

AUDIT COMMITTEE

12 March 2013

Attendance:

Councillors:

Banister (Chairman) (P)

Berry J (P)

Cutler (P)

Mather (P)

Miller (P)

Power

Southgate (P)

Verney

Weir

Deputy Members:

Councillor Hiscock (Standing Deputy for Councillor Weir)

Others in attendance:

Councillor Godfrey - Portfolio Holder for Finance and Administration.

1. **CHAIRMAN'S ANNOUNCEMENTS**

It was noted that training for Audit Committee members would be held on Tuesday 18 June 2013 in the Guildhall, Winchester. The main focus for the evening would be a facilitated self-assessment of the work of the committee.

2. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 4 December 2012, less exempt items, be approved and adopted.

3. **TREASURY MANAGEMENT POLICY AND PRACTICES**
[\(Report AUD055 Refers\)](#)

The Head of Finance reminded Members that it was good practice to review Treasury Management policies in time to allow for their implementation for the new financial year.

RESOLVED:

That the Treasury Management Policy and Practices be approved.

4. **ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING UPDATE**
[\(Report AUD052 Refers\)](#)

During discussion of the Corporate Risk Monitoring Update, the Committee raised concerns that in some cases, there was insufficient evidence within the commentary in the Report detailing what measures had been put in place to mitigate those risk scores currently not on target.

In response, the Chief Executive indicated that it was not always possible to immediately reduce the potential impact of some of the identified risks. However, monitoring helped raise general awareness and prepare the Council and senior management to act accordingly. For example, there was always elements of risk in financial and asset management, which had to be managed accordingly.

The Committee noted that the Council had a substantial future programme of capital expenditure with regard to its asset management. There was also likely to be significant challenges and uncertainty over the medium and longer term in achieving a balanced budget, which were outside the immediate control of the Council and officers. This situation had to be managed accordingly.

At conclusion of discussion, Members requested that it be investigated whether future risk monitoring information be presented more qualitatively in future, to reflect a desire to raise awareness of those risks that were unlikely to be easily managed down over the medium term.

Councillor Godfrey acknowledged the risks and associated uncertainties to the Council from welfare reform. He reported on how the Council was looking to manage this by ensuring that sufficient control measures were in place.

RESOLVED:

1. That the progress made against the issues identified in the Annual Governance Statement 2011/12, Corporate Risk Register and the proposed emerging issues for the Annual Governance Statement 2012/13 be noted.

2. That the Portfolio Holder for Finance and Administration be requested to keep the situation on welfare reform under review.

5. **INTERNAL AUDIT PROGRESS REPORT TO 28 FEBRUARY 2013**
[\(Report AUD053 Refers, less Exempt Appendix D\)](#)

The Internal Audit Manager advised that it was expected that 82% of the Internal Audit Plan for 2012/13 will have been completed by year end, against a target set of 95%. Audits from the previous year which were finalised in this year's plan have contributed to the target not being achieved. The Committee's attention was drawn to changes to the resourcing of the audit

team and the recruitment and induction of the auditor post which had resulted in more unproductive time than anticipated.

The Head of Finance acknowledged that, because of changes to the staff within the team and to the internal audit partnership arrangements, it was likely that future Audit Plans would be presented differently. This should show more clearly the distinction between the core statutory audits, those required by the external auditors and other internal management investigations, some of which were reactive.

The Committee referred to Appendix C3 to the Report – Environment Services/Ground Maintenance Contract 2012/13. The Internal Audit Manager advised that a limited audit opinion had been concluded due to the information necessary for the audit assignment having not been made available by East Hants District Council in a compatible format. The Chief Executive acknowledged that processes associated with joint contract arrangements with other local authorities were evolving and that the arrangements for the sharing of information for auditing purposes were likely to improve.

The Assistant Director (Environment) responded to questions on the conclusions of the audit assignment. He acknowledged delays in moving responsibility for the monitoring of the risk management framework from the project board to the Joint Environmental Services Committee, however he was satisfied that this audit action and the others set out in the agreed action table were achievable against the target dates given. He also drew attention that the financial outturn information presented had shown initial savings for the first six months of the contract. He also reported on the initial challenges for the landscape contractors (including inclement weather) and the measures being put in place to address the initial shortfalls in quality apparent in the delivery of the contract. He also confirmed that there was a contingency budget to enable the client to issue variation orders for matters not covered by the contract specification, if it was appropriate to do so.

