

AUDIT COMMITTEE

26 June 2014

Attendance:

Councillors:

Cutler (P)

Berry J (P)
Hiscock (P)
Mather (P)
Osborne

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

Others in attendance:

Councillor Godfrey - Portfolio Holder for Finance and Organisational Development.

1. **DISCLOSURES OF INTERESTS**

Cllrs Mather and Stallard both declared a disclosable pecuniary interest in respect of items under consideration which may have a Hampshire County Council involvement due to their role as a County Councillors. However, as there was no material conflict of interest regarding these items, they had a dispensation granted on behalf of the Standards Committee to speak and vote in all matters.

2. **APPOINTMENT OF VICE-CHAIRMAN FOR THE 2014/15 MUNICIPAL YEAR**

RESOLVED:

That Councillor Power be appointed Vice-Chairman for the 2014/15 Municipal Year.

3. **FUTURE MEETING DATES AND TIMES**

RESOLVED:

That the timetable of meetings for 2014/15 be agreed as set out on the agenda.

4. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 11 March 2014 be approved and adopted.

5. **RISK MANAGEMENT POLICY 2014**
(Report AUD095 Refers)

The Chief Executive explained that the policy set the Risk Management Framework for the authority. The paper also identified key corporate risks. Sitting below these corporate risks would be specific risk procedures for individual teams, for example for Streetcare in dealing with operational matters. The principal change from the previous year's policy was the recognition that the Southern Internal Audit Partnership now provided audit services to the City Council.

The Committee agreed that it would be beneficial if future reports highlighted the changes to policy from the previous year so that they were apparent. The report should also identify changes to the current risk score and the target risk score so that the direction of travel could be more readily identified.

Members also highlighted that the Council was undertaking a number of major projects over the forthcoming years, including Silver Hill, Station Approach and the River Park Leisure Centre, and assurance was sought that there was sufficient capacity within the organisation to effectively manage these projects. The Chief Executive responded that the Corporate Risk Report had identified that the Silver Hill development and the performance of other major projects were specific risks that needed to be monitored. The Council had established a Project Office to assist in managing capacity, which supported the Corporate Management Team and senior Members in managing the programme of major projects. Officers were investigating how they could assist in managing the capacity pressures the Committee had rightly identified. Staffing resources within the Legal Department had been reviewed within the last six months to provide additional resources to meet these needs, and Finance Team resources were also under consideration.

Councillor Godfrey added that the Council was aware of the requirement to deliver major projects and to improve control through project management.

The Chief Operating Officer also reported that the situation in respect of Asset Management was improving but the Council still had decisions to make on a number of significant issues in the coming year including Silver Hill, Station Approach and the future of River Park Leisure Centre, City Offices and former Central Depot.

RESOLVED:

1. That Cabinet be informed that this Committee supports the Risk Management Policy 2014.

2. That the updated Corporate Risk Schedule in Appendix 2 to the Report be noted and draws the Portfolio Holder's attention to the comments made.

TO CABINET:

That Cabinet be recommended to approve the Risk Management Policy 2014.

6. **CORPORATE GOVERNANCE REPORT AND ANNUAL GOVERNANCE STATEMENT 2013/14**

(Report AUD86 Refers)

The Corporate Governance Self Assessment, Appendix C, to 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 Annual Governance Statement within the set timetable for publication.

The Committee discussed the issues arising from communicating the Council's major projects to stakeholders and the general public. It was commented that improvements could be made in how the Council anticipated issues and set improvement targets.

The Chief Executive responded that the approach to communications would differ between projects. For example, the Local Plan Part 1 had been communicated through Blueprint and Silver Hill presented an on-going project. The issues surrounding communications had been considered by the Consultation Informal Scrutiny Group and a key outcome was to be responsive and creative and to have varying approaches to communications that matched the circumstances.

The Committee agreed that the profile of consultation and engagement should be raised so that it was embedded across all appropriate fields of the Council's activity including engaging with residents to aid their understanding of major projects. This was a matter that the Portfolio Holder and Cabinet should be aware of and should take into consideration.

Councillor Godfrey assured the Committee that the Leader was fully aware of the importance of communications when considering the programme of projects and examples of the approach taken would be included in the next update report to be submitted to the Committee in December 2014.

