

Audit Committee
12 JULY 2023

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

Apologies: Councillors: Tony Hogben

AAG/4 **MINUTES**

Following consultation with the Leader of the Council and Councillor Richard Landeryou who previously sat on Audit Committee, the minutes of the meeting held on 29 March 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**

Councillor Richard Landeryou asked if the issue of acquiring external auditors had been resolved following HDC's successful application to the Department of Levelling Up, Housing and Communities (DLUHC) to return to the PSAA arrangements.

The Director of Resources advised that Ernst & Young had been confirmed as external auditors until at least 2027/28.

AAG/7 **EXTERNAL AUDIT - 2021/22 AUDIT RESULTS REPORT & ANNUAL AUDITORS REPORT**

The Chairman invited Elizabeth Jackson, partner at Ernst & Young to introduce the external auditor report. The audit was now substantially complete and Ernst & Young were working towards completing the audit and signing off the accounts in early August 2023.

She was pleased to report that no errors had arisen or been identified since the last meeting, so the accounts could be approved. She advised Members that Ernst & Young Real Estates had provided detailed information on the Council's assets and gave assurances on complex valuations of land and buildings and investment property.

Some additional audit work was required on IAS19 Pensions liabilities and it was hoped this would be completed shortly.

AAG/8 **STATEMENT OF ACCOUNTS 2021-2022 AND LETTER OF REPRESENTATION**

The unaudited Statement of Accounts was received by the Committee. The committee had considered details during an informal meeting ahead of the committee where Members had an opportunity to pose questions.

Following the discussion on the previous item, the external auditor advised the latest version of accounts and Letter of Representation was correct and due to be signed off in early August.

RESOLVED

The Committee agreed to delegate approval of the Statement of Accounts and Letter of Representation to the Chairman of the Audit Committee, in consultation with the Director of Resources, to be signed once the audit has been completed.

AAG/9 **INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2022/23**

The Chief Internal Auditor reported to the committee that 2022/23 had been a successful year for both the Council, in terms of the internal audit results, and the internal audit team.

The 2022/23 internal audit plan was approved by the Audit Committee in March 2022 and it was reported that 100% of the audit plan reviews had been completed exceeding the 90% target.

An overall annual audit opinion of “reasonable assurance” had been awarded which showed that Horsham District Council had in place an adequate and effective framework of governance, risk management and internal control for the period: 1 April 2022 to 31 March 2023.

Of the audits undertaken, four received opinions of “substantial assurance”, 20 “reasonable assurance”, three “partial assurance” and one “minimal assurance”. In comparison to the two previous years, the Councils’ audit opinions were improving each year which demonstrated that internal controls were improving and the Council views risk and internal controls extremely seriously.

In Quarter 4 from January to March 2023, 12 audit reports had been undertaken: one received an opinion of “minimal assurance”, two “partial assurance”, eight “reasonable” and one “substantial” assurance. Where internal audit had identified areas where controls could be improved, appropriate remedial action had been agreed with management. It was noted that there had been significant improvement at the Hop Oast depot in corporate compliance where the rating had changed from “minimal” in 2019/20 to “reasonable” in 2022/23.

A five yearly External Quality Assessment (EQA) had taken place in autumn 2022 for the Orbis internal audit team, which was undertaken by the Institute of Internal Auditors (IIA), who make a major contribution in setting the Public Sector Internal Audit Standards. The team were assessed against each of the 64 principles set by the IIA and the team achieved the highest level of conformity, which was an excellent result, with no areas of non-compliance identified. Out of 19 private and public organisation reviews undertaken by the IIA in the previous year, only two achieved the highest level of conformity which showed how successful the internal audit team had performed.

RESOLVED

Members noted the contents of the report.

AAG/10 **INTERNAL AUDIT REVIEW OF REVENUES AND BENEFITS 2022/23**

The 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.

Council tax and Benefits achieved good assurance for control environment and compliance and Business Rates achieved satisfactory assurance in both categories.

RESOLVED

Members noted the contents of the report.

AAG/11 **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 Annual Governance Statement for 2022/23.

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 has effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives.

The review process had identified some minor shortfalls in 2022/23 and these issues had been addressed.

An Action Plan for 2023/24 has been put in place to address some areas of improvement to help improve the effectiveness of the Council's governance arrangements and control environment.

RESOLVED

That the Annual Governance Statement 2022/23, signed by the Leader of the Council and Chief Executive, be approved.

AAG/12 **RISK MANAGEMENT - QUARTERLY UPDATE**

The 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 information on progress with the quarterly departmental risk register reviews.

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

- CRR01b Funding from government is less generous than assumed in the Medium-Term Financial Strategy (MTFS) from 2025.
- CRR17 The Housing Benefit Subsidy claim may be qualified and/or financial losses.
- CRR38 Inability to recruit and retain Officers in key areas, especially Legal, Building Control, Tech, but across the Council, leading to failure to achieve agreed business objectives.
- CRR18 A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems.
IT not working due to environmental and economic problems: fire, flood, power cut and issues with the supply chain preventing new infrastructure arriving in a timely manner.
- CRR19 Rapidly rising costs from inflation together with ongoing lower levels of income from fees in some areas, and other cost pressures such as increased homelessness; and increased housing benefit claims.

There had been one change in the risk register. The high risk CRR37 on the requirement to adopt and up to date Local Plan by the end of 2023 in accordance with government requirements had moved to medium risk. This change in risk was due to clearer government guidance on demonstrating water neutrality within the Local Plan to enable its progression with consultation and adoption.

Members discussed the housing subsidy, funding from government and were keen to find out further information on the IT infrastructure risk. The Director of Resources advised the committee that any feedback and input on the council's risk register would be welcomed prior to the next committee.

RESOLVED

Members noted the contents of the report.

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

The Head of Finance & Performance reported treasury management activity and prudential indicators for 2022/23.

At 31 March 2023, the Council's investments totalled £75.0m (£83.3m 2021/22) with no external debt.

During 2022/23, the Council's cash balances were invested in accordance with the Council's treasury management strategy and its associated indicators where the actual interest rate sensitivity exceeded the estimate and two instances where the Council's operational bank account exceeded the single bank limit.

These instances were reported to the December 2022 Audit Committee.

Interest of £2.285m (£0.942m in 2021/22) was earned on investments, an average return of 2.6% (1.2% in 2021/22). This was £1.320m over the budget of £0.965m.

Investment property income was £3.74m (£3.47m 2021/22), in line with the estimate within the treasury management strategy.

Investment income from treasury operations had been stronger than expected as interest rates increased throughout the year. Income from investment properties had also largely recovered from lows seen during the pandemic.

RESOLVED

Members noted the contents of the Treasury Management stewardship report and Prudential Indicators for 2022/23.

AAG/14 **SUBSIDIARY HOUSING COMPANY ACCOUNTS**

A Director of the Housing Companies – Horsham District Homes Ltd (HDH) and Horsham District Homes (Holdings) Ltd (HDHH) reported that the Council was not required to prepare consolidated group accounts for 2022/23 as the value of the transactions in the companies' accounts are considered immaterial.

However the accounts for the companies had been audited by an independent auditor and would be approved and signed by the directors at the companies' board meeting later in the year.

RESOLVED

Members noted the contents of the report.

AAG/15 **URGENT BUSINESS**

There was no urgent business.

The meeting closed at 6.12 pm having commenced at 5.30 pm

CHAIRMAN