then noted that no Member wished to speak so moved to vote on the recommendations which was agreed unanimously.

RESOLVED

The Committee noted the contents of the report.

8. COMMITTEE WORK PROGRAMME 2022/23.

Tom Clark, Solicitor to the Council, introduced the report which presented the Committee with the programme of items for the forthcoming meetings. He confirmed that there is currently no business for the meeting of the Committee in December therefore proposed arranging a treasury management training session for that date.

Stephen Fitzgerald, Interim Head of Finance and Corporate Resources, added he would consult with the Chairman as to whether to hold the session however Members have expressed a desire to hold the training session. He confirmed that the provider will likely be Liger Capital Advisors who will provide a significant part of the training.

A Member expressed that he was quite happy to attend the training session. He raised the issue of May 2023 elections and whether the training will need to be held after the election if the membership of the Committee changes.

The Chairman asked whether there is a cost implication for holding two training sessions.

The Interim Head of Finance and Corporate Resources confirmed that there is a cost implication involved as senior people from treasury management advisors will attend the session. He also added that as there was a gap and Members expressed an interest it seemed like a virtuous session to run as well as adding that the session can be run again after the election using the materials provided.

The Vice-Chairman suggested it provided an opportunity for Councillors who do not sit on the Committee to attend and be trained. The Chairman agreed.

A Member stated that he was firmly in favour of training even if it is for one meeting and others agreed.

RESOLVED

The Committee noted the Work Programme for 2022/23.

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

The Chairman confirmed he has no questions.

The meeting finished at 8.32 pm

Chairman