

Audit Committee
10 APRIL 2019

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

Apologies: Councillors: Paul Clarke

Also Present:

AAG/36 **MINUTES**

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

AAG/37 **DECLARATIONS OF MEMBERS' INTERESTS**

Councillor Paul Marshall declared a non-prejudicial interest in Item 8 as he was a County Councillor.

AAG/38 **ANNOUNCEMENTS**

The Chairman announced that an extra Audit Meeting would be held directly following the Annual Council meeting to elect a Chair and Vice-Chair.

AAG/39 **CERTIFICATION OF CLAIMS AND RETURNS 2017-18**

The External Auditor presented the Certification of Claims and Returns 2017/18.

The Council had previously received a recommendation to undertake their own internal review to improve subsidy claims in high risk of error areas. The External Auditor was satisfied with the level of internal review. No errors were identified during the 2017/18 certification initial testing, and there was a reduced number of errors identified in the additional testing performed based on prior year information. As a result of the audit, subsidy was increased by £166.

AAG/40 **AUDIT OF FINANCIAL STATEMENTS**

The External Auditor reported that they had successfully completed their interim audit visit. One accounting issue under IFRS9 was still being discussed with officers where there was currently a disagreement on accounting treatment. This was being discussed with national technical specialists as it is also an issue elsewhere. The external auditor hoped a solution would be found before the main audit started

AAG/41 **DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19**

The Director of Corporate Resources present the Draft Annual Governance Statement 2018/19.

The action plan for 2018/19 had largely been completed. Revenues and Benefits systems were to be moved to Milton Keynes, this work had proved harder to implement than expected and was the only outstanding piece of work on the action plan.

It was reported that the new generator to be installed at the Hop Oast Depot was no longer needed as the power supply had been stabilised.

The Director of Corporate Resources summarised the content of the action plan for 2019/20. Modern.gov would be implemented across the Council for tracking and signing off of reports.

All Heads of Service would need to take review of their service's GDPR compliance on a quarterly basis.

RESOLVED

That the draft Annual Governance Statement for 2018/19 be approved.

AAG/42 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources reported that there had been little change to the Risk Register.

Risk CRR01a regarding the failure to achieve the required level of savings and income in the MTFS to 2019/20 had been removed.

Three risks remained as high risks:

- CRR01b Funding from Government is less generous than assumed in the Medium Term Financial Strategy (MTFS) from 2020
- CRR18 A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems.
- CRR30 Increase in costs of homelessness, housing services, recycling and transport.

AAG/43 **HISTORIC ISSUE WITH THE COUNCIL TAX REDUCTION SCHEME**

The Director of Corporate Resources reported that the Revenues and Benefits service did not implement a Council decision in 2015. This issue was reported to Cabinet in January 2019. The reasons for why the Council's assurance

framework did not pick up the error had been reviewed and together with the actions officers were taking to improve Horsham District Council's governance.

AAG/44 **DRAFT ACCOUNTING POLICIES**

The Head of Finance presented the Accounting Policies, critical judgements and assumptions used in 2018/19 for summary prior to the audit and approval of the Statement of Accounts on 11 July 2019.

The Council's approach to IFRS 9 Financial Instruments was reported.

AAG/45 **INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (30/09/18 TO 31/12/18)**

The Chief Internal Auditor provided Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key findings. The update included details of progress on delivery of the annual audit plan along with an update on the performance of the internal audit service during the period.

Overall, of the six formal audits finalised during Quarter 3, two received 'substantial assurance' opinions, and four received opinions of 'reasonable assurance'. There were no opinions of 'partial' or 'minimal assurance'. All performance targets had been assessed as on target.

No fraud had been identified in the three months prior to this meeting. National Fraud Initiative data matching reports had been received from the Cabinet Office.

One action was outstanding with regards to purchase Orders raised as a percentage of invoices received: A target of 60% had been reintroduced for 2017/18 and would be reported within the performance indicators to the Finance and Performance Committee on a quarterly basis. This had not been addressed as other areas of work within Finance have taken a higher priority.

The Internal Audit Plan had been amended to include audits on the following:

- Housing Benefits Subsidy
- Bomb/Lockdown procedures for Parkside and other HDC owned buildings
- The Council's Constitution
- Housing Company Business Case
- Technology One HR system

The General Data Protection Regulations (GDPR) audit had been postponed until May 2019 following the resignation of the Information Governance Officer and the upcoming Local and European Parliamentary elections.

AAG/46 **INTERNAL AUDIT STRATEGY 2019/20 AND ANNUAL PLAN**

The Chief Internal Auditor summarised the Internal Audit Strategy for 2019/20 and the Annual Audit Plan.

It was reported that the Chairman and Vice-Chair of the Audit committee had looked at the plan prior to the meeting and raised the suggestion of looking at the Year of Culture in quarter 1 rather than quarter 2 to ensure enough time for any necessary remedial action that may be needed.

The Chief Internal Auditor also summarised the Internal Audit Charter which had seen no changes.

RESOLVED

That the Council's Internal Audit Strategy 2019/20 and Annual Plan be approved.

AAG/47 **URGENT BUSINESS**

The Chairman thanked the Members of the Audit Committee and Officers for their work over the past four years.

The meeting closed at 6.28 pm having commenced at 5.30 pm

CHAIRMAN