

# Public Document Pack

## AUDIT COMMITTEE

22 SEPTEMBER 2016

Present: Councillors Chowney, Charman, Sinden, Beaver and Webb (as the duly appointed substitute for Councillor Clark)

Apologies for absence were noted for Councillor Clark

### 43. MINUTES OF THE MEETING HELD ON 29 JUNE 2016

**RESOLVED – (unanimously) that the minutes of the meeting held on 29 June 2016 be approved and signed by the Chair as a true record**

### 44. FINAL ACCOUNTS 2015-16

The Assistant Director, Financial Services and Revenues, presented a report which sought approval of the Statement of Accounts 2015/16. Under the Accounts and Audit Regulations 2015, the Audit Committee was required to approve the Statement of Accounts on behalf of the council, prior to publication on the 30 September each year.

The committee considered the final accounts together with the year-end report for the same period by the council's external Auditors, BDO, which was presented by Mr Lloyd-Thomas. Members were given an overview of the audit process which assessed the accuracy of the council's financial statements and the assumptions made as part of the budget setting process.

Consideration was given to the risks facing the authority including; a deficit on the pension fund, continued uncertainty about the levels of appeals of non-domestic rates and an ongoing compensation claim in respect of Hastings Pier. It was noted that a number of other authorities were facing similar risks, and the council had a strong record of achieving efficiencies, whilst maintaining appropriate levels of reserves. High levels of uncertainty remained in terms of the economic landscape the council would be operating in over the coming years, and this would need to be considered as part of the budget setting process for future years.

BDO had recommended that management review the existing control framework over journal entries, which was accepted by the council's finance team. It had also been suggested that the council could consider reducing the funds it sets aside to address arrears in council tax collection rates, given the good performance over recent years.

BDO's final report stated that the financial statements provided a true and fair reflection of the authority's financial position.

Cabinet had reviewed the outturn position for 2015/16 at its meeting on 5 September 2016. An under spend had been achieved against the budget projections for 2015/16, Cabinet had considered this position together with information about performance against corporate priorities that year.

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**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**

The reason for this decision was:

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.

**45. BDO FINAL REPORT TO THE AUDIT COMMITTEE - AUDIT FOR THE YEAR ENDED 31 MARCH 2016**

The Assistant Director, Financial Services and Revenues, submitted a report which considered the matters raised by the council's external auditors (BDO) in respect of their governance report.

BDO had assessed the council's final accounts for 2015/16 and found that they provided a true and fair reflection of the authority's financial position.

The report and recommendations were considered, together with the final accounts for 2015/16.

**RESOLVED (unanimously) that the report and action plan be accepted**

The reason for this decision was:

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.

**46. ANNUAL TREASURY MANAGEMENT REPORT 2015-16**

The Assistant Director, Financial Services and Revenues, presented a report which provided an opportunity for the Audit Committee to scrutinise the treasury management activities and performance over the last financial year. The council complied fully with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2009, by undertaking an annual review report of its treasury management activities.

Treasury management related to the council's investments, cash flow, banking, money market and capital market transactions. The purpose of the strategy was to minimise the risks associated with these activities and optimise performance.

The Assistant Director, Financial Services and Revenues, commented that it had not be necessary to amend the strategy as significantly in 2015/16 compared to previous years. Cabinet had considered the annual treasury management report at its meeting

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on 5 September 2016, but had not made any recommendations to Full Council to amend the present strategy.

Returns on the council's investments were in line with projections set out at the start of the year. It was noted that the first of the council's local authority mortgage schemes would come to an end in January 2017, which would impact returns for future years. The committee was mindful that there was limited scope to carry out further rounds of the scheme at this time, due to other initiatives which have since been made available for first time buyers.

**RESOLVED (unanimously) that: -**

- 1. Having considered the report, no recommendations are made to amend the current Treasury Management Strategy as a result of this particular review, and;**
- 2. Full Council consider the report and any recommendations made by Cabinet and Audit Committee**

The reason for this decision was:

To ensure members are fully aware of the activities undertaken in the last financial year, the codes of practice have been complied with and that the council's strategy has been effective in 2015/16.

Under the code adopted, the Full Council is required to consider the report and any recommendations made.

### **47. STRATEGIC RISK REGISTER**

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

The report gave an overview of the process of reviewing strategic risks and their perceived impact on the council. As a result of the latest review, three new risks had been identified; Brexit implications, significantly reduced higher education provision and Devolution. It was also proposed to delete three risks from the register; delayed service provision at first point of contact (Community Contract Centre), bathing water quality fails to meet new EU standard by 2015 deadline and disruption to service during Aquila House refurbishment.

Councillor Chowney recommended that the format of the register be revised to show the steps taken to avoid and mitigate each potential risk separately. The Chief Auditor agreed to make this revision before the next refresh of the register.

The committee commented that the register reflected an ongoing uncertainty regarding future economic conditions and national policy. Members noted that as the authority's activities changed over time to reflect the new environment, efforts to develop resilience and retention of skills within the council's workforce were particularly important.

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**RESOLVED (unanimously) to acknowledge the risks identified in the report and note the committee's comments as appropriate**

The reason for this decision was:

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.

### 48. **OPERATIONAL RISK REGISTER**

The Chief Auditor presented a report which informed members 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 circulated an additional potential risk relating to ensuring public safety of the beaches in the Borough. Having reviewed the existing arrangements, he was satisfied with the safety measures currently in place and the advice given to the public on the council's website.

It was noted that the audit team worked closely with service managers to ensure the operational risk register was kept up to date.

**RESOLVED (unanimously) to acknowledged the risks identified in the report and comment as appropriate**

The reason for this decision was:

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.

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

The Chief Auditor presented a report which informed the committee of the key findings from the password controls audit. The review had found that the controls in place were satisfactory and worked effectively, no significant audit concerns were raised.

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

The reason for the decision was:

To monitor the levels of control within the organistaion.

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

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The Assistant Director, Financial Services and Revenues, advised the committee of a minor instance of an external fraud which had affected the council and the steps that were being taken to address it.

(The Chair declared the meeting closed at. 7.11 pm)

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