

**AUDIT COMMITTEE
15 JANUARY 2014**

Present: Councillors Birch, Clark, Cooke (Chair), Davies and Poole

16. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

17. MINUTES

RESOLVED – (unanimously) that the minutes of the meeting held on 25 September 2013 be approved and signed by the Chair as a true record.

18. TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2014/15, INCLUDING QUARTERLY MONITORING REPORTS FOR 2013/14.

The Head of Finance presented a report to the Committee on the Treasury Management and Annual Investment Strategy 2014/15, including Quarterly Monitoring Reports 2013/14. The purpose of the report was to enable the Audit Committee to scrutinise the report and draw any concerns or recommendations to Cabinet and Council as appropriate and to ensure there is an effective framework for the management of the Council's investments, cash flows and borrowing activities.

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 two key changes to the strategy:

- (i) Since publication of the report, it is now known that East Sussex County Council would no longer be contributing £1million to the Local Authority Mortgage Scheme (Scheme iii). Councillor Davies asked whether another bank would be prepared to substitute Lloyds Bank but was advised that this would be unlikely in view of the acceleration of the Government's alternative right to buy scheme that is available.
- (ii) Investment returns are expected to be lower in 2014/15 than for 2013/14.

Councillors Poole and Clark queried the level of interest being paid to the Public Works Loan Board (PWLB) and whether there were mechanisms in place for knowing when to switch if the economic situation was to change and it became financially more advantageous to do so. The Head of Finance provided assurance that interest payable

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is carefully monitored and the conclusion to remain was set out under debt rescheduling in the report.

The Head of Finance advised the committee that the banking contract would be put out for tender during February 2014. Since it is known that Co-op Bank will not be bidding, all relevant staff have been informed to carefully manage any stationery requirements where bank details need to be printed to avoid redundant stock. The select list of suppliers of banking services is limited especially now that Coop Bank is withdrawing from local authority business.

Councillor Cooke asked whether the Council had an Ethical Investments Policy and was informed it did not. However, it would take appropriate action if concerns over unethical investments arose.

Councillor Davies expressed his concern at the wording used in the first paragraph of Appendix 4, providing an economic background, in relation to its implications about poorer countries which the committee acknowledged.

The committee asked how much our investment advisers were paid for treasury advice and also whether there could be cost saving by purchasing county wide. The Head of Finance informed them that the cost for advice was £9,000 per annum but that owing to various different practices between our neighbouring councils, it wasn't practical to have a joint contract at this time. The committee acknowledged that independent advice was essential and that the cost for such a professional service received, was modest.

RESOLVED – (unanimously) that the Audit Committee recommend that Cabinet approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy and Annual Investment Strategy (2014/15).

19. ANNUAL AUDIT LETTER 2012/13

The Head of Finance presented the external auditor's Annual Audit Letter covering the Council's financial audit and value for money assessment to the Audit Committee.

The external auditor is required to report the contents of the Annual Audit Letter by statute and under the Code of Audit Practice approved by Parliament. It had been communicated to all Members and posted to the Council's website in October 2013 and posted on the Audit Commission's website on 1 November 2013.

The key messages included in the Annual Audit Letter were that BDO:

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(a) Audit of the financial statements for the period ended 31 March 2013 was completed by 30 September 2013 in line with the statutory deadline and issued with an unqualified opinion.

(b) Was satisfied that the Annual Governance Statement was not inconsistent or misleading with other information that they were aware of from their audit of the financial statements and that it complied with. 'Delivering Good Governance in Local Government. (CIPFA / SOLACE)'.

(c) Submitted their short form assurance statement on the Whole of Government Accounts return before the Government's deadline of 4 October 2013. No issues arose from their work.

(d) Was satisfied that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and issued an unqualified value for money conclusion on 30 September 2013.

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

(The Chair declared the meeting closed at 6.40pm)