

**Audit Committee**  
**12 DECEMBER 2018**

Present: Councillors: Stuart Ritchie (Chairman), Paul Marshall (Vice-Chairman), John Chidlow, Paul Clarke, Tim Lloyd and Godfrey Newman

Apologies: Councillors: Brian Donnelly

AAG/25 **MINUTES**

The minutes of the meeting held on 12<sup>th</sup> December 2018 were approved as a correct record and signed by the Chairman.

AAG/26 **DECLARATIONS OF MEMBERS' INTERESTS**

Councillor Paul Marshall declared an interest in item 9, Risk Management – Quarterly Update as he was a Cabinet Member of West Sussex County Council.

AAG/27 **ANNOUNCEMENTS**

The Chairman introduced the new External Auditor as well as the LGSS Revenues & Benefits Operations Manager.

AAG/28 **AUDIT PLAN 2018/19**

The External Auditor outlined the Audit Plan for 2018/19.

The External Auditor informed Members that there would be a greater focus on the risk of fraud in revenue recognition. The External Auditor's judgement was the significant risk at HDC would relate to the improper capitalisation of revenue expenditure.

It was reported that two new accounting standards had been delayed until April 2020 in all local government bodies, IFRS 9 & IFRS 15.

RESOLVED

That the Audit Plan 2018/19 be noted.

AAG/29 **ANNUAL GOVERNANCE STATEMENT - 6 MONTH REVIEW**

The Director of Corporate Resources presented the Annual Governance Statement 6 Month Review.

It was reported that the move of all Horsham and Mid Sussex based revenues and benefits systems to Milton Keynes Council had been delayed until January 2019 due to an external technology provider being unable to meet the original date.

The reliability of the Power Supply at Hop Oast Depot item had been removed from the Action Plan as it would not be cost-effective to buy a generator for the building.

RESOLVED

That the Annual Governance Statement – 6 Month Review be noted.

AAG/30 **TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MID-YEAR REPORT 2018/19**

The Group Accountant (Technical) presented the Mid-Year Treasury and Prudential Indicators report and provided a summary of the previous 6 months.

On 30 September 2018, the Council's external debt was £4m and its investments totalled £44.6m.

During the first half of 2018/19, the Council's cash balances were invested in accordance with the Council's treasury management strategy although in one instance the exposure in the Council's own bank exceeded the level that strategy would allow as an investment in that bank.

Interest of £0.4m was earned on investments at an average return of 1.0%.

RESOLVED

That the report be noted.

AAG/31 **CAPITAL STRATEGY 2019/20 INCORPORATING INVESTMENT AND TREASURY MANAGEMENT STRATEGY**

The Group Accountant (Technical) presented the Capital Strategy 2019/20 incorporating the Investment and Treasury Management Strategy.

The report provided an overview of how capital expenditure, capital financing, treasury and other investment activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability.

The strategies were set against the mid-term financial strategy, the context of the UK economy and projected interest rates. This report set treasury investment criteria and limits which are largely unchanged.

The Investment Strategy incorporated information on commercial property to explicitly show the Councils risk management approach in that area.

It was noted that the valuations of investment properties tabled against their initial cost to measure gains or losses includes legacy properties that HDC don't necessarily have accurate purchase records for. This would make it seem as though there is a loss where no such loss exists.

RESOLVED

That the Capital Strategy be approved as an appropriate overarching strategy for the Council while leaving the full Council to approve the updated Capital Strategy that will accompany the 2019/20 budget to Council in early 2019.

RECOMMENDED TO COUNCIL

- i) That Council approve the Treasury Management Strategy for 2019/20 and the associated limits and specific indicators included in section 4 and appendix B of this report.
- ii) That Council approve the Investment Strategy for 2019/20 and the associated limits and specific indicators included in section 5 and appendix C of this report.

AAG/32 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources highlighted key areas from the Risk Management – Quarterly Update.

CRR30 – WSCC have proposed some cuts to their budgets on the September 2018 forward Plan. This may cause an increase in costs of homelessness, Housing Services, Recycling and Transport.

CRR31 – May 2019 Local Elections. The success of the election process is dependent upon adequate staffing, effective equipment and proper processes. This may pose a risk due to the potential unavailability of key officers and inadequate processes leading to failure.

CRR18 - Council services are increasingly reliant on IT systems at a time when there are greater opportunities for malicious attackers to exploit security weaknesses.

RESOLVED

That the Risk Management – Quarterly Update be noted.

AAG/33 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor provided Members with the Quarterly update on Internal Audit.

The Contract Management audit resulted in an audit opinion of Partial Assurance. Contract Management guidelines appear towards the end of the Procurement Toolkit and do not include appropriate signposting. The Council's Management Training e-learning suite does not include a module dealing with Procurement. At the commencement of the audit, it was found that the Contracts Register on the Council's website was out of date, an updated version of the register has since been uploaded. The Council's Procurement officers maintain a detailed version of the published Contracts Register but information in key fields are not always recorded. Appropriate action to address the findings of this audit had been agreed with management within a formal action plan.

The Community Infrastructure Levy (CIL) audit resulted in an audit opinion of Reasonable Assurance. Since CIL was introduced, the volume of developments dealt with is relatively low, although it is expected to increase steadily over time. Current arrangements should deal well with this level of transactions but improvements to deal with the allocation and spending of funds, and associated reporting processes, were in need of some further development.

Parking Enforcement audit resulted in an audit opinion of Reasonable Assurance. The Si-Dem Parking Management system (used by the Parking Operations team) ensured that parking enforcement was carried out in a controlled manner. A few actions for improvement were identified relating to access controls will be addressed. This would help ensure that user permissions will be correctly configured to reflect the role that each user performs within the Parking Operations team and will help ensure appropriate separation of duties.

The ICT Incident Management audit resulted in an audit opinion of Substantial Assurance. The Head of Technology Services had produced a documented incident management process.

A fraud risk assessment had been completed together with a fraud assessment plan. It was reported there was only one outstanding item in action tracking out of 31 within the previous 12 months.

RESOLVED

That the report be noted.

AAG/34 **URGENT BUSINESS**

There was no Urgent Business.

**EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That, under Section 100A(2) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/35 **RISK BASED VERIFICATION POLICY**

The LGSS Revenues & Benefits Operations Manager presented Members with the Risk Based Verification Policy. The report provided a background to the current approach for verifying Housing Benefit and Council Tax Reduction claims.

RESOLVED

That the Risk Based Verification Policy be approved.

*The meeting closed at 7.15 pm having commenced at 5.30 pm*

CHAIRMAN