

**Minutes of a meeting of Audit Committee
held on Tuesday, 2nd March, 2021
from 5.00 pm - 6.26 pm**

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

M Cornish

S Hicks

L Stockwell

Absent: Councillor A Boutrup

1. ROLL CALL AND VIRTUAL MEETING EXPLANATION.

The Chairman introduced the meeting and took a roll call of Members in attendance. The Legal Officer explained the virtual meeting procedure.

2. TO RECEIVE APOLOGIES FOR ABSENCE.

Apologies were received from Councillor Boutrup.

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 17 NOVEMBER 2020.

The Minutes of the meeting of the Committee held on 17 November 2020 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. INTERNAL AUDIT - MONITORING REPORT 15TH FEBRUARY 2021.

Gillian Edwards, Audit and Risk Manager introduced the report. She highlighted the good results considering the unprecedented workload in last few months. The remaining audits will be complete or substantially complete by the end of the financial year. There were no high priority findings. The data matching exercise for grants had not been carried out before but would be received at the next committee meeting. It will provide extra assurance that the covid grants have been given in accordance with the Government guidelines. Tom Clark, Head of Regulatory Services confirmed the Contracts Register had been updated and the four outstanding items were due to added on 1 April 2021.

Members discussed the monitoring report and expressed concern that updating of the Contracts Register was regularly raised, asked if any new procedures were now in place, asked for clarification on terminology used, Members welcomed the substantial findings on the Housing Benefits and NNDR audits.

The Head of Regulatory Services confirmed the Contracts Register requires updating every quarter but would now be updated monthly. There is now a new system in place to take information from the Contract Notices. The missing smaller entries require cooperation from several departments.

The Audit and Risk Manager noted that the new monthly update procedure will make the process smoother. She confirmed that publication of payments over £500 is separate to the Contracts Register. The 'Substantial' rating of an audit opinion is the highest rating, it indicates a good system of internal control and controls are being complied with. A satisfactory rating indicates internal controls are in place and are not fully complied with. The ratings are based on judgement and negotiation.

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

RESOLVED

The Committee received and noted the report.

7. THREE YEAR INTERNAL AUDIT PLAN.

Gillian Edwards, Audit and Risk Manager introduced the report. She noted that it is subject to change, after discussions with the Section 151 Officer particularly in the later stages of the plan. The plan covers the main systems with contingency time for other areas and follow up work where necessary. There was more grant assurance work as more grants had been paid out, data matching is completed every year, but that had increased this year.

Members discussed the computer audit and staff authority to access systems, cyber security, increase in contingency allowance, debts relating to the dissolved Census partnership,

The Audit and Risk Manager confirmed that access to systems is reviewed at each audit to ensure that only current employees have appropriate access and leavers are promptly removed from the system. She acknowledged the increase in cyber-attacks and expects to discuss this with the Section 151 Officer next year. This may be audited annually in future and links to the increase in contingency for the following years. She confirmed all debts are reviewed in the sundry debtors' audit, all debts are checked that they have been properly incurred before they pursued. If the debt is not recoverable then they must consider writing them off. Ernst and Young reviewed the provision for bad debts.

The Chairman confirmed that cyber risk is insured, and insurance company provide regular updates. Members raised the Horsham District Council debt being written off.

Peter Stuart, Head of Corporate Resources confirmed the correct procedure was followed and a bill was issued for incurred expenses. There was a disagreement when the Census partnership ended, Horsham District Council (HDC) had some issues and left. He noted that Adur-Worthing Council had paid, HDC could not

resolve their issues and did not pay. A judgement had been made, and the debt was written off.

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

RESOLVED

The Committee received and noted the report.

