AUDIT COMMITTEE

26 JUNE 2014

Present: Councillors Beaver (Chair), Birch, Webb, Charman and Davies

1. APOLOGIES FOR ABSENCE

Absence was noted for Councillor Clark.

2. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

3. MINUTES OF THE MEETING HELD ON 10 MARCH 2014

RESOLVED – (unanimously) that the minutes of the meeting held on 10 March 2014 be approved and signed by the Chair as a true record.

4. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS

None.

5. CORPORATE RISK REGISTER

The Director of Environmental Services submitted a report setting out the corporate risks facing Hastings Borough Council and provided assurance to the Committee that control arrangements are in place. Appended to the report was the Corporate Risk Register.

The report informed the committee of the changes during the year and listed the highest strategic level of risks that are the focus of the Council into the future.

Councillor Davies asked if the cuts and slump in economic finances were cancelling out regeneration. The Director of Environmental Services said there would always be a risk when dealing with world economics and when obtaining funding. The council would always look for new opportunities to support regeneration initiatives.

RESOLVED – (unanimously) that the Audit Committee acknowledge the risks identified in the report.

6. OPERATIONAL RISK REGISTER

The Director of Environmental Services presented his report 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 of risks to individual services that are the focus of the Council into the future.

Councillor Davies queried the risks associated with staffing changes and asked what had been done to future proof professions and expertise. He said there was a risk of losing the capacity and skill base. The Director of Environmental Services said there were a number of mitigation measures in place, for example, succession planning, workforce analysis, team training and other POD initiatives.

Councillor Davies asked why several Environmental Health staff had been replaced by agency staff and why this had not been generated internally. The Director of Environmental Services explained that they were in fact not agency staff, but private contractors which were not as costly. This was done as the most cost effective way to achieve targets.

Councillor Webb commented on the high/high risk for fraud administration after the transfer of Hastings BC Investigation to DWP SFIS (Single Fraud Investigation Service). At this point in time there were still answers outstanding to key questions, for example, in regard to funding, time and resources for investigation of fraud cases below a certain threshold, and ongoing workload.

The Chief Auditor confirmed he had attended an SFIS start up meeting with DWP just prior to the committee meeting and more information would follow. A comprehensive update will be provided in due course to members.

Councillor Beaver queried the minimum threshold below which fraud would not be investigated. The Head of Finance clarified that each case was dealt with on a case by case basis and advised that a report will be produced as stipulated in the paragraph above.

Councillor Birch identified a few risks that were no longer applicable. He also commented that the Housing Services performance targets should be a low risk instead of a medium risk. Additionally he suggested the loss of key staff in different sections could be reported as a corporate view instead of by each department.

The Director of Environmental Services accepted the points and would deal with them accordingly.

Councillor Charman asked why the lease on St Mary in the Castle was a medium/high risk. The Director of Corporate Resources said at the time the report was put together the lease was not signed and the restaurant not opened, but since then the restaurant has opened.

> **RESOLVED – (unanimously) that the Audit Committee acknowledge the risks identified in the report.**

7. ANNUAL TREASURY MANAGEMENT REPORT 2013/14

The Head of Finance presented his report to the Committee, 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 along with any recommendations made by the Audit Committee.

The report was set out in accordance with the Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The Head of Finance highlighted the key points of the report and advised there will be a need to focus on interest rates which are potentially beginning to change after a long period of stability.

> **RESOLVED – (unanimously) that the Audit Committee after considering the report had no comments to draw to the attention of Cabinet.**

8. AUDIT COMMITTEE REPORT 2013-14 TO COUNCIL

The Chief Auditor presented his report on the annual review of the effectiveness of Internal Audit to Council. He drew to the Committee's attention that not as many audits were completed as in previous years. This had been because of the substantial problems on the housing benefits subsidy grant work. However, the IAS work was completed within timescales.

In addressing capacity to deliver services, Councillor Davies asked whether in a shrinking environment, there was concern about pressure on audit and other services.

Whilst there was less audit coverage than planned, this was because of the problems encountered on the housing benefit grant subsidy work. The Chief Auditor assured the committee that this year they will be monitoring the speed and progress on the housing benefit grant subsidy work very carefully to take early remedial action if needed.

> **RESOLVED – (unanimously) that the Audit Committee approve the Audit Committee Report 2013-14 for presentation to Council.**

9. ANNUAL GOVERNANCE STATEMENT 2013-14

The Chief Auditor submitted his report and Annual Governance Statement 2013-14 to the Committee. 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 Resources sign the Annual Governance Statement 2013-14 on behalf of the Council in accordance with the Accounts and Audit Regulations 2011. The Annual Governance Statement for 2013-14 was appended to the report.

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

10. CHIEF AUDITOR'S SUMMARY AUDIT & RISK REPORT

The Chief Auditor presented his report on the recent audit findings of the Payroll, Income and Main Accounting System internal audit reports.

The Chief Auditor explained that whilst the audit opinion for the income systems was adequate, it was close to being satisfactory. Importantly, the car park income had been reconciled as at 31/03/2014.

The Head of Finance accepts the report and to put it in context at the committee meeting there was £4,062 of income waiting to be reconciled against a volume of £245 million income received per annum. The difference being reconciled was mainly due to timing differences. The recommendations are being actioned with the assistance of internal audit.

Members commented on the income systems report and Councillor Birch requested the Chief Auditor bring back a report on the implementation of recommendations.

> **RESOLVED – (unanimously) that the Audit Committee accepts the report and agrees the Chief Auditor brings back to the committee a follow up report on the recommendations made on income systems.**

(The Chair declared the meeting closed at. 7.00 pm)