

AUDIT COMMITTEE

22 JUNE 2015

Present: Councillors Beaver (Chair), Chowney, Westley and Charman

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Clark and apologies for lateness had been received from Councillor Charman.

Members welcomed Councillor Chowney to the Audit Committee. They also acknowledged the work done on behalf of Councillor Birch as a member of the Audit Committee and as Leader of the Council. The Committee expressed their sadness at his passing.

2. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

3. NOTIFICATION OF ANY ADDITIONAL URGENT ITEM (IF ANY)

None.

4. STRATEGIC RISK REGISTER

The Director of Corporate Services and Governance submitted a report setting out the Strategic Risks facing Hastings Borough Council and the measures put in place to avoid or mitigate those risks.

Appended to the report was the Strategic Risk Register.

The Director of Corporate Services and Governance, acknowledged the work undertaken by Richard Homewood former Corporate Director of Environmental Services. She confirmed that she had taken on the responsibility for the Strategic Risk Register and that some elements of work which were allocated to individuals would need to be updated. This would be achieved through the Corporate Management Team.

Councillor Charman asked what the consequence of the high risk was for deterioration of the town's assets and felt it was not the responsibility of the Council. The Assistant Director – Financial Services and Revenues advised that it would depend on which assets. He said that if we did not maintain our own assets responsibly and ensure the townscape was maintained, there would be an effect on tourism and economic vibrancy. It is a strategic risk for us and the town as a whole.

Councillor Beaver referred to the risk of legal challenge in view of a recent judicial decision on a planning appeal and asked officers if they were still happy with the risk level. The Director of Corporate Services and Governance said after consultation with the Chief Legal Officer, she felt that a medium risk was appropriate.

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RESOLVED – (unanimously) that the Audit Committee acknowledge the risks identified in the report and comment as appropriate.

5. OPERATIONAL RISK REGISTER

The Director of Corporate Services and Governance introduced her report on the Operational Risk Register to inform Members of the current Operational Risks identified for Hastings Borough Council and the measures put in place to mitigate those risks.

The report informed the committee of the changes during the year and listed the highest level risks to individual services.

Appended to the report was the Operational Risk Register.

The Director of Corporate Services and Governance commented on staffing capacity. She assured the committee that the new Leader of the Council and the Management Team and were working together and looking at ways of smarter working and making processes quicker. She advised that there has to be a good work life balance and members need to recognise that we are having to work strategically.

Councillor Westley sought reassurance on staff capacity in respect of the reduction in staffing numbers and loss of experienced and senior staff. She asked what was being done to mitigate staff when lost. The Director of Corporate Services and Governance advised that it is important to capture information when people leave, plus having a project approach and defined responsibilities so someone can cover.

The Assistant Director – Financial Services and Revenues, added that there are times when the limits to capacity are reached, for example, legal claims or appeals can be time consuming and given that the resources are scarce, other things suffer if officers are tied up. He said it will take someone else, brought in to assist, a lot longer to get up to speed.

Councillor Beaver asked if the loss of monies from parking services (from ESSL over 8 years ago) will ever be recovered. The Assistant Director – Financial Services and Revenues, said the money would not be recovered however, the Chief Legal Officer has been pursuing recovery of our costs.

Councillor Westley queried the business rate levy on the collection of large businesses that go into receivership and whether it would leave us in debt. The Assistant Director – Financial Services and Revenues replied that if a business goes into administration and there were no assets, there is nothing to cover this loss save for the bad debt provision raised by the Council i.e the Council allows for an element of non collection in its forecasts. He was hopeful that the economy would continue to show growth and that businesses would thrive in Hastings – thus avoiding administration. He further advised that in March 2015, 100 rating appeals had been lodged with the valuation office which will inevitably reduce the rateable value list and impact on the income the Council will receive in the future – some allowance had been made for this. He stated

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that the Non Domestic rates budget in 2015/16 was on track and was monitored closely, but it was not without risk given the number of appeals.

Councillor Westley asked how many appeals were lost in the last year. The Assistant Director – Financial Services and Revenues said that last year 98.5% of rates was collected in year, and this will increase to over 99.5% in respect of that year. He advised that overall it is a relatively small amount that we cannot collect.

Councillor Westley commented on O&S resources regarding fraud detection. She queried the potential operational risk referred to in the risk register under Investigations: 'Housing Benefit Fraud or Council Tax Benefit Fraud is not rigorously investigated' and asked officers if they were happy with the level of risk attributed to it. The Assistant Director – Financial Services and Revenues said he was not happy with the level of service, but responsibility for it had transferred to the DWP and the Chief Auditor was in communication with them. The DWP have agreed to send Hastings BC information every 6 weeks and it has been agreed to hold a meeting if necessary. The Chief Auditor said there had been some unforeseen difficulties following the transfer partly due to DWP case management systems not having been specifically set-up for Housing Benefit fraud. However, we are expecting 6-weekly information to arrive shortly and to have a meeting thereafter. The Chief Auditor pointed out that there were other measures to mitigate fraud risk through funding acquired from 3 successful bids. He also said that the introduction of Real Time Intelligence (RTI) was enabling correctness of Housing Benefit claims from their early start.

