

Audit Committee
18 DECEMBER 2019

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

Also Present: Director of Corporate Resources
Director of Community Services
Head of Finance
Chief Internal Auditor
Head of Waste, Recycling, Street Scene and Fleet Services

AAG/24 **MINUTES**

The minutes of the meeting held on 9th October were approved as a correct record subject to an amendment to record that Councillor Bevis had given his apologies for the meeting.

AAG/25 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/26 **ANNOUNCEMENTS**

There were no announcements.

AAG/27 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor provided Members with the Quarterly update on Internal Audit for Quarter 2, July to September 2019.

Of the seven formal audits finalised during the quarter, one received an opinion of “minimal assurance”, three received an opinion of “partial assurance” and two received an opinion of “reasonable assurance”. An opinion was not given regarding Audit’s review of the Year of Culture as this was undertaken part way through the project.

There was a question from Members about whether mandatory training by officers had been completed. The Chief Internal Auditor said that it had.

There was a question from Members regarding whether leaving the EU would cause further problems for suppliers. The Director of Corporate Resources said that it was an unknown.

There were questions from Councillors regarding the extent of the risk of supplier business failure. The Director of Corporate Resources said it was rare. Property developers represented the highest risk. The Contract Management Supplier Resilience audit was intended to make managers think about the issue more.

All performance targets were assessed as on target.

RESOLVED
That the report be noted.

AAG/28 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources presented the Corporate Risk Register. She highlighted four risks currently considered to be high.

West Sussex were withdrawing recycling credits which were over £500,000. The Director of Corporate Resources noted that although the risk was a red risk, the budget had been anticipated and therefore it was actually planned for and covered in the budget.

With reference to CRR32, the Director of Corporate Resources explained that a recent ruling – NHS vs Derby City Council – regarding rate relief had ruled in favour of Derby City Council saying that the NHS was not a charity.

With reference to CRR01c the Director of Corporate Resources further noted in relation to business rates that Horsham District did not have huge businesses and Tesco was one of the biggest. Members also noted that there had been a loss in business rates when office buildings were converted to residential use.

With reference to CRR17, the Director explained that the Council Tax Reduction Scheme would not have to change in the light of the introduction of Universal Credit.

RESOLVED
That the Risk Management – Quarterly Report be noted.

AAG/29 **ANNUAL GOVERNANCE STATEMENT**

The Director of Corporate Resources presented the Annual Governance Statement – Review of Action Plan 2019/20. It provided a mid-year update on progress against the actions contained in the Annual Governance Statement. It was noted that there were a lot of completed items. It was noted that it was particularly pleasing that the Revenues and Benefits Disaster Recovery had been completed.

RESOLVED

That members of the Committee note the report.

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

Councillors received the Treasury Management Activity and Prudential Indicators mid-year report for the first half of 2019/20. It included some non-treasury indicators at the end as well. It presented information for the first six months of the financial year. The final report would be available in July 2020.

The discussion focussed on what the changes were and the reasons for the changes.

The Council had stayed within its limits and the benchmarks were within the parameters expected.

It was noted that some of the indicators would only be clear at the end of the financial year and not at the mid-point.

It was noted that it was good that the average vacancy levels were so low.

There was a discussion around unspent budgets.

RESOLVED

That the Committee recommend that the full Council approve the Treasury Management Strategy for 2020/21 and the associated limits and specific indicators included in section 4 and appendix B of the report.

That the committee recommend that the full Council approve the Investment Strategy for 2020/21 and the specific indicators included in section 5 and appendix C of the report.

AAG/31 **CAPITAL STRATEGY 2020/21**

Councillors received the Capital Strategy 2020/21 which was presented by the Group Accountant (Technical). The Strategy had to be developed following Government and CIPFA guidance. He explained that the Council set aside limits on what they could borrow and that there was a proposed change in the limits for registered providers but most limits were the same as for the previous year. Councillors commented that the Council chiefly invested in property.

RESOLVED

That the Committee approve the Capital Strategy and agree to the recommendations.

AAG/32 **AUDIT PLANNING REPORT**

The External Auditor was not present due to a change in the date of the meeting.

Members considered the Audit Planning Report for the year ended 31 March 2020. New risks identified were IFRS 16 which affected how leases were operated and Group Accounts because the Council had indicated that they had a wholly owned subsidiary in 2019/20.

The Chairman of the Committee did not agree with the way some of the performance indicators had been calculated, especially planning materiality at 2%.

RESOLVED

To discuss the planning materiality unit with the auditor at the next meeting of the Committee.

AAG/33 **URGENT BUSINESS**

There was no urgent business.

AAG/34 **HOP OAST DEPOT - CULTURAL COMPLIANCE AUDIT**

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 remainder of this item of business on the grounds that it involves the likely disclosure of exempt information, as detailed in Part 1 of Schedule 12A of the Act, by virtue of paragraph 3, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The meeting closed at 8.11 pm having commenced at 5.30 pm

CHAIRMAN