

# AUDIT COMMITTEE

14 MARCH 2019

Present: Councillors Rankin (Chair), Levane (Vice-Chair), Berelson and Chowney

## 48. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Charman

## 49. DECLARATIONS OF INTEREST

The following Councillors declared their interests in the minutes as indicated:

Councillor	Minute	Interest
Chowney	51	Personal- had previously worked for the Audit commission

## 50. MINUTES OF THE LAST MEETING HELD ON 23 JANUARY 2019

Under minute 47 of the previous minutes Section 106 updates were asked for. It was noted that this was included in this agenda under item 55 (Chief Auditor's Summary Audit and Risk report) and would be discussed then.

The committee requested as a follow up action to this that they receive the spreadsheets detailing the Section 106s

**RESOLVED – (unanimously) that the minutes of the meeting held on 23 January 2019 be approved.**

**That the Section 106 spreadsheet be circulated to the committee.**

## 51. EXTERNAL AUDIT PLAN - YEAR ENDING 31 MARCH 2019

The Chief Auditor presented a covering report to inform Audit Committee of Grant Thornton's (External Auditor), plan for the audit of the Council's accounts and Value for Money arrangements. The report from Grant Thornton highlights the risk based approach to the audit and the main risks they have identified. It also shows the proposed audit fees.

Darren Wells (Engagement Lead), from Grant Thornton presented the Audit Plan. The plan summarises the proposed audit work for the year. It highlights the significant risks that impact on the audit and details the planned work in response to those risks.

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The report also highlighted key factors which could impact upon the councils audit such as changes to the CIPFA (Chartered Institute of Public Finance and Accountancy), 2018/19 Accounting Code.

The report also identified significant risks that most councils would be subject to and along with specific ones for Hastings Borough Council. These were the move to new financial software and the account preparation for the new Hastings Housing Company Ltd.

The councillors welcomed the report and had questions concerning the £84K threshold below which errors/omissions are seen as trivial. Darren Wells explained this was to do with Materiality.

Materiality relates to the significance of transactions, balances and errors contained in the financial statements. Materiality defines the threshold or cut off point after which financial information becomes relevant to decision making. Materiality is relative to the size and circumstances of individual organisations.

The report gives the figure of £1685K as material for Hastings Borough Council as this is 2% of the prior year's gross expenditure.

Darren Wells went on to explain that there were other audit tests that would happen. There are a range of different tests which can be used for different purposes. They would be looking for robustness an realistic assumption particularly where valuations are concerned.

Darren Wells confirmed that they work with other Councils and whilst they can't offer advice to Hastings Borough Council they can report on the knowledge within the public sector. Previously the audit commission offered an advice role for local governments before it was dissolved. There are still organisations such as CIPFA that the council can talk to, if necessary.

Councillor Chowney proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Levane.

**RESOLVED (unanimously) that Audit Committee accept the External Auditor's Audit Plan.**

### Reasons for Recommendations

The Audit Committee, as required by the Constitution, receives and notes the External Auditor's Audit Plan on behalf of the Council.

## **52. STRATEGIC RISK REGISTER**

The Chief Auditor presented a report to inform Audit Committee of the current strategic risks identified for Hastings Borough Council and the measures put in place to avoid or mitigate those risks.

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The Chief Auditor pointed out an error in the report. The reason for recommendation should read;

*“As part of the Corporate Risk Management Strategy agreed by Cabinet, the **STRATEGIC Risk Register** is to be reviewed by the Audit Committee each year.”*

The Strategic Risk Register is intended to give the Audit Committee and Corporate Management Group a detailed view of the potential threats to the Council at strategic level, the danger each one represents, and the mitigation measures that have been put in place to minimise the impact.

Councillors raised concerns that officers had confused risk avoidance with risk mitigation in places on this register. Risk avoidance is what you do to stop the risk from happening and risk mitigation is what you do if the risk has happened.

Councillors also looked at the new in house street cleansing contract. Councillors would like to get an update from this team. They have also asked that the performance of the in house street cleansing is closely monitored for by Audit Committee. Officers advised that this would be on the agenda for November Committee after it had been operating for a few months and there would be opportunity to assess its success.

