

Audit Committee
27 MARCH 2024

Present: Councillors: Dennis Livingstone (Vice-Chairman), Len Ellis-Brown, Anthony Frankland, Tony Hogben, Richard Landeryou and Belinda Walters

AAG/32 **MINUTES**

The minutes of the meeting held on 6 December were approved as a correct record and signed by the Vice-Chairman.

AAG/33 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/34 **ANNOUNCEMENTS**

The Vice Chairman advised the Committee that following his email to Members, approval would be sought at April Council to appoint an Independent Person to sit on the Audit Committee. This would be a non-voting advisory position to assist the Committee in its functions.

Members were in agreement to this proposal.

AAG/35 **EXTERNAL AUDITOR - INTERIM VALUE FOR MONEY AUDIT REPORT & AUDIT STATUS UPDATE 2022/2023**

The Chairman invited Elizabeth Jackson, partner at Ernst & Young to introduce the external Interim Value for Money Audit Report for 2022/23. She advised that Horsham District Council showed no significant risks or weaknesses identified in the three areas of criteria which were financial stability, governance and improving economy, efficiency and effectiveness.

In relation to the Value for Money Audit report, Members discussed parking income, Capital budget spend and carbon efficiency.

The external auditor reported that an announcement was still awaited from the Department for Levelling Up, Housing and Communities (DLUHC) regarding the disclaimed audit of 2022/23 accounts but the 2023/24 accounts were on track.

Members were keen to understand how accounts in 2023/24 could be audited if there was no verification of opening balances. It was advised that guidance was awaited from the Financial Reporting Council (FRC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) although it was likely that

disclaimer opinions would be partially used in the next two years as well (for the comparator balances) until 2025/26 when the market was re-set for recovery.

It was hoped that further information would be available at the next committee meeting.

AAG/36 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor provided a progress report of all internal audit and counter-fraud activity carried out during Quarter 3 of 2023/24 which included a summary of key findings.

Seven audits were finalised during the quarter, one of which received an opinion of 'substantial assurance', and six received an opinion of 'reasonable assurance'.

Members noted key findings, progress on tracking and amendments to the Audit Plan in the appendices.

Members discussed a number of issues relating to the finalised audits. Consideration was given to whether the Council was applying for all potential applicable grants and if Audit could be involved in this. It was acknowledged that the Council does access as many grants as possible, often within tight timeframes and this was an area constantly reviewed to gain funding from alternative sources. It was suggested that a regular item could be added to the Overview & Scrutiny Agenda to check on grant applications.

RESOLVED

Members noted the contents of the report.

AAG/37 **INTERNAL AUDIT STRATEGY AND ANNUAL PLAN**

The Chief Internal Auditor presented the Internal Audit Strategy and Annual Plan for 2024/25.

The strategy proposed an approach based on focusing audit resources in areas with the highest risk to the achievement of the Council's objectives. These areas had been identified and prioritised based on the Council's own risk assessment processes and following consultation with senior officers and Members.

In order to ensure audit and assurance activity would be focussed on supporting the delivery of the Council's priorities, the audit plan had taken onto account the key corporate goals of the Council as set out within the Council Corporate Plan.

RESOLVED

- i) That the Council's Internal Audit Strategy and Annual Plan 2024/25 be approved.

REASON

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017)
- ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's systems of internal control.

AAG/38 **DRAFT ANNUAL GOVERNANCE STATEMENT**

The Director of Resources reported that the annual review of the Council's governance, risk management and internal control arrangements had been undertaken to support the production of the Annual Governance Statement for 2023/24.

The review process aims to ensure that the Council has effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives. It also identifies any shortfalls that require addressing.

The Director of Resources was generally positive about the review, and drew attention to the minor governance issues identified during the year and improvements made.

The Action Plan for 2024/25 included some issues that had been actioned in 2023/24, and further work and improvements were still required on the Constitution review, new procurement regulations, Public Sector Equality Duty and cyber security awareness and data breaches.

RESOLVED

- i) That the draft Annual Governance Statement for 2023/24 be approved

REASON

- i) As part of good governance, it is important that the Annual Governance Statement is approved by the Audit Committee.