8. ANNUAL AUDIT LETTER.

Kevin Suter, External Auditor Ernst and Young introduced the report and he confirmed that the annual letter summarised the audit. He highlighted that the audit was unqualified and the pandemic had changed how they undertook the audit. He noted that page 25 should state "we have concluded that you *have* put in place proper arrangements to secure value for money in your use of resources". He advised that a review of the fees was underway to ensure they reflect the risks of the audit and put them on a sustainable footing. Public Sector Audit Appointments Ltd had commenced a review in February 2020, no agreement has been reached. He advised another audit of the financial management system would not be necessary unless the system was changed in the future. The audit of the housing benefit subsidy to the DWP would soon be completed.

Chairman noted that the audit was unqualified and he thanked the Head of Corporate Resources and the finance staff for their help. Members discussed the audit fees and asked for clarification on the listing of non-audit fees.

The External Auditor advised there was a low return on the fees, the quality is not compromised in relation to the work undertaken and they must ensure public confidence in the council. The non-audit fees are for work that are not a statutory requirement and must be shown separately. This is work the Council had asked the external auditors to complete- but it was limited to DWP grant work only.

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

RESOLVED

The Committee received and noted the report.

9. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2021/22 TO 2023/24.

The Chairman drew attention to the role of the Audit Committee in scrutinising reports.

Peter Stuart, Head of Corporate Resources introduced the report. He highlighted the proposed change to the Investment Policy as the Council is receiving additional funds at short notice from central government. The changes are required to prevent a breach of the existing counter party limits, he noted the lag between receipt of funding and payment out to businesses.

Members discussed the capital financing requirement, debt rescheduling and the ratio of financing costs to revenues streams. They debated the use of ethical

investments, the addition of AL Rayan Bank Plc, investment in Town and Parish Councils and interest rates.

Pamela Coppelman, Treasury Advisor for Adur-Worthing Council and Mid Sussex District Council confirmed that a report would be represented to the committee if a rescheduling of debt was proposed. She noted that the Council would still be liable for interest on any loan.

The financial markets are constantly reviewed for potential investments taking into consideration security, liquidity and yield. The list of specified banks is a list for the committee to approve and due diligence is always done before placing funds. AL Rayan Bank Plc stood out for ethical reasons and was included as the committee had asked for this type of investment. Currently there was no commitment to invest in Al Rayan Bank Plc.

She noted that the format of the report is prescribed by the government. The Council's ratio of financing costs to net revenue streams is very low (around 1%) which is good. Interest rates will remain low for a couple of years but it is hoped by 2023/24 they will improve. The Council will have paid off more of the outstanding debts and the ratio will improve.

The Chairman expressed concern of the possible addition of Al Rayan Bank Plc which is regulated by the Financial Conduct Authority, a sharia bank owned by Qatar Bank. He advised that the usual checks and balances are completed prior to selection of any counter party institution.

The Head of Corporate Resources confirmed the criteria had not changed and the only addition was the proposal to add AL Rayan Bank Plc. He advised the committee that Local Authorities are sovereign bodies and do not go bankrupt. The Council has not lent and is unlikely to lend to Parish Councils.

In response to the Chairman's concern the Treasury Officer advised that Appendix G is a list of countries with a sovereign credit rating of AA- and above. The list is supplied by the treasury advisors for information, there are currently no investments in foreign banks. Interest rates have not been quoted as they change on a daily basis, rates are checked and authorisation is obtained from the Head of Corporate Resources before placing funds. Any investment in AL Rayan Bank Plc would be for a fixed term at a fixed rate. She confirmed the treasury advisors check the counter party statements before investing.

The Chairman noted the robust discussion and as there were no further questions the Chairman took Members to the recommendations in the report which were agreed unanimously.

RESOLVED

The Committee received and noted the report.

10. CAPITAL STRATEGY 2021/22.

Members discussed how the Capital Strategy would impact the investment in Temporary Accommodation.

The Head of Corporate Resources advised that Temporary Accommodation would be financed from capital receipts when capital receipts come forward. The receipt of these are unpredictable.

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

RESOLVED

The Committee is agreed to forward the draft Strategy to Council for approval at the next appropriate meeting.

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

None.

The meeting finished at 6.26 pm

Chairman