

**AUDIT COMMITTEE**

**24 September 2013**

Attendance:

Councillors:

Banister (Chairman) (P)

Berry J (P)  
Byrnes (P)  
Cutler (P)  
Mather (P)

Power (P)  
Stallard (P)  
Verney (P)  
Weir (P)

Others in attendance:

Councillor Godfrey - Portfolio Holder for Finance and Organisational Development.

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1. **MINUTES**

Arising out of consideration of the minutes of the previous meeting, it was noted that in respect of the Internal Audit Annual Report for 2012/13 (Report AUD060 refers), it had been resolved that the Parking Manager be invited to provide a report and attend this meeting of the Committee to provide an update on the checks for audit ticket sequences for parking services.

As the Parking Manager was not in attendance at this meeting, the Chief Finance Officer agreed to establish whether the issues that Members were concerned about had been addressed and, in consultation with the Chairman, to decide whether a report was required to the next meeting of the Committee.

RESOLVED:

That the minutes of the previous meeting held on 25 June 2013 be approved and adopted.

2. **PUBLIC SECTOR INTERNAL AUDIT STANDARDS – INTERNAL AUDIT CHARTER**

(Report AUD064 refers)

The Committee welcomed to the meeting Antony Harvey, Audit Group Manager, from the Southern Internal Audit Partnership.

In reply to a Member's question, Mr Harvey explained the process for the quality review and improvement programme required by the new standard. This would be achieved via an annual self assessment and an independent

external assessment at least once every 5 years. The arrangements for the external assessment would be identified over the next two years. A possible solution was a mutual tripartite arrangement with other internal audit functions and it was expected that the mutual arrangements would be at no additional cost to the Council.

RESOLVED:

1. That the implications and actions necessary to meet compliance with the Public Sector Internal Audit Standards be noted, and;
2. That the Internal Audit Charter as set out in Appendix 1 to the Report be approved.

3. **INTERNAL AUDIT PLAN 2013/14 (REVISED)**  
(Report AUD065 refers)

Mr Harvey presented this item.

A Member enquired whether Treasury Management should be the subject of more frequent audits due to the large size of the financial transactions involved. The Chief Finance Officer explained that this area of work was heavily regulated and had set procedures to manage risk, but if there were circumstances that caused the risks to increase (e.g. changes) then the Plan would be revised.

Mr Harvey added that the Plan was formed from risk assessments and if it became evident that a present low risk was becoming more significant then it could be moved to a medium risk, or higher, and the Plan adjusted accordingly. This process of plan development included engagement with senior managers who were given the opportunity to put forward ideas for consideration in developing the Audit Plan.

RESOLVED:

That the revised Internal Audit Plan for 2013 - 2014 be approved.

4. **INTERNAL AUDIT PROGRESS REPORT**  
(Report AUD066 refers)

Mr Harvey presented this item.

The Chief Finance Officer stated that the new report format focussed on high-level actions which would be more closely monitored. There was a need to review and update the management information on Covalent, the Council's performance management software, so that it showed relevant and up to date actions. The updated information would be reported to the Committee's next meeting.

The Committee agreed that the presentation of information could be further improved by the addition of a column providing information on the future audit programme, for example which audit opinions had provided limited assurance and what action needed to be taken. In this way audit actions could be prioritised.

In reply to a Member's question referring to the seven overdue management actions for the Environmental Services contract which had a limited assessment, the Chief Finance Officer explained that the additional column referred to in the paragraph above would state that the next audit was included within the Audit Plan 2013/14.

In terms of clarifying process, the Committee noted that it was for the Southern Internal Audit Partnership to identify issues which needed to be drawn to Management's attention as part of the audit reviews. Management would then take action to mitigate the risk or it might decide to accept risk. In cases where Management might decide that a risk was low, but it was the opinion of the Southern Internal Audit Partnership that it was high; a process of negotiation would take place to reach agreement. It was the role of the Audit Committee to seek assurance if there was a divergence of views between the two parties and to hold Management to account.

**RESOLVED:**

That the Internal Audit Progress Report (August 2013) attached as Appendix 1 to the Report be approved.

**5. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2013**  
(Report AUD068 Refers)

The Committee welcomed to the meeting Mrs K Handy and Mr M Bowers from Ernst and Young.

Mr Bowers stated that Ernst and Young, as external auditors, expected to issue an unqualified audit opinion on the financial statements and on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

In reply to Members' questions in relation to the Hampshire Pension Fund (page 7 of Appendix 1 refers), Mrs Handy stated that Management needed to confirm that it was satisfied that the Council's employment profile matched that used by the actuary in relation to the pension fund and that subsequently the return from the actuary matched its own employment records.

The Chief Finance Officer added that the Council had examined its own internal procedures and had spoken with the Hampshire Pension Fund to seek assurances that proper processes were in place, that the relevant regulations were complied with and that the actuary was suitably qualified. Mr

Bowers confirmed that this assurance had been carried out to the satisfaction of the external auditor.

RESOLVED:

That the Auditor's Report (Appendix 1) be noted and the Letter of Representation set out in Appendix 2 of the Report be approved.

6. **ANNUAL FINANCIAL REPORT 2012/13**

(Report AUD067 refers)

The above Report had not been notified for inclusion on the agenda within the statutory deadline. The Chairman agreed to accept the item onto the agenda, as a matter requiring urgent consideration, due to the need to approve the audited Statement of Accounts by 30 September.

The Chief Finance Officer gave a presentation to the Committee.

A point highlighted was the recommendation that the Council adopted a valuation date of 31 December for its assets, with a subsequent review for major changes at 31 March. This would enable staff to have time to process and review the valuations and their impact on the Statement of Accounts.

In reply to questions, the officers provided explanations in respect of the valuation of Heritage Assets; the earmarked reserve for Municipal Mutual Insurance and the procedures for setting the General Fund Balance.

RESOLVED:

1. That the Explanatory Foreword to the Statement of Accounts for 2012/13 be noted.
2. That the Statement of Accounts for 2012/13 be approved,
3. That the Annual Governance Statement be approved,
4. That it be agreed that the Council should adopt an asset valuation date of 31 December with a subsequent review for major changes at 31 March.

7. **TREASURY MANAGEMENT STEWARDSHIP REVIEW (2012/13)**

(Report AUD070 refers)

Councillor Godfrey stated that the development of Local Enterprise Partnerships (LEPs) would be kept under review to see if opportunities might arise in future for the Council to invest in infrastructure projects through partnership working.

RESOLVED:

That the Treasury Management Stewardship Report for 2012/13 and the actual Prudential Indicators provided at Appendix A to the Report be approved.

8. **AUDIT COMMITTEE WORK PROGRAMME**  
(Report AUD069 refers)

RESOLVED:

That the Audit Committee Work Programme for 2013/14 be approved.

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

Chairman