

AUDIT COMMITTEE

22 June 2015

Attendance:

Councillors:

Cutler (P)

Burns
Huxstep (P)
Hiscock (P)
Osborne

T Ruffell (P)
Power (P)
Stallard
Weir (P)

Deputy Members:

Councillor Tait (Standing Deputy for Councillor Stallard)

Others in attendance:

Councillor Godfrey – Leader and Portfolio Holder for Finance and