

**AUDIT COMMITTEE
18 JANUARY 2012**

Present: Councillors Birch, Hodges (Vice-Chair), M J Lock (Chair) and Webb (as the duly appointed substitute for Cllr Clark).

Apologies for absence were received from Councillors Clark and Stevens.

16. DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

17. MINUTES

RESOLVED – that the minutes of the meeting held on 26 September 2011 be approved and signed by the Chair as a true record.

18. ANNUAL AUDIT LETTER 2010/11

The Head of Financial Services submitted a report setting out the Annual Audit Letter for 2010/11.

The Committee were informed of the requirement that all Members receive a copy of the Annual Audit Letter. This was completed by emailing a copy to all members and by posting it onto the Council's website.

The Annual Audit Letter provided an overall summary of the Audit Commission's assessment of the key issues that have been completed over the last 12 months.

The key findings were that:

- The Council managed its transition to the International Financial Reporting Standards (IFRS) effectively and an unqualified opinion was given on the accounts. This was a major undertaking but due to accuracy and well documented working papers, Hastings Borough Council was the only Council in East Sussex not to incur additional external audit charges;
- The Council continued to manage its finances well in the year, and has taken action to refresh its priorities and identify the scope to reduce its expenditure following the Government's Comprehensive Spending Review and financial settlement for the 2011/12 and 2012/13 years.

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Robert Grant, PKF partner informed the Committee of the positive outcome, and acknowledged the work undertaken by officers in achieving this result. Members asked questions of Robert Grant.

An amendment to the report was noted on page 22, item 4.7. The words 'Kent, Essex and East Sussex Local Enterprise Partnership (KEESLEP)' should read 'SELEP, South East Local Enterprise Partnership'.

Councillor Lock referred to the Corporate Plan indicators and asked to receive further information concerning the breakdown of formal complaints received by Hastings Borough Council. The Director of Corporate Resources confirmed he would look into this.

RESOLVED – (unanimously) that Members note the contents of the Annual Audit Letter 2012/11, and that all Council Staff be thanked for their contribution in achieving a good letter.

19. GRANT CLAIM CERTIFICATION FOR THE YEAR ENDED 31 MARCH 2011

The Head of Financial Services submitted his report to consider the matters raised by the Council's External Auditors (PKF) in respect of their work associated with the certification of grant claims submitted by Hastings Borough Council for Year Ending 31 March 2011. PKF conducted the audit between July and November 2011 in accordance with the deadlines specified by the Audit Commission.

Robert Grant, PKF partner, presented the report. The Audit Committee were informed of the positive outcome obtained in relation to the grant claims and returns and commented that the work performed by Internal Audit had fully met required standards and led to savings of more than £23k for the Council.

RESOLVED – (unanimously) that the contents of the External Auditors' Report be noted and that the internal Chief Auditor and his team be thanked for their work.

20. HASTINGS BC OPERATIONAL RISK REGISTER

The Corporate Director Environmental Services presented his report to inform Members of the current Operational Risks identified for Hastings Borough Council and the measures put in place to mitigate those risks.

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The main areas of risk identified relate to the restructure of services and senior management; the Foreshore Trust and Financial risk as a result of reduced funding and impact of the economy.

The Committee discussed the operational risk registers for each service in detail and asked questions of the Officers. As a result the following points were agreed.

The Director of Corporate Resources advised he would speak to the Estates Manager to further discuss the risk concerning future letting arrangements at St. Mary in the Castle.

Councillor Birch referred to the risk of potential financial loss within Regeneration and Community Services. Richard Homewood advised that he would review this further.

Councillor Lock questioned the target date for completing IT work on the high speed Broadband link. Richard Homewood confirmed he would speak with the Head of IT to determine how long it would take for the fibre optic links to be installed and setup.

RESOLVED – (unanimously) that the Audit Committee acknowledge the risks identified in the report.

**21. TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY
2012/13, INCLUDING QUARTERLY MONITORING REPORTS FOR 2011/12**

The Director of Corporate Resources submitted a report to the Committee on the Treasury Management and Investment Strategy 2012/13, including Quarterly Monitoring Reports 2011/12. The purpose of the report was to enable the Audit Committee to scrutinise the report and draw any concerns or recommendations to Cabinet on 20 February 2012, followed by determination at Budget Council on 29 February 2012. The scrutiny of the strategy will ensure the proper management of the Council's cash funds.

The report was presented in compliance with the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services, which represents best practice and compliance with statutory requirements.

The Committee were informed of three key changes to the strategy: a minor relaxation of the investment criteria for short term deposits; the funds included in the nominated Local Authority Mortgage Account will not be included as part of the Treasury Management Policy limits for investment; and Investment returns will be lower for a longer than anticipated period.

Members asked questions of Peter Grace.

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An amendment to Appendix 5 – Specified and Non-Specified Investments on pages 117 and 118 of the report was noted. At rows 3 and 7, the words ‘Fund Managers only’ should read ‘In-house and external fund managers’.

RESOLVED – (unanimously) that the Audit Committee recommend that Cabinet approve the Treasury Management Strategy, Medium Revenue Provision (MRP) Policy and Annual Investment Strategy (2012/13), as amended above.

22. CHIEF AUDITOR’S SUMMARY AUDIT AND RISK REPORT

The Chief Auditor presented his report on the recent findings of the Hastings Information Centre’s Financial Processes audit report. The report concluded that the overall audit assessment was ‘C – adequate’ and that some controls in place are adequate, but there are audit concerns in some areas.

Additional controls concerning stock takes and CYBERTILL are being addressed to eliminate these concerns. Internal Audit will be attending a full stock take, taking place on 26th & 27th January 2012.

RESOLVED – (unanimously) that the Audit Committee accepts the report.

(The Chair declared the meeting closed at 7.20pm)