RESOLVED:

That the matters raised by Internal Audit and action taken by Management be noted.

6. INTERNAL AUDIT PLAN FOR 2013/14
[\(Report AUD054 Refers\)](#)

The Internal Audit Manager confirmed that despite the reduction in resources within the audit team there was reasonable confidence in being able to deliver the plan. A re-assessment of resources had been completed as part of the development of the plan and new audit processes have been introduced. The Head of Finance explained that the Plan was reasonably flexible and contingency had been built in - some audits might be undertaken more quickly and others could be delayed. Progress against the Plan was regularly monitored by senior management.

RESOLVED:

That the Internal Audit Plan for 2013/14 be approved.

7. **STATEMENT OF ACCOUNTS 2012/13**
([Report AUD056 Refers](#))

RESOLVED:

That the proposed changes to the Statement of Accounts for 2012/13 be noted.

8. **INTERNAL AUDIT PARTNERSHIP REVIEW**
(Oral Report)

The Head of Finance provided an update on the review of the Internal Audit Partnership arrangements. In particular, this review was ongoing and was looking at the potential of a shared arrangement either with Test Valley Borough Council or with the Southern Audit Partnership. This work was being undertaken in consultation with the Leader and the Chairman of this Committee.

As the Internal Audit Partnership Manager would no longer be in post with effect from 1 April 2013, arrangements to cover the role of Internal Audit Manager for the period up to 30 June 2013 had been made. This will enable stability during this period, and to provide continuity across the year end period when the Council shall require an internal audit assurance opinion on the 2012/13 financial year.

On behalf of the Committee, the Chairman requested that its thanks and best wishes for the future be passed onto Mr Cummins, the current Internal Audit Partnership Manager.

RESOLVED:

That the Oral Report be noted.

9. **ANNUAL AUDIT FEES 2012/13 AND 2013/14**
([Report AUD051 Refers](#))

The Chairman welcomed to the meeting Mrs K Handy and Mr M Bowers from the Ernst & Young, the Council's external auditors.

Mrs Handy explained some of the background to Ernst Young's proposals and the assumptions on which the indicative fees were based.

In response to questions, Mr Bowers reiterated that Ernst & Young were satisfied with the Council's audit framework, key financial systems and controls and therefore had concluded that the assumptions on which the indicative fees were based were sustainable. It was noted how Ernst & Young believed each of these assumptions (as set out in the letter) would be readily achieved. Furthermore, by taking a more national approach to its

processes for local authority clients and by changing its management arrangements, Ernst & Young had been able to reduce costs significantly.

RESOLVED:

That no points of clarification or concerns be raised with the External Auditors, and that the indicative annual audit fee for 2012/13, and the indicative annual audit fee for 2013/14 be approved.

10. **EXEMPT BUSINESS**

RESOLVED:

1. That in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. That the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute Number</u>	<u>Item</u>	<u>Description of Exempt Information</u>
##	Exempt Minutes 4 December 2012) Information relating to any individual. (Para 1 Schedule 12A refers)
) Information which is likely to reveal the identity of an individual. (Para 2 Schedule 12A refers)
) Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Para 3 Schedule 12A refers)
) Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and

) employees of, or office
) holders under, the authority.
) (Para 4 Schedule 12A refers)
#	Exempt Appendix D (Cheque Fraud Notification (Special Investigation)) Information relating to the) financial or business affairs) of any particular person) (including the authority) holding that information).) (Para 3 Schedule 12A refers)

11. **EXEMPT MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the exempt minutes of the previous meeting held on 4 December 2012 be approved and adopted.

12. **INTERNAL AUDIT PROGRESS REPORT TO 28 FEBRUARY 2013**
(Report AUD053 exempt appendix D refers)

The Committee considered the above Report which set out issues relating to Cheque Fraud Notification (Special Investigation) (details in exempt minute).

The meeting commenced at 6.30pm and concluded at 8.15pm.