

**AUDIT COMMITTEE
10 MARCH 2014**

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

Absence was noted for Councillors Cooke and Davies.

20. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

21. MINUTES

RESOLVED – (unanimously) that the minutes of the meeting held on 15 January 2014 be approved and signed by the Chair as a true record.

22. GRANT CLAIMS AND RETURNS CERTIFICATION (YEAR ENDED 31 MARCH 2013)

The Head of Finance submitted his report to consider matters raised by the Council's External Auditors (BDO) in respect of their work associated with the certification of grant claims submitted by Hastings Borough Council for the Year Ended 31 March 2013.

The report was presented in compliance with the requirements of the Audit Commission to present an annual report to those charged with governance on the results of their certification of work.

Robert Grant, BDO partner, was in attendance at the meeting and presented the report. He informed the Committee that owing to the level of errors proportionate to the sample examined and over all categories of claim, the housing and council tax benefit subsidy claim was certified with an extensive qualification letter. The final decision on the amount of subsidy to be paid to Hastings Borough Council for 2012/13 claim is awaited.

Councillor Poole raised concern that 12% of the sample checked was incorrect. She asked what effect migration to Universal Credit would have.

Robert Grant said they found a number of 'Classification errors' which although do not affect the claimants entitlement, they do affect the grant claim and therefore need to be addressed. In the future, he said he would want to see strengthening of the checking process. He also commented that several cases had been so complex that the Auditors had to contact the Housing Benefits, Council Tax and National Non-Domestic Rate Software Supplier to resolve them and this added to delays.

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The Head of Finance confirmed that there were around 13,000 claims and 22,000 changes of circumstances. Errors arose in the complexities of the software, so Hastings Borough Council was not the only authority that had been affected. The number of supervisory checks had been reduced in 2013 to allow staff to deal with new changes in legislation.

Councillor Poole asked what level of checking was undertaken on a daily basis.

The Head of Finance explained that one of the 3 categories of error centred around Bed & Breakfast cases. Bed & Breakfast cases account for only a very small portion of the grant claim and steps had now been taken to look at every Bed & Breakfast claim from start to finish for the last year.

Councillor Birch was concerned that our Housing Benefits System Software may have contributed to some of the errors detected and enquired what officers were doing about this.

The Head of Finance confirmed that key staff at our Housing Benefits, Council Tax and National Non-Domestic Rate Software Supplier, were involved in programming the system for Universal Credit. Immediate changes in National Non-Domestic Rate meant they were under pressure to complete. He explained that it was not necessarily a system fault, but how it is operated and how staff are trained to use it. Temporary staff currently employed in Housing Benefits, were not always familiar with cross boundary local housing allowances. It would be a big decision to change supplier and therefore it has to remain a compromise.

Robert Grant informed the committee that the Housing Benefits, Council Tax and National Non-Domestic Rate Software system that Hastings Borough Council uses is a national system used by a high proportion of local authorities and that the difficulties with the system may continue because of the complex issues in Hastings. Other software companies have their own idiosyncrasies.

Councillor Clarke asked if there was a need for a complex scenario team to deal with difficult cases.

The Head of Finance confirmed that there are Team Leaders who are experienced assessors and deal with the complex applications. However, the Team Leaders have had to assist with a new applications system ATLAS, for uploading changes on Department for Works and Pensions systems to ours. He said he had been assured that the latest review had now pushed up the quality of testing and other areas of need.

Councillor Clarke asked what number of claims were complex cases.

The Head of Finance clarified that 4,020 claims were from pensioners but working age claimants were more complex. Out of 7,000 - 8,000 claims, 1,300 were more complex,

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notably the ones in rented accommodation or Bed & Breakfast in or outside the Borough.

Councillor Clarke asked if it would be possible to employ the contract staff under fixed term employment until Universal Credit is brought in, given that contract staff are on a higher fee.

The Head of Finance said the contract staff do not pick up redundancy costs and have reduced administration costs by a third. The six contract staff were excellent and the performance was as a result of employing those people. Some contract staff work remotely at a lower rate, so it is not expensive. The Council Tax reduction team will change resources more as well as part of the service review.

Councillor Birch asked whether Hastings Borough Council had ever previously received a qualified report before and the Head of Finance confirmed that last year's report had been qualified also.

Councillor Clarke asked for a report based on the service and sample testing to be brought to the committee in 6 months time.

The Head of Finance agreed to this request.

RESOLVED – (unanimously) that the Audit Committee:

- a) accept the External Auditor's Report on Grant Claim and Returns Certification for the year ended 31 March 2013.**
- b) that a report on the progress on implementation of the recommendations accepted in appendix II of the main report are reported to this committee in 6 months time.**

23. EXTERNAL AUDIT PLAN 2013/14 TO THE AUDIT COMMITTEE (AUDIT FOR THE YEAR ENDED 31 MARCH 2014)

The Chief Auditor presented his report on the External Audit Plan 2013/14. The report provided an update of BDO's audit plan for the audit of the Council's accounts and Value for Money arrangements. The plan identified the significant risks along with planned work in response to those risks. It also provided a timetable and proposed fee for work undertaken.

Robert Grant, BDO partner, presented the Plan. He informed the committee of three significant risks: Management override Inherent Risk; Revenue Recognition, and East Sussex Joint Waste Partnership.

Furthermore, it was noted that savings of 4.9million had been identified. The summary of findings will be produced in the Annual Audit letter in October 2014.

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Councillor Clarke asked if the Joint Waste Partnership produced its own set of accounts. Robert Grant advised that there was not a requirement for this.

RESOLVED – (unanimously) that the Audit Committee accept the External Auditors Plan 2013/14.

24. INTERNAL AUDIT PLAN 2014/15

The Chief Auditor presented his report on the internal audit plan for 2014/15. The plan will ensure that proper financial management arrangements and controls are in place and operating effectively in the Council.

Councillor Clarke asked if the current disaster plan for staff was working. The Head of Finance confirmed that it was incorporated in last years Audit Plan and that our own contingency arrangements do work and are constantly reviewed and updated. Furthermore, he added that Hastings Borough Council had partnered with ESCC to provide greater resilience.

RESOLVED – (unanimously) that the Audit Committee approves the plan.

(The Chair declared the meeting closed at 6.45pm)