

Audit Committee
29 JUNE 2022

Present: Councillors: Stuart Ritchie (Chairman), John Blackall (Vice-Chairman), Matthew Allen, Martin Boffey, Paul Clarke, Richard Landeryou and Gordon Lindsay

AAG/4 **MINUTES**

The minutes of the meeting held on 30 March 2022 were approved as a correct record and signed by the Chairman.

It was noted that the name of an ex-Audit Committee Member was present in the minutes of the meeting held on 25 May 2022, in place of a new Member of the Audit Committee. Following the correction of this error, they were approved as a correct record and signed by the Chairman.

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

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

The Chairman welcomed Councillor Matthew Allen as a new Member to the Committee.

AAG/7 **EXTERNAL AUDIT - OUTLINE AUDIT PLAN 2021/22**

The External Audit Manager reported that they had commenced their initial planning work for the 2021/22 audit and had met with the Chief Executive, the Interim Director of Resources and Interim Head of Finance and Performance. Regular Liaison meetings would take place throughout the year.

For 2021/22, the timetable as published in the draft Accounts and Audit (Amendment) regulations 2021 extended the publication date for audited local authority accounts from 31 July to 30 November 2022.

Due to the ongoing impact of later deadlines and completion of audits from 2020/21 the external auditors had yet to start planning for the 2021/22 audit. The external auditor set out their initial considerations of the risks for the audit, being broadly similar to those identified in 2020/21.

The external auditors would update these risks as planning progresses and take into account the risks suggested by the NAO in the Auditor Guidance Note 06 – Local Government Audit Planning, which had not yet been released for 2021/22.

It was noted that an error appeared in the report in the section 'Overview of 2021/22 audit strategy': 'Risk of fraud in revenue recognition – sales, fees and charges income, and grant income' should have no change in risk of focus listed under change from the previous year.

AAG/8 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Interim Director of Resources presented the Risk Management Quarterly Update to the Committee. The report included an update on the Corporate Risk Register for consideration and provided an update on progress with the quarterly departmental risk register reviews.

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

CRR37 - Delay to plan preparation due to the requirement of the plan to demonstrate water neutrality, or as a result as significant / unexpected changes to government guidance.

CRR01b - Funding from Government is less generous than assumed in the Medium-Term Financial Strategy (MTFS) from 2021

CRR01c - Decrease in Rateable Value due to appeals and businesses going under. This may cause the Council to fall below the business rates baseline, resulting in loss of funding.

CRR18 - (i) A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems. The level of threat has been raised by the Cabinet Office to amber.

(ii) IT not working due to environmental problems: fire, flood, power cut.

CRR19 - Ongoing reduction in planning fees; reduced car parking income; increased homelessness; and increased housing benefit claims; leisure centres; property income; investment income. Departmental risk registers had been reviewed and updated. The rising risks of inflation and cyber security were being closely monitored.

Members requested that the risk of inflation be added to the Risk Register as a separate risk to be monitored more closely prior to the next meeting of the Committee.

The Committee noted the contents of the report and relevant appendices.

AAG/9 **INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2021/22**

The Chief Internal Auditor provided an overall annual audit opinion of "reasonable assurance" that Horsham District Council had in place an adequate

and effective framework of governance, risk management and internal control for the period: 1 April 2021 to 31 March 2022.

The 2021/22 internal audit plan was approved by Audit Committee in April 2021. All reviews had been completed.

Of the seven audits completed during quarter 4 of 2021/22, one received an opinion of 'substantial assurance', six received 'reasonable assurance', and two received 'partial assurance'.

Where internal audit had identified areas where controls could be improved, appropriate remedial action had been agreed with management.

RESOLVED

Members noted the contents of the report.

AAG/10 **INTERNAL AUDIT REVIEWS OF REVENUES AND BENEFITS 2021/22**

The Interim Director of Resources reported that audits of the Revenues and Benefits department had been completed by Milton Keynes' internal audit as part of the agreement in which Milton Keynes Council provides Horsham District Council's Revenues and Benefits service.

All three audits, completed at the end of 2021/22, achieved good assurance for compliance. The Benefits audit showed satisfactory assurance for the control environment and the two Revenues audits showed good assurance for the control environment.

RESOLVED

Members noted the contents of the report.

AAG/11 **ANNUAL GOVERNANCE STATEMENT**

The Interim 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 Annual Governance Statement for 2021/22.

The review included information and assurance gathering processes as well as a review of the Council's Governance framework against the best practice framework 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. The Annual Governance Statement includes an action plan to help improve the effectiveness of the Council's governance arrangements and control environment.

RESOLVED

That the Annual Governance Statement 2021/22, signed by the Leader of the Council and the Chief Executive on 1 June 2022, be approved.

AAG/12 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS 2021/22**

The Group Accountant (Technical) reported treasury activity and prudential indicators for 2021/22.

At 31 March 2022, the Council's investments totalled £83.3m (£59.0m 2021) with no external debt.

During 2021/22, the Council's cash balances were invested in accordance with the Council's treasury management strategy and its associated indicators apart from one indicator where the actual interest rate sensitivity exceeded the estimate. This was a result of cash balances being much higher than estimated due to a combination of slower outflows in capital spend and developer contributions, higher revenue reserves, residual Covid-19 grants and the £150 energy bill rebate being held by the Council at year-end.

Interest of £0.942m (£0.858m in 2020/21) was earned on investments, an average return of 1.2% (1.5% in 2020/21). This was £0.150m over the budget of £0.792m. Investment property income was £3.47m (£3.56m 2020/21), which was £0.13m below the £3.6m estimate.

Investment income from treasury operations has recovered after the pandemic helped by the upturn in interest rates in the latter part of the year. Income from investment properties is recovering but there is still an overhang from the pandemic with some income subject to discussions with tenants.

RESOLVED

Members noted the content of the report.

AAG/13 **SUBSIDIARY HOUSING COMPANY ACCOUNTS**

A Director of the Housing Companies reported that the Council was not required to prepare consolidated group accounts for 2021/22 as the value of the transactions in the companies' accounts were considered immaterial. However, the accounts for the companies had been audited by an independent auditor and were approved and signed by the directors at the companies' board meeting on 15 June 2022.

RESOLVED

Members noted the contents of the report.

AAG/14 **URGENT BUSINESS**

There was no urgent business.

To consider an appendix containing exempt of confidential information

RESOLVED

That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it involved the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Local Government Act 1972, by virtue of paragraph 7 regarding information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

AAG/15 **RISK MANAGEMENT - QUARTERLY UPDATE APPENDIX 2**

RESOLVED

Members noted the contents of the appendix.

The meeting closed at 6.34 pm having commenced at 5.30 pm

CHAIRMAN