

AUDIT COMMITTEE

21 JANUARY 2015

Present: Councillors Beaver (Chair), Clark (Vice-Chair), Birch, Charman and Westley

19. APOLOGIES FOR ABSENCE

The Chair welcomed the new external auditor, Mr Leigh Lloyd-Thomas, who has replaced Robert Grant, BDO Partner (Public Sector Assurance) and Councillor Westley who has replaced Councillor Webb. He thanked Councillor Webb for his effort and contribution and the Committee for rescheduling the date of the meeting.

20. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

21. MINUTES OF THE MEETING HELD ON 25TH SEPTEMBER 2014

RESOLVED – (unanimously) that the minutes of the meeting held on 25 September 2014 be approved and signed by the Chair as a true record.

22. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS

None.

23. AUDIT OF HOUSING BENEFIT SUBSIDY CLAIM - YEAR ENDED 31 MARCH 2014

The Head of Finance introduced his report setting out audit of the Housing Benefit Subsidy claim undertaken by external audit. The BDO report summarises the matters arising from the certification of the Housing Benefit Subsidy Claim for the financial year ended 31 March 2014. The report also included the amount of fees incurred.

BDO partner advised that whilst the 2013/14 claim was qualified, there was just one minor adjustment on the final return.

The Head of Finance said there had been a better performance level of testing during the last year, this had reduced the level of work between external and internal audit and had kept the cost of external audit down.

Given the number of claims and movement of claimants combined with the reduction in the administration grant and staffing, Councillor Birch acknowledged that it was very positive result that level of discrepancy was small.

RESOLVED – (unanimously) that the Audit Committee accept the External Auditor's Report on the Audit of the Housing Benefit Subsidy Claim for the year ended 31 March 2014.

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24. ANNUAL AUDIT LETTER 2013-2014

The Head of Finance presented his report on the external auditor's Annual Audit Letter 2013-2014.

The external auditor is required to report the contents of the Annual Audit Letter under the Audit Commission's Code of Audit Practice.

The letter was copied to all members in October and placed on the Council's website.

Councillor Westley proposed that the Committee amend the recommendation as set out in the resolution below. This was seconded by Councillor Clark and agreed by the Committee:-

RESOLVED – (unanimously) that the audit committee accepts the report.

25. TREASURY MANAGEMENT - MID YEAR REPORT 2014-15

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 advised that interest rates remained low and that they had borrowed slightly less this year than anticipated because the Coastal Space regeneration project achieved 38 units of the 51 projected consequently requiring less borrowing. He reassured the committee that the Council's investments were regularly monitored and there was no reason to change the strategy on when or how investments were made.

Councillor Westley proposed that the Committee amend recommendation no.2 as set out in the resolution below. This was seconded by Councillor Clark and agreed by the Committee:-

RESOLVED – (unanimously) that the Audit Committee:-

- 1. Recommend to Cabinet that the Strategy remains unaltered.**
- 2. Accept that the investments made are in compliance with the investment strategy and the latest advice provided from the Council's Treasury Management advisers.**

26. TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2015-2016

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The Head of Finance presented a report to the Committee on the Treasury Management and Annual Investment Strategy 2015/16. The purpose of the report was to enable the Audit Committee to scrutinise the report and draw any concerns or recommendations to Cabinet on 16 February 2015 and full Council on 25 February 2015 as appropriate and to ensure there is an effective framework for the management of the Council's investments, cash flows and borrowing activities.

The report was presented in compliance with the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services, which represents best practice and compliance with statutory requirements.

The Committee were informed of three key changes to the strategy:

- i. The third Local Authority Mortgage Scheme did not proceed partly due to the introduction of the Government's help to buy scheme.
- ii. The loan value in regards to Amicus Horizon and the Coastal Space Regeneration project was reduced and requested later than originally planned which in turn will reduce the Minimum Revenue Provision (MRP) required.
- iii. That investment returns are expected to remain fairly consistent rather than continuing to reduce.

In addition, an amendment was noted to the report on paragraph 62, the level of investment with Lloyds bank has increased from £5 million to £7½ million because it was considered to be a safer investment.

Councillor Birch sought a view on municipal bonds from the Head of Finance. The Head of Finance said the municipal board agency had been in touch and had visited the council; the scheme was not up and running yet. While it is still available, the Public Works Loan Board (PWLB) is offering the best rates with the ability to reschedule debt if required.

Councillor Beaver asked the Head of Finance whether there is a plan to sell the capital assets of the borough. The Head of Finance confirmed that we have a disposal plan as agreed when determining the budget.

RESOLVED – (unanimously) that the Audit Committee recommend that Cabinet approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy and Annual Investment Strategy (2015/16).

27. UPDATE ON COUNTER-FRAUD BID OUTCOMES AND STEPS TAKEN TO MITIGATE NON-BENEFIT FRAUD

The Chief Auditor presented his report on the results of the 2 counter-fraud bids. These are 'Fighting Fraud in East Sussex' and 'Council Tax Reduction Review Service (CTRRS)'. Both bids were successful. In addition, the Government has announced a further fund, Fraud and Error Reduction Incentive Scheme (FERIS) available to assist councils to combat fraud and error, which the council is submitting a bid for.

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Councillor Westley sought assurance that recovery of overpayment following prosecution would be commensurate with the defendant's ability to pay. The Chief Auditor confirmed that while Housing Benefit is still administered by Hastings Borough Council, we determine with the DWP the cases for prosecution. Recovery arrangements remain the responsibility of the Council.

Councillor Westley proposed that the Committee amend the recommendation as set out in the resolution below. This was seconded by Councillor Clark and agreed by the Committee:-

RESOLVED – (unanimously) that the audit committee accepts the report.

28. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT

The Chief Auditor presented his report on the recent findings of the Housing Benefit and Council Tax Reduction, Debtors, Non-Domestic Rates and New Pension Scheme audits.

Councillor Clark enquired whether the change allowing businesses to pay their rates to the Council over 12 months instead of 10 as previously allowed, impacted on cash flow. The Head of Finance informed Councillor Clark that the 'in year' collection rate was as predicted and the 'prior year debt collection' performance was far better than expected.

Councillor Westley asked whether the additional cost to the Council since overtime had become pensionable outweighed the reduction as newly elected councillors can no longer be part of the pension scheme. The Head of Finance confirmed that the savings as councillors came out of the pension scheme considerably exceeded the additional cost of pensionable overtime payments. There will be more savings following the elections in May 2015 and this has been factored into the 2015/16 budget and 2016/17 forward plan.

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

(The Chair declared the meeting closed at. 7.40 pm)