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## AUDIT COMMITTEE

28 JULY 2022

Present: Councillors Rankin (Chair), Collins (Vice-Chair), Barnett and Marlow-Eastwood

### 148. APOLOGIES FOR ABSENCE

None received.

### 149. DECLARATIONS OF INTEREST

None received.

### 150. MINUTES OF THE LAST MEETING

**RESOLVED** – that the minutes of the meeting held on 10<sup>th</sup> March 2022 be approved as a true record.

### 151. HASTINGS BOROUGH COUNCIL AUDIT PROGRESS AND SECTOR UPDATE

The Chief Finance Officer introduced a report to inform the Audit Committee of External Audit progress to July 2022 and to provide a summary of emerging national issues that may be relevant to the council.

Darren Wells from Grant Thornton was present via Teams and updated the Committee on the external audit. All audit work on the 2019/20 accounts has finished and the external auditor is satisfied that there are no further changes needed.

However, there is a caveat to being able to sign off the 2019/20 accounts. A sector wide issue has arisen relating to the accounting for infrastructure assets and audits cannot be signed off until the issue is resolved. The Chartered Institute for Public Finance and Accountancy (CIPFA) have set up an urgent task and finish group to consider this issue, with a view to producing possible amendments to the accounting code. They are currently consulting with the sector.

In relation to Hastings Borough Council the external auditors have discussed the issue with senior officers to get a better understanding of the how the Council accounts for infrastructure assets and the type and nature of those assets held by the Council. A Quality Review Panel of Grant Thornton will now review the findings of the auditors to consider whether this national issue does apply to Hastings Borough Council. The Quality Review Panel should come to a decision in a matter of weeks and subject to that decision it may be possible to sign and conclude the 2019/20 accounts.

**RESOLVED** (unanimously):

**To note the report.**

Reasons:

## AUDIT COMMITTEE

28 JULY 2022

To provide the Audit Committee with a report on progress in delivering their responsibilities as our external auditors.

### **152. TREASURY MANAGEMENT OUTTURN REPORT FOR 2021-22**

The Senior Finance Projects Officer introduced a report to provide the Cabinet, Audit Committee and Council 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 2021/22.

The figures in the report are yet to be audited and there is no recommendation to amend the strategy at this stage.

Councillors asked if it is concerning that the Hastings Housing Company has not repaid its loans to the Council. The Senior Finance Projects Officer agreed it was a concern although payments are now being made. The position seems to be stabilising and the outstanding debt is not increasing.

The Chair referred to Table 5 of the report and asked if this could be amended to show the true cost of borrowing by including the Minimum Revenue Provision (MRP). The Chief Finance Officer said there will be changes to how the accounts and figures are reported to councillors going forward in order to make reports more accessible.

#### **RESOLVED (unanimously):**

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

Reasons:

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 2021-22.

Under the Code adopted the Full Council are required to consider the report and any recommendations made. There will be a further report forthcoming on Treasury Management covering a review of the current financial year i.e. the Mid-year review.

### **153. AUDIT COMMITTEE REPORT TO COUNCIL 2021-22**

The Chief Auditor introduced a report asking the Audit Committee to agree to it being forwarded on to Full Council.

## AUDIT COMMITTEE

28 JULY 2022

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.

The report, which follows the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), sets out the review of internal control and the assurance gathering process as required by the statute and accompanying guidance.

The Chief Auditor has given a supported audit opinion of "Satisfactory" over Governance, Risk Management and Control.

### **RESOLVED (unanimously):**

**That the Audit Committee Report to Council 2021/22 is approved for presentation to Council.**

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.

### **154. ANNUAL GOVERNANCE STATEMENT 2021-22**

The Chief Auditor introduced a report to present the Annual Governance Statement for the financial year 2021/22. The Annual Governance Statement provides an assurance on the adequacy of the Council's control and governance mechanisms and includes actions to improve the governance framework.

The Chief Auditor made two comments. Firstly, noting that the cost and demand for managing homelessness has increased significantly. A task force has been set-up which will report into the Corporate Management Group. This is a new addition to the governance statement.

Secondly, there continues to be issues with shortages of materials and supplies. This often means when going out to tender quotes are only guaranteed for a few weeks.

Councillors asked if paragraph 104 of the report needed further explanation as to why the Council is producing accounts for some of the external organisations. The Chief Finance Officer agreed this information may no longer be up to date and will need to be looked at.

### **RESOLVED (unanimously):**

**That the Audit Committee considers the draft statement for providing comments to the Leader and the Managing Director before they sign the Annual Governance Statement 2021/22.**

## **AUDIT COMMITTEE**

**28 JULY 2022**

Reasons:

To comply with our statutory duty to produce an annual statement on the Council's governance arrangements.

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

The Chief Auditor introduced a report to inform the Audit Committee of the key findings from the National Fraud Initiative Council Tax Single Person Discount Data to Electoral Roll matching exercise.

Single Person Discount (SPD) is a 25% reduction in Council Tax liability for occupants who are the only adult residing at a property. There are currently 17,377 people in the borough claiming SPD and the total value of these discounts amounts to £7.1 million per year.

The Chief Finance Officer said the issue of Single Person Discount had been raised by other authorities and there is some merit to discussing a way of working together across authorities to ensure discounts are awarded correctly and investigate fraud.

#### **RESOLVED (unanimously):**

**That the Audit Committee accepts the report.**

Reasons:

To monitor levels of control within the organisation.

(The Chair declared the meeting closed at 7.28pm)