AAG/39 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Head of Finance and Performance presented the Risk Management Quarterly update to the Committee. The report included an update on the Corporate Risk Register for consideration and provided information on progress with the quarterly departmental risk register reviews.

It was reported that there were four risks considered to be high:

- 001 The Benefit Subsidy claim may be qualified and/or financial losses
- 003 Lower level of income in fees and Government funding
- 004 Funding from Government is less generous than assumed in the Medium-Term Financial Strategy from 2026
- 009 Adopting an up-to-date Local Plan by the end of 2025. If there is an adverse outcome, it allows speculative development access to SNOWS (water neutrality off setting scheme) which impacts Local Plan delivery.

Since the December Audit Committee, three risks had moved from red to amber and two new risks were added to the register regarding elections and climate change.

There was one risk to be considered in the future relating to increasing costs of Housing Benefit due to a reduction in subsidy. Further work will be undertaken by the Finance and Revenue and Benefits teams within the next few months to predict how this may affect the financial performance and budget pressures moving forward.

RESOLVED

Members noted the contents of the report.

AAG/40 **HOUSING BENEFIT AUDIT**

The Director of Resources introduced the report on the Housing Benefit audit for 2022/23. Member were reminded that following the audit of the 2021/22 Housing Benefit claim, the Council incurred a loss of subsidy of £65,416.

This was caused by errors identified internally and in the 2021/22 audit undertaken by KPMG where significant and complex testing was undertaken.

Concerns were reported at the Audit Committee last year and highlighted the department had been under significant pressure over the last four years. This was attributed to Covid-19, the cost-of-living crisis and increased use of

temporary staff to meet the demands on the service which had an adverse effect on quality.

Progress was being made; however the audit of the 2022-23 Housing Benefit subsidy claim completed in March 2024 identified a likely loss of £191,235 due to the fact that the Local Authority error rate of £122,925 pre-audit had already breached the upper threshold. The extrapolations from the small errors identified in the audit had caused a substantial part of the increase in loss of subsidy.

The Director of Resources advised the Committee that robust measures were in place to ensure improvements continued. The Council had also invited the Department for Work and Pension (DWP) team to provide a health check on processes and improvements to help reduce losing subsidy in the future.

It is hoped that improvements would be seen next year.

RESOLVED

It was noted:

- a) The expected loss of subsidy that has been identified in the audit of the 2022/23 Housing Benefit claim, and
- b) The measures being taken to improve the process and reduce errors in the future.

REASON

To make the Audit Committee aware of the subsidy loss and the measures taken to reduce the risk of future subsidy loss.

AAG/41 **TREASURY MANAGEMENT UPDATE QUARTER 3**

The Director of Resources introduced the treasury management activity and prudential indicators for the first three quarters of 2023/24. This report had already been circulated via email to members of the Audit Committee at the end of January 2024, so was here for completeness.

At 31 December 2023, the Council had no external debt and its investments totalled £88m (£97m at 31 December 2022). During the first three quarters of 2023/24, the Council's cash balances were invested in accordance with the Council's treasury management strategy. Interest of £2.71m was earned on investments at an average return of 4.6% (2.6% full year 2022/23).

Treasury investment income for the full year is forecast to be £1.5m above the budget as interest rates are significantly higher than those in the budget. Commercial property income is forecast at slightly below budget for the year.

RESOLVED

Members noted the contents of the 2023/24 report in the third quarter of the year and prudential indicators.

The Director of Resources advised the committee that the 2024/25 Investment and 2024/25 Treasury Management Strategies were recommended for full Council approval by this committee on 6 December 2023, but due to an administrative oversight, were not put forward for approval at the Council meeting on 21 February 2024.

Having spoken to our treasury advisors they confirmed that we have fulfilled all legal obligations via the approval of the prudential indicators and capital strategy which formed part of the budget in February, and that we can continue with the 2023/24 Investment and Treasury Management Strategies until the 2024/25 strategy is approved by Council on 24 April 2024, provided we remain within those limits, which is our intention.

AAG/42 **URGENT BUSINESS**

There was no urgent business.

The meeting closed at 6.23 pm having commenced at 5.30 pm

CHAIRMAN