

**Minutes of a meeting of Audit Committee
held on Tuesday, 27th July, 2021
from 5.00 pm - 6.07 pm**

Present: M Pulfer (Chair)

A Boutrup
M Cornish

S Hicks
R Jackson

L Stockwell

Absent: Councillor R Cromie

1. ROLL CALL AND VIRTUAL MEETING EXPLANATION.

The Chairman introduced the meeting and welcomed Cllr Jackson to the Audit Committee. Tom Clark, Head of Regulatory Services took a roll call of Members in attendance and 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.

Apologies were received from Councillor Cromie.

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

None.

4. TO CONFIRM THE MINUTES OF THE MEETINGS HELD ON 2 MARCH 2021 AND 28 APRIL 2021.

The Minutes of the meeting of the Committee held on 2 March and 28 April 2021 were agreed as a correct record and electronically signed by the Chairman after a minor amendment. In the minutes of 2 March, page 6 the references to local authorities and lending to parish councils were removed as it was not relevant to that section.

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

None.

6. ANNUAL GOVERNANCE STATEMENT 2020/21.

Peter Stuart, Head of Corporate Resources introduced the report. He noted this was the first time the committee had been asked to look at the Annual Governance Statement as a separate document. If appropriate, the Constitutional Review Group may decide to change this committee to an audit and governance committee, the committee would then oversee risk management and governance of the council in addition to the usual reports. He highlighted the action plan for improvements on

governance of the authority and the public consultation on the Council's decision to close Clair Hall.

Members welcomed the Annual Governance Statement (AGS) and asked for clarification on the framework to discuss the AGS, noted it was prudent to look at strategic risk with regard to the pandemic, highlighted the request of the Chair of the Scrutiny Community for Communities, Customer Services and Service Delivery to receive a breakdown of the compliments and complaints received by the council, and asked who the lead officer would be for governance reports.

The Head of Corporate Resources advised the AGS is usually reviewed as part of the annual statements and the committee might review risk management in the future. The AGS is a document that should provide evidence that Council is well run. He noted that the Audit Committee is not a decision maker, but they can ask scrutiny committees to investigate matters in more details. He will provide a link to the CiFPA terms of reference for the committee members and noted there may be more work for the committee in the current year including strategic risk. Cabinet receive two reports each year, detailing the risks and how these risks have been managed. He anticipated the committee would also review reports twice a year with himself and the Business Unit Leader for Community Services, Policy and Performance taking the lead officer roles.

The Head of Regulatory Services confirmed that the Constitutional Working Group was likely to meet in Autumn after the initial phase of the governance work had been completed. The report provides a framework for the committee's activities in addition to the risk work, the final report of the working group has to be approved by full council.

The Chairman advised the recommendation should be amended to read "The Committee is asked to consider and receive the AGS for inclusion in the Statement of Accounts 2020/21.

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

RESOLVED

The Committee received and noted the report.

7. INTERNAL AUDIT ANNUAL REPORT 2020/2021.

Peter Stuart, Head of Corporate Resources introduced the report. He highlighted that Gillian Edwards of Crawley Borough Council would normally present the report as part of an agreed shared service, but this arrangement has ended. He confirmed that she is content that all is in order and is happy with the governance arrangements. It was confirmed that the one high priority finding had been satisfactorily resolved.

A Member welcomed the report and queried why the change on the internal auditor.

The Head of Corporate Services advised that Chris Bower, Internal Auditor from Crawley Borough Council used to work fulltime on Mid Sussex audits, and he has since retired. Crawley decided to withdraw from the shared service contract and before using the shared service the Council used companies from the private sector.

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

RESOLVED

The Committee received and noted the report.

8. REVIEW OF TREASURY MANAGEMENT ACTIVITY 2020/21.

Peter Stuart, Head of Corporate Resources introduced the report. He advised that all transactions were within the policies set by the Committee. Except for a brief period early in 2021 when the council received large sums from the Government, £26M at short notice, and were unable to place with other counter parties and keep within our prescribed limits.

Members discussed the use of money markets and domestic main-stream financial institutions, the types of interest rates available, the Council's strategy when placing funds owing to the current state of the money markets and what protection was available for the council's deposits.

