

AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 13 September 2019.

**PRESENT**

Councillor Colin Swansborough (Chair) Councillors Gerard Fox (Vice Chair), Matthew Beaver, Martin Clarke and Philip Daniel and Stephen Shing

ALSO PRESENT

Kevin Foster, Chief Operating Officer  
Ian Gutsell, Chief Finance Officer  
Russell Banks, Chief Internal Auditor  
Nigel Chilcott, Audit Manager

Darren Wells, Grant Thornton

12 MINUTES OF THE PREVIOUS MEETING

12.1 The Committee RESOLVED to agree the minutes as a correct record.

12.2 The Committee RESOLVED to thank Martin Jenks, Senior Democratic Services Advisor, for his assistance to the Committee.

## 13 APOLOGIES FOR ABSENCE

13.1 Apologies for absence were received from Councillor Daniel Shing. It was noted that Councillor Stephen Shing was present as a substitute for him.

## 14 DISCLOSURES OF INTERESTS

14.1 There were none.

15 URGENT ITEMS

15.1 There were none.

16      REPORTS

16.1 Reports referred to in the minutes below are contained in the minute book.

## 17 EXTERNAL AUDITOR'S REPORT 2018/19: STATEMENT OF ACCOUNTS UPDATE

17.1 The Committee considered a report by the Chief Finance Officer (CFO) which provided an update on changes to the 2018/19 Statement of Accounts after approval by the Governance Committee on 16 July 2019. Darren Wells of external auditors Grant Thornton was also present to assist the Committee.

17.2 The Chief Finance Officer and Darren Wells set out that the issue was not exclusive to East Sussex. The CFO informed the Committee that an IAS19 actuarial statement from the Council's actuaries Hymans Robertson was obtained in March 2019 to enable the Statement of Accounts to be prepared. Mr Wells confirmed that a revised statement was requested in July, which highlighted a material difference, of around £48m, in the projected pension liabilities. Grant Thornton considered that the revised figure should be reflected in the Statement of Accounts - Income and Expenditure Account and Balance Sheet. As a result the Council's completed accounts, together with audit opinion, were not available for publication on 31 July. Mr Wells confirmed that the external auditors were satisfied with the revised accounts.

17.3 The Committee asked questions about the impact on the Council's finances and the revenue account. The CFO and Mr Wells assured the Committee that there was no impact on the Council's bottom line, and that this was a requirement of accounting standards.

17.4 Councillor Fox, a member of the Committee and Chair of the Pension Fund, provided clarification of the workings of the Pension Fund in assessing long term liabilities and the level of coverage of those liabilities by way of returns on its portfolio. He and the CFO confirmed that the Fund had a funding level greater than 90%, and was awaiting its triennial revaluation next year, which would produce a further estimate of future liabilities. The CFO highlighted that each estimate was a snapshot of the position at a given time, and that the estimated position might never materialise.

17.5 The Committee considered the issue of the streamlining of local authority accounts. They bore in mind the requirement to open the books to the public on 31 May, and to provide a status report to the public on 31 July. They also considered that this was the first year of a new relationship of the finance team and external auditors and the impact of those deadlines. The CFO confirmed that all parties involved would reflect on the lessons to be learned.

17.6 The Committee **RESOLVED** to note the report and verbal update on the status of the 2018/19 Statement of Accounts.

## 18 INTERNAL AUDIT PROGRESS REPORT Q1 2019/20

18.1 The Committee considered a report by the Orbis Chief Internal Auditor which presented an update on all internal audit and counter fraud activity completed during Quarter 1 2019/20, including a summary of all key findings. The report included details of progress on delivery of the annual audit plan and an update on the performance of the service.

18.2 In response to a query about how agreed actions are monitored, the Audit Manager set out that the higher risk actions are subject to tracking, with regular liaison with the relevant management team.

18.3 The Committee requested clarification on the Spydus (Libraries) feeder system to the General Ledger. It was set out that this was a high volume, low value, system operated by the Library Service to monitor book loans, fees and charges.

18.4 With regard to Waivers the Committee was informed that these were used in circumstances where following the Procurement Standing Orders was not appropriate. The Chief Operating Officer assured the Committee that each Waiver was subject to advice from Legal Services, and then signed off by the Head of Procurement and the relevant Chief Officer.

18.5 The Committee RESOLVED (1) to agree that there were no actions that needed to be taken in response to issues raised in the audits carried out in Quarter 1;

(2) to agree that there were no new or emerging risks for consideration for inclusion in the internal audit plan; and

(3) to congratulate the Orbis Internal Audit Service staff on the successful progress against the performance targets.

## 19 OVERSIGHT OF SAP 'SUPER USER' ACCESS CONTROLS - UPDATE REPORT

19.1 The Committee considered a report by the Chief Finance Officer which provided an update on the review of SAP "Super User" access raised by the external auditors in the 2018/19 Audit Report.

19.2 The Chief Finance Officer set out that IT & Digital had undertaken a review, and will create a new pathway for users to access the client maintenance functionality (SCC4) which will be subject to a new monitoring regime.

19.3 The Internal Audit team has also undertaken a follow-up review of SAP Application Controls, unusually for an audit that had been assessed as providing Reasonable Assurance. The follow-up provided Substantial Assurance, in that all but one of the six recommendations to management had been implemented. The final recommendation (documentation of change requests) would be in place in October 2019.

19.4 The Committee RESOLVED to note the update report and actions taken to review SAP "Super User" access.

## 20 WORK PROGRAMME

20.1 The Chair invited the Committee to discuss any items it would like to add to the work programme. The Committee noted that the proposed refreshing of the Counter Fraud Strategy would be brought to a future meeting (November 2019 or March 2020).

20.2 There were no further additions or changes to the future work programme.

The meeting ended at 10.50 am.

Councillor Colin Swansborough  
Chair