In response to members enquiries, the Chief Auditor will bring back a report on the fraud reduction and detection initiatives at the next Audit Committee meeting.

Councillor Westley suggested that where a planning decision can be legally challenged, so could Licensing as it is a legal statutory instrument and therefore has a potential risk. For example where incorrect information was given by the Police and not picked up by Licensing, this risk should be included. The Director of Corporate Services and Governance agreed it was a helpful suggestion.

Councillor Charman asked about the frequency of abusive behaviour in the Contact Centre. The Director of Corporate Services and Governance said the Police had been called 3 or 4 times within the last 6 months to deal with abusive behaviour. The trend she said was not going up. They were working to train and support staff as best as possible, but were mindful not to exacerbate the situation. The 'digital by design' approach will also assist.

RESOLVED – (unanimously) that the Audit Committee acknowledge the risks identified in the report and comment as appropriate.

6. ANNUAL TREASURY MANAGEMENT REPORT 2014-15

The Assistant Director – Financial Services and Revenues, presented his report to provide the opportunity to scrutinise the Treasury Management activities and performance of the last financial year. A similar report will be considered by Cabinet and Council along with any recommendations made by the Audit Committee.

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The report was set out in accordance with the Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

Councillor Chowney queried the future budget forecast and whether interest rates will stay the same. The Assistant Director – Financial Services and Revenues, advised that investment returns are slightly lower than the budget forecast but he was expecting interest rates to increase marginally towards the end of the financial year as an increase in base rate becomes closer.

RESOLVED – (unanimously) that the Audit Committee consider the report and comment on any areas that it wishes to draw to the attention of Cabinet.

7. **AUDIT COMMITTEE REPORT 2014-15 TO COUNCIL**

The Chief Auditor presented his report on the annual review of the effectiveness of Internal Audit for onward transmission to Council.

He informed the committee that a Group Auditor was retiring.

RESOLVED – (unanimously) that the Audit Committee report 2014/15 is approved for presentation to Council.

8. **ANNUAL GOVERNANCE STATEMENT 2014-15**

The Chief Auditor presented his report on the Annual Governance Statement 2014/15. The purpose of the report was to provide assurance that the Council's governance framework was adequate and effective.

The Committee was asked to recommend that the Leader of the Council and the Director of Corporate Services and Governance sign the Annual Governance Statement 2014-15 on behalf of the Council in accordance with the Accounts and Audit Regulations 2011.

The Annual Governance Statement for 2014-15 was appended to the report.

Councillor Beaver sought assurance that whilst the works to Aquila were ongoing, staff who were working from home were being supported. The Director of Corporate Services and Governance confirmed that there was a working practise agreement and appropriate measures were taking place to accommodate staff.

The committee considered a form of wording that should go into the Annual Governance Statement which would allow the new Leader of the Council to sign it. The Chief Auditor read out the wording as follows:- "Sadly, the Leader of the Council met a sudden and unexpected death on 6 May 2015. Caretaking arrangements were put into immediate effect and a new Leader elected at Council on 20 May 2015".

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RESOLVED – (unanimously) that the Audit Committee recommends that the Leader and the Director of Corporate Services and Governance sign the Annual Governance Statement.

9. **UPDATED AUDIT COMMITTEE TERMS OF REFERENCE**

The Chief Auditor presented his report on the updated Audit Committee Terms of Reference. The Terms of Reference were last reviewed at the Audit Committee meeting held on 27th October 2005. Following several organisation restructures it has is necessary to update the Terms of Reference to reflect changes such as to officer's titles and Audit Committee responsibilities.

Council will consider these changes at its meeting on 22 July 2015, under Part 3 of the Constitution – Responsibility for Functions.

The Audit Committee Terms of Reference was appended to the report.

RESOLVED – (unanimously) that the updated Audit Committee Terms of Reference be approved.

10. **CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT**

The Chief Auditor presented his report on the recent review of corporate credit cards.

7 members of staff hold a corporate credit card for circumstances where payment is needed immediately, such as IT products and homelessness accommodation.

The overall Audit Assessment is satisfactory with most controls are in place and working effectively.

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

11. **MINUTES OF THE MEETING HELD ON 9 MARCH 2015**

This item was deferred to the end of the agenda to give Councillor Beaver time to arrive as she was the only member present at the last meeting who could agree the minute.

RESOLVED – (unanimously) that the minutes of the meeting held on 9 March 2015 be approved and signed by the Chair as a true record.

(The Chair declared the meeting closed at. 6.53 pm)