The Head of Corporate Resources confirmed the treasury management advice was to diversify the cash with many financial institutions to spread the risk rather than using one institution. The money markets offered daily rates of interest rather than fixed rates for the term of the deposit. With the current state of the money markets the Council would have to take a higher risk on the funds placed to get a higher rate of interest, he assumed the council and committee would not accept more risk on cash deposits using lower rated institutions. He confirmed there is no statutory protection for funds placed on deposit but the council use AAA rated institutions and the like and the knowledge of professional advisors before placing funds. It is currently difficult to get a good rate when current investments mature as many organisations are trying to deposit cash funds and it is hard to find counterparties who need the funds.

RESOLVED

The Committee received and noted the report.

9. EXTERNAL AUDIT PLAN.

Kevin Suter, External Auditor EY introduced the report. He noted the report for the year ending 31 March 2021 was presented later than usual as deadlines were extended due to pandemic. The new planning cycle started later than normal, the new external audit plan incorporates a number of new areas, financial statements and value for money responsibilities and the year-end work will commence shortly.

Jack Dunkley, External Auditor EY highlighted the key risks which they must consider for the international standards on auditing ISO240. He highlighted the new risks that had been identified this year, risk of fraud in sales, fees and charges income grants due to the Government reimbursement scheme for loss of income where there is the potential for error, and accounting for Covid business grants. He also noted the valuations for investment properties and pension liability which are very subjective, and the revised ISO570 relating to going concerns. The value for money requirement which now has three separate criteria for which to provide commentary. He confirmed no significant risks had been identified.

Members welcomed the comprehensive report and queried if there were more risks by the completing the audit remotely, whether new areas identified would continue to be an area of interest and the frequency for auditing investment properties.

Kevin Suter confirmed there was no greater risk in performing the audit remotely as their procedures had been adapted, the use of screen sharing rather than hard copy documents, if required site visits would be made. For the new risks identified, i.e. Covid grants will continue to be an area of work if the grants continue to be received and will depend on the national picture. Investment properties have to be valued annually and with the new auditing standards the Council can expect this to be an ongoing area of interest. He advised that he and Jack Dunkley do not audit the pension fund and only confirm the figures are correct. The audit is done by another colleague in EY for West Sussex County Council.

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

RESOLVED

The Committee received and noted the report.

10. NEW INTERNAL AUDITOR PROVIDER: DRAFT CHARTER.

Peter Stuart, Head of Corporate Resources introduced the report. The contract had been made using a framework and Mazars came highly recommended. He introduced Graham Clarke, Managing Director and Juan Fosco, Assistant Manager. It would be a system-based audit which starts in the later part of the year and is driven by data.

The Managing Director advised he leads on internal audit services in local government and other organisations. The contract was procured through the London Borough of Croydon framework, Apex framework. They can provide a full service and have specialist teams for auditing IT and grants.

The Head of Corporate Resources advised Mazars will bring reports forward in normal way and there may be a difference in the style of reporting. The extent of reporting will be the same as that done by Crawley Borough Council.

Members welcomed Mazars. They queried whether the format of the internal audit would remain the same and noted that a change of internal auditor may provide opportunities for innovation.

The Managing Director advised there may be differences in relation to income changes, the terms of reference may differ and they may suggest changes if there are areas they believe need enhancing or need bringing to the committee's attention. The method of reporting to the committee will be the same. He noted the plan had been approved earlier in the year, they have highlighted some areas that require adjustment. He confirmed the committee will get an assurance that Mazars are looking at the key risks and will make recommendations where appropriate. They also produce an annual report of the key risks across the sector which is shared with all their clients, hold bi-annual Webinars which the committee members can watch. They will share best practice with the council.

The Chairman welcomed Mazars and noted that they are a substantial and long-standing company.

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

RESOLVED

The Committee recommended the Draft Charter.

11. COMMITTEE WORK PROGRAMME 2021/22.

Tom Clark, Head of Regulatory Services, introduced the Committee's Work Programme which noted the business for the remainder of the year. He advised that there may be further items subject to council approving any additional work for the committee.

The Chairman noted that no Member wished to speak so moved to the recommendation to note the Work Programme which was approved unanimously.

RESOLVED

The Committee noted the Work Programme for 2021/22.

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

None.

The meeting finished at 6.07 pm

Chairman