Commercial property ventures were raised but these are covered in the operational risk register and would be covered elsewhere on the agenda.

Councillor Chowney proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Berelson.

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

### Reasons for Recommendations

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Strategic Risk Register is to be reviewed by the Audit Committee each year.

### **53. OPERATIONAL RISK REGISTER**

The Chief Auditor presented a report to inform Audit Committee of the current operational risks identified for Hastings Borough Council and the measures put in place to avoid or mitigate those risks.

The Chief Auditor would be giving the committee’s feedback at a Corporate Risk Management meeting.

Councillors raised concerns about the quality of some of the data. Some updates were needed to the names of the waste collection provider and some referenced dates had already passed. The Regeneration and Culture section used a different format making it inconsistent with the rest of the report. The section confused risk avoidance and risk mitigation which has meant that there was no risk mitigation identified. Other officers in other sections had also confused risk avoidance with risk mitigation.

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The committee would like the report resubmitted after the changes and updates identified had been made.

Councillor Chowney proposed a motion to approve the report as set out in the resolution below.

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

**That the report is resubmitted to the next Audit Committee after changes and updates identified had been made.**

### Reasons for Recommendations

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Operational Risk Register is to be reviewed by the Audit Committee each year.

The committee would like the report resubmitted after the changes and updates identified had been made.

### **54. PROPOSED INTERNAL AUDIT PLAN - 2019/20**

The Chief Auditor presented a report for Audit Committee to consider the proposed internal audit plan for 2019/20.

In the report there is a schedule for the year that will look at both i) Fundamental & Financial Audits and ii) Risk Reviews, Follow-up & Other. These will include a range of items, some of these have to be done annually. Some highlights of this included National Fraud Initiative (NFI) matches, refresher all staff training for proactive fraud related work and looking at the new financial software. The schedule needed to be flexible and there are free slots to accommodate this.

Councillors asked questions about the NFI matches in relation to the welfare benefits the council gives. The Chief Auditor advised that it goes into a lot of detail including matching who is in the property and are they claiming anywhere else.

Councillor Levane proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Chowney.

**RESOLVED (unanimously) that Audit Committee approves the Internal Audit Plan 2019/20.**

### Reasons for Recommendations

To ensure that proper financial management arrangements and controls are in place and operating effectively in the Council.

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Audit Committee approval of the Internal Audit plan provides clear authority for Internal Audit to discharge the assignments listed therein and enable monitoring of the efficiency and effectiveness of Internal Audit.

### **55. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT**

The Chief Auditor presented a report to inform the Audit Committee of the key findings from the Cash & Bank and Section 106 audits.

The Cash & Bank report was an in depth review and went well. The Chief Auditor went on to emphasise that cash reconciliation is being done daily within the Council but some areas were not due to reduced staff capacity. These have since been identified and this issue rectified.

The Section 106 report had identified that the spreadsheet had now moved from a recording sheet into a control one. Officers had been having regular quarterly meetings to update this which previously haven't happened consistently. Audit committee members will be receiving the full report and spreadsheets as requested.

Councillors asked about the Section 106s. They asked about the Section 106 reserve and the importance of spending the money as soon as possible on intended projects and was this being done. Councillors were told that the Section 106 money can only be spent for a particular purpose and could be held longer if the conditions attached to the Section 106 allowed for this. There is currently some £500k in the Section 106 reserves. There were also checks to make sure that no money had been lost due to time limits and all other monies had been collected. The Chief Auditor reported that this was successful.

Councillors asked about whether we were moving to a cashless council. Officers advised that credit and debit card transaction were increasingly used in the economy but that there were still 10% in our community that can only use cash. Cash is expensive and difficult to manage and there is not the capacity to deal with large sums. Cash collections still happen in leisure activity areas.

The Chair asked Councillors if they were happy to accept the report.

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

#### Reasons for Recommendations

To monitor levels of control within the organisation.

### **56. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS (IF ANY)**

None

(The Chair declared the meeting closed at. 7.23 pm)