

**Minutes of a meeting of Audit Committee  
held on Tuesday, 12th November, 2019  
from 7.00 pm - 7.29 pm**

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

P Budgen  
M Cornish

S Hicks  
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.**

None.

**3. TO CONFIRM THE MINUTES OF THE PREVIOUS MEETING HELD ON 10 SEPTEMBER 2019.**

Peter Stuart, Head of Corporate Resources advised the Chairman that he now had a copy of the letter from Ernst & Young which contained the questions Committee Members had requested at the previous meeting. The Minutes of the meeting of the Committee held on 10 September 2019 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. REVIEW OF TREASURY MANAGEMENT STRATEGY ACTIVITY 1 APRIL - 30 SEPTEMBER 2019.**

Peter Stuart, Head of Corporate Resources introduced the report to update the Committee on Treasury Management Activity for the half year to 30 September 2019. He noted that all transactions were in order and the performance of the service has met the requirement of the Service Level Agreement with our shared service provider. He highlighted that for one day the account balance had been higher than usual as funds had arrived too late to place money in the market.

The Chairman suggested a review of the credit worthiness of building societies. The Head of Corporate Resources reminded the Audit Committee that they have been content to lend funds to building societies with assets of at least £1billion. He advised that this practise is not the same with all local authorities. If societies are not

credit rated some authorities will not lend to them and this reduces their ability to lend on the market. In response to a Member question the officer advised that the Council is careful in the selection of societies, and they will have minimum capital and mortgages assets of at least £1 billion. He suggested that the Committee could have more knowledge of the structure of building societies so they could see that the use of them was a prudent way forward for the Council's finances. He advised the Chairman that in conjunction with the shared service centre at Adur-Worthing, an appraisal of building societies will be undertaken to reassure the Committee. He noted that it will not be a lengthy piece of work. The Chairman thanked the Head of Resources and asked for the loan to capital ratios to be included.

A Member queried the profiling of capital risks and asked whether the Committee should be looking forward for a period longer than 6 months for financial protection.

The officer advised that this information will be provided in the report which is scheduled for the meeting in March 2020, and the report will look forward including the following year. He reminded the Members that the report presently before Members looks back and confirms that all activities have been completed as planned.

Several Members asked for more information on the investment of £20 million and asked about the effects and implications on next year's budget. The Chairman also asked whether receipts are built into next year's budget.

The officer reminded the Committee that it is difficult to accurately predict when receipts will be received. He confirmed that the Council do not spend money before the funds are actually received. Tom Clark, Head of Regulatory Services confirmed that a development site had been advertised for sale. The Head of Corporate Resources advised that the £20 million received will be from the sale of Hurst Farm, Haywards Heath. The Committee were advised that the sale of the land was on a deferred income basis and income will be received over the next two years. He noted that the Council had anticipated the funds to be received in one lump sum but developers prefer to pay over a longer time frame.

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

## **RESOLVED**

### **The Committee agreed to recommend to Council:**

- (i) that no new borrowing has been necessary in the 6 months to 30<sup>th</sup> September 2019 and the outstanding borrowing has reduced from £16.112m at 31 March 2019 to £10.185m.
- (ii) the increase in investments from £25.21m at 31 March 2019 to £31.88m at 30 September 2019 (both figures exclude the £6m investment in the CCLA Local Authorities' Property Fund).

## **6. INTERNAL AUDIT - MONITORING REPORT 31 OCTOBER 2019.**

Gillian Edwards, Audit and Risk Manager introduced the report to update the Committee on the progress of the 2019/20 Internal Audit Plan and to advice on progress made in implementing previously agreed recommendations. She noted that audits had been completed for Procurement Short Review, HR and Commercial

Properties. There were two high priority findings for this period. One relating to the HR audit and the very prescriptive process of pre-employment checks, where the document copies had not been signed and dated in the correct format. This has been discussed with the Business Unit Leader and the guidance will be followed; a follow up report will be received by the Committee in March 2020.

The Senior Auditor noted that the Procurement short review had highlighted that whilst all relevant contracts had been placed on the Contract Register, the e-form on the intranet had not been routinely completed for all purchase orders over £5,000. The Business Unit Leaders would remind staff of the need to comply with the Transparency Code 2015. She noted that a follow up report will be received by the Committee in March 2020.

The Committee were advised that during the audit for Commercial properties it was noted that the procedure notes were out of date and copies of tenant's insurance documents had not been received for some properties. She confirmed that all tenanted properties were insured.

The Senior Auditor noted that the updating of procedure notes for Housing Benefits to reflect the new structure and processes was still ongoing and should be completed by 31 March 2020. She advised that she had received assurances from the Business Unit Leader for Revenues and Benefits that the appropriate Academy access rights for all Housing Benefit staff have been reviewed. This will be confirmed in the forthcoming Housing Benefit audit in December 2019. She highlighted the audits that are currently planned or are in progress, and the team are on target to be substantially completed by 31 March 2020.

Following a Member's question the Senior Auditor confirmed that HR has to keep annotated copies of paper documents as part of the pre-employment checks. The Member suggested that these could be scanned and uploaded to the HR system.

In response to a Member's regarding the Contracts Register, the Head of Corporate Resources advised that enquiries would be made to investigate whether the register could be updated automatically when purchase orders are raised in excess of £5,000. He agreed to check if this is possible.

A Member asked how frequently Business Unit Leaders review their procedures as some issues seemed to appear fairly frequently in audits.

The Senior Auditor advised that the issue arose when the CenSus partnership was disaggregated and new procedures were necessary. She noted that Business Unit Leaders are reminded quarterly of their commitment to implement any recommendations from audits and they are currently working on them. She advised they had many issues to deal with redesignating roles and responsibilities and training new staff.

The Chairman asked for historical information on the CenSus Partnership.

The Head of Corporate Resources confirmed it had been a partnership to provide a joint revenue and benefit service between Adur, Horsham and Mid Sussex Districts Councils.

The partnership had been disaggregated after Adur District Council left in April 2018 and Horsham left in September 2018. He noted that Mid Sussex is now a stand-alone local authority providing a revenue and benefits service. The Council had to train many new recruits after staff left the joint partnership, and new local procedures

had to be written. He reminded the Chairman that Business Unit Leaders can be invited to attend Committee meetings.

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

#### **RESOLVED**

The Committee received and noted the report.

#### **7. COMMITTEE WORK PROGRAMME.**

Tom Clark, Head of Regulatory Services introduced the work programme and Members were asked to note the programme as set out at paragraph 5 of the report. He highlighted the Internal Audit Monitoring Report for the meeting in March 2020 and confirmed the Audit Planning Report will cover both internal and external audits.

A Member asked for a review on the range of risks at the next meeting.

The Head of Corporate Resources reminded the Committee that strategic risks are dealt with by the Cabinet and are scrutinised by the appropriate committee. He noted that the Audit Committee does not have a remit across the whole Council and the Treasury Management Strategy before the Committee in March will detail financial risks to the Council. He noted the addition in the Work Programme of the Building Society Appraisal Report.

#### **RESOLVED**

That the Committee Work Programme for 2019/20 be noted accordingly.

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

None.

The meeting finished at 7.29 pm

Chairman