

Audit Committee
15 JULY 2020

Present: Councillors: Stuart Ritchie (Chairman), Tony Bevis, John Blackall, Paul Clarke, Ruth Fletcher and Jack Saheid

Apologies: Councillors: Richard Landeryou

AAG/4 **MINUTES**

The minutes of the meetings held on 1st April and 20th May 2020 were approved as an accurate record and it was agreed that they would be signed by the Chairman once the COVID-19 situation had abated.

AAG/5 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

There were no announcements.

AAG/7 **AUDIT PROGRESS REPORT**

The External Auditor had not submitted an Audit Results Report for the year ending 31 March 2020, and instead, the Committee received a progress report from its external auditors, Ernst and Young.

It was reported that the audit had not been completed with the following items outstanding:

- EY valuation team (EY Real Estates) report on the valuation of retail property significant risk
- EY pensions audit team – additional procedures on the triennial valuation and West Sussex Pension Fund audit report
- EY professional practice department internal consultation process on going concern disclosures

The standard audit completion processes would then be required including:

- Completion of subsequent events review
- Review of the final statements
- Final review of the file by the Associate Partner
- Receipt of the response from Those Charged with Governance
- Receipt of the signed management representation letter

Members noted the contents of the report and expressed disappointment that the audit had not been completed in time for the July audit committee meeting.

AAG/8 **STATEMENT OF ACCOUNTS**

The Chairman introduced the report and said that the Annual accounts had been considered at an informal meeting ahead of the Committee, where Members had an opportunity to pose questions on the detail. Issues had been followed up by email.

The Chairman thanked the Corporate Accountant and the finance team for the hard work preparing and delivering the draft accounts before 31 May 2020 in such difficult circumstances.

RESOLVED

That subject to the resolution of three audit items that EY had not yet completed, the Committee delegate approval of the 2019/20 Statement of Accounts to the Chairman of the Audit Committee, in consultation with the Director of Corporate Resources, to be completed before 30 November 2020.

AAG/9 **INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2019/20**

The report before the Committee had been compiled by the Chief Internal Auditor which included an overall annual opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment. It also summarised performance against key indicators and provided an update on internal audit and counter fraud activity undertaken during Quarter 4.

The Chief Internal Auditor was able to provide "reasonable" assurance that Horsham District Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1st April 2019 to 31st March 2020.

RESOLVED

That the Committee note the report.

AAG/10 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources presented the Corporate Risk Register to July 2020. There were three risks considered to be high, eight medium and two low.

The three high risks were summarised as:

- RR01b Funding from Government is less generous than assumed in the Medium Term Financial Strategy (MTFS) from 2020.
- CRR19 Uncertainty in the UK and World economy – impact on financial markets and sterling leading to recession.
- CRR30 Increase in costs of homelessness, housing services, recycling and transport.

RESOLVED

That the Committee note the report.

AAG/11 **ANNUAL GOVERNANCE STATEMENT**

The Director of Corporate Resources introduced the report and said that the annual review of the Council's governance, risk management and internal control arrangements had been undertaken to support the Annual Governance Statement for 2019/20. The review included information and assurance gathering processes as well as a review of the Council's Governance framework against the best practice devised by CIPFA / SOLACE. The aim was to ensure that the Council had effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives. The review process had identified any shortfalls in these arrangements to enable them to be addressed.

RESOLVED

That the committee approve the Annual Governance Statement.

AAG/12 **INTERNAL AUDIT REVIEWS OF REVENUES AND BENEFITS 2019/20**

The Director of Corporate Resources summarised the outcome of the internal audit reports of Revenues and Benefits completed by LGSS internal audit as part of the agreement in which LGSS manage Horsham District Council's Revenues and Benefits service.

Council Tax Audit

The auditor reported one main risk for management to consider which was that periodic reviews of discounts and exemptions are not regularly carried out. Management's response was that a single person discount review is scheduled to begin in July 2020 and a further timetable will be created to ensure the remaining discounts are reviewed during the remainder of 2020/21.

Benefits Audit

The auditor reported four risks for management to consider:

- There was no supervisory review of the payments made that are greater than the Local Housing Allowance rate creating a risk of inappropriate payments in excess of the rate.
- There was no supervisory review of the weekly tenants' payments reconciliation creating a risk of uncorrected unbalanced transactions.
- There was no documented supervisor review of the work done by officers in relation to the recovery of overpayment creating a risk that recovery work between accounts and officers may not be of a consistent and adequate level.
- Unrecoverable over-payments were not written-off for over a year creating a risk of impaired governance of the write-off process.

Management's response was that they would carry out an urgent review of each of these processes.

Business Rates audit

The auditor reported no risks in the system.

Business Rates achieved substantial assurance for the control environment and Council Tax and Benefit achieved good assurance. Business Rates and Benefits achieved substantial assurance for compliance and the Council Tax good assurance for compliance.

RESOLVED

That the Committee note the report.

AAG/13 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS 2019/20**

The Group Accountant (Technical) reported that the report covered treasury activity and prudential indicators for 2019/20.

At 31 March 2020, the Council had no external debt and investments totalled £39.0m including call accounts and Money Market Funds.

During 2019/20, the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £0.879m (£0.887m in 2018/19) was earned on investments, an average return of 2.1% (2.1% in 2018/19). There was one instance in the year where the Council had an unplanned overdraft overnight with the Council's bank; otherwise all activity was within limits and in line with indicators.

RESOLVED

That the committee:

- i) Note the Treasury Management stewardship report for 2019/20.
- ii) Note the actual prudential indicators for 2019/20.

AAG/14 **AUDIT WORK PROGRAMME 2020**

RESOLVED

That the Committee note its Annual Work Programme.

AAG/15 **URGENT BUSINESS**

There was no urgent business.

The meeting closed at 6.27 pm having commenced at 5.30 pm

CHAIRMAN