

AUDIT COMMITTEE

30 JULY 2019

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

57. APOLOGIES FOR ABSENCE

None received.

58. DECLARATIONS OF INTEREST

None received.

59. MINUTES OF THE LAST MEETING

RESOLVED – (unanimously) that the minutes of the meeting held on 14 March 2019 be approved.

60. ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2018/19

The Chair brought this item forward on the agenda.

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), presented a report to provide the Committee with an opportunity to scrutinise the Treasury Management activities and performance of the last financial year.

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19.

The Assistant Director informed the Committee that no recommendations have been made to amend the current Treasury Management Strategy though there may be in-year changes following the mid-year review of 2019/20 activity.

In response to a question regarding the increase in the Council's borrowing the Assistant Director advised that the Final Accounts 2018/19 include a breakdown of the capital expenditure in the year.

The Chair noted that with many large capital expenditure items being Part II it is difficult for backbench Councillors to understand where borrowing is being spent. In response the Assistant Director confirmed that more information can be provided in reports to Committee on the Capital Expenditure.

RESOLVED (unanimously) that:

To consider the report – no recommendations are being made to amend the current Treasury Management Strategy as a result of this particular review.

Reasons:

AUDIT COMMITTEE

30 JULY 2019

To ensure that members are fully aware of the activities undertaken in the last financial year, that Codes of Practice have been complied with and that the Council's strategy has been effective in 2018-19.

Under the Code adopted the Full Council are required to consider the report and any recommendations made.

61. FINAL ACCOUNTS 2018/2019

Items 61 and 62 were discussed by the Committee together.

The Assistant Director, Financial Services and Revenues (Chief Finance Officer) presented a report to approve the Statement of Accounts (2018-19) on behalf of the Council in accordance with the Accounts & Audit Regulations 2015.

The Accounts & Audit Regulations 2015 require the Council to approve the Statement of Accounts by the 31st July each year. The Audit Committee has delegated authority to approve the accounts on behalf of the Council.

The Chair thanked the finance team for their work.

RESOLVED (unanimously) that:

The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2015.

Reasons:

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

62. GRANT THORNTON AUDIT COMPLETION REPORT- AUDIT FOR THE YEAR ENDED 31 MARCH 2019

The Assistant Director, Financial Services and Revenues (Chief Finance Officer) submitted a report to consider the matters raised by the Council's external auditors, Grant Thornton, in respect of their Governance Report. This includes the audit opinion of the Council's 2018/19 accounts and their value for money assessment of the Council.

Darren Wells, Engagement Lead, Grant Thornton presented the external auditors report and took questions from the Committee. Darren thanked the Hastings Borough Council finance team for their patience in dealing with Grant Thornton's lines of inquiry. Darren explained that work is still in progress on some areas where further clarification is required. The Chief Accountant, Simon Jones, confirmed that the finance team had provided full responses to further queries.

The Committee discussed the audit completion report alongside the Final Accounts

AUDIT COMMITTEE

30 JULY 2019

2018/19 (item 61).

The Chair asked why the funding shortfall was predicted to spike in 2020/21 and then decrease. The Assistant Director explained that the peak is primarily due to one-off costs, e.g. HBC elections, and income streams from 2020/21 onwards also contribute to the decrease in the funding shortfall.

In response to a question regarding the disabled facilities grant (DFG) reserve the Assistant Director informed the Committee that there is a need for the grant and that, whilst the process has been sped up, it still appears to take a very long time to provide the necessary assistance to those in need.

In response to a question regarding business rate relief for NHS hospitals the Assistant Director confirmed that an initial court hearing is set to be heard in early November 2019. If NHS hospitals are able to claim charitable status it will have a significant financial impact on local authorities and the claim for business rate relief would also be backdated.

In response to a question about the pension fund deficit the Assistant Director highlighted that the £41.6 million deficit is arrived at through a pre-determined methodology. The pension revaluation (undertaken every 2 years) is determined on another set of criteria and affects the annual contribution payable by the council. This valuation continues to recover any deficit identified.

RESOLVED (unanimously) that:

That the report and action plan be accepted.

Reasons:

The Council's external auditors are required to submit a report to the Council's Audit Committee on any matters that are identified during their audit.

63. AUDIT COMMITTEE REPORT TO COUNCIL 2019

The Chief Auditor presented a report to agree the Audit Committee report to Council on its annual review of the effectiveness of Internal Audit.

Regulation 6 of the Accounts and Audit Regulations (England) 2015 requires Local Authorities to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the authority's financial statements.

This Chief Auditor's report, which follows the format recommended by the Chartered Institute of Public Finance and Accountancy, sets out the review of internal control and the assurance gathering process as required by the statute and accompanying guidance.

The Chief Auditor explained that due to the timings of the accounts, it would be beneficial to include the Council's accounts for 2018/19, to provide Full Council with

AUDIT COMMITTEE

30 JULY 2019

the latest version when they next meet in October.

RESOLVED (unanimously) that:

The Audit Committee Report 2018/19 is approved for presentation to Council (to include 2018/19 minor amendments).

Reasons:

Regulation 6 of the Accounts and Audit Regulations (England) 2015 requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings.

64. OPERATIONAL RISK REGISTER- UPDATE REPORT

The Chief Auditor presented a report to assure the Audit Committee that the Operational Risk Register will be submitted to the following meeting of the Committee.

The Operational Risk Register has been mainly updated but there are still areas requiring checking and review. A contributory factor in this delay is that there have been some changes in the Council recently, for example, the setting up of the Direct Service Organisation (DSO) and the change of waste contractor.

A review will take place again shortly before the next meeting to ensure they are current.

RESOLVED (unanimously) that:

That the report is noted.

Reasons:

It was agreed at the Audit Committee meeting held on 14 March 2019 under minute 53, that the Operational Risk Register would be brought back to the July meeting. Whilst it has been largely updated, there are just a few parts still to be reviewed.

65. 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 National Fraud Initiative (NFI) Data Matching Exercise.

The purpose of the National Fraud Initiative data matching exercise is to prevent and detect fraud, whilst also identifying potential errors caused by duplicate payments made to suppliers.

The NFI data matching exercise is conducted every two years and compares computer records held by Hastings Borough Council with data from organisations such as the Department for Work and Pensions (DWP), National Health Service, Companies House and other local authorities.

AUDIT COMMITTEE

30 JULY 2019

RESOLVED (unanimously) that:

That the Audit Committee accepts the report.

Reasons:

To monitor levels of control within the organisation.

(The Chair declared the meeting closed at 8.01 pm)