RESOLVED:

1. That the Annual Governance Statement for 2013/14 as set out in Appendix A, be approved.

2. That the issues arising and proposed actions identified in Section 5 of Appendix A be noted, subject to the inclusion of an additional item regarding raising the profile of communication and engagement as set out above when the final Annual Governance Statement for 2013/14 is approved in September, and that a monitoring report be brought back to the Audit Committee in six months time.

3. That the Local Code of Corporate Governance in Appendix B be approved, and;

4. That the Corporate Governance Self Assessment in Appendix C be noted.

7. **ANTI-FRAUD AND CORRUPTION POLICY**
(Report AUD087 refers)

The Chief Operating Officer outlined to the Committee the ways in which the revised Policy would be brought to the attention of all staff.

RECOMMENDED:

That the revised Anti Fraud and Corruption Policy be adopted.

8. **INTERNAL AUDIT PROGRESS REPORT**
(Report AUD097 refers)

Mr Harvey from the Southern Internal Audit Partnership presented this item.

In reply to Members' questions, it was explained that the Limited Audit Assessment for Telecommunications was now with the City Council's management who were considering ways in which to address the conclusions. In addition, the Environmental Services Contract was still in progress as part of the 2013 - 14 audit work and progress would be presented to the Committee's next meeting once management actions had been agreed.

RESOLVED:

That the Internal Audit Progress Report 2013 - 14 attached as Appendix 1 to the Report be noted.

9. **ANNUAL INTERNAL AUDIT REPORT AND OPINION FOR 2013/14**
(Report AUD089 Refers)

The Chairman welcomed to the meeting Neil Pitman, Chief Internal Auditor/ Head of Partnership from the Southern Internal Audit Partnership who presented the Report.

The Committee expressed their thanks for the way in which the Partnership was undertaking its work.

RESOLVED:

That the Chief Internal Auditor's Annual Report and Opinion for 2013-2014 be approved.

10. **EFFECTIVENESS OF INTERNAL AUDIT REPORT 2013 – 14**
(Report AUD088 refers)

Mr Neil Pitman, Chief Internal Auditor/ Head of Partnership from the Southern Internal Audit Partnership, presented this item.

Mr Pitman stated that the Internal Audit Partnership was considering the options available for External Quality Assessment (EQA), which could include the use of external firms or collaboration with other audit partnerships. The options would be discussed by the Partnership Board in September 2014. The Chief Finance Officer of the City Council served as a member of the Board.

RESOLVED:

That the review conducted in assessing the 'Effectiveness of Internal Audit' be noted and the action plan generated from the assessment against the Public Sector Internal Audit Standards be endorsed.

11. **ACCOUNTS PAYABLE**
(Report AUD096 refers)

The Chief Finance Officer provided additional detail in relation to the control weaknesses in the application of the Accounts Payable process as identified by Internal Audit.

It was explained that since the control weaknesses had been identified, one member of Finance staff had been dedicated to addressing the issues. In addition, the matter had immediately been brought to the attention of the Senior Management Team and all staff had been reminded of the requirement to raise Purchase Orders for all supplies.

Data matching had been run to help to identify potential duplicate payments. £21,500 had already been recovered and currently 7 over payments totalling £4,500 were outstanding, which were being pursued.

An answer to Members' questions, the Chief Finance Officer stated that the issues had been identified in respect of the 2013/14 financial year and confirmed that checks would be extended into the current year.

RESOLVED:

That the actions taken in respect of the recent Internal Audit identified control weakness in the Accounts Payable function be noted.

12. **ANNUAL FINANCIAL REPORT 2013/14**

(Report AUD093 refers)

RESOLVED:

That the requirement for the Annual Financial Report and the key issues arising in the accounts for 2013/14 be noted.

13. **EXTERNAL AUDIT PLAN 2013/14**

(Report AUD091 refers)

Mr M Bowers from Ernst and Young was in attendance and presented this item.

RESOLVED:

That the Audit Plan be noted.

14. **ANNUAL AUDIT FEES 2014/15**

(Report AUD092 refers)

Mr M Bowers from Ernst and Young was in attendance and presented this item.

RESOLVED:

That the indicative annual audit fee for 2014/15 be approved.

15. **AUDIT COMMITTEE WORK PROGRAMME**

(Report AUD090 refers)

RESOLVED:

That the Audit Committee Work Programme for 2014/15 be approved.

The meeting commenced at 6.30pm and concluded at 8.50pm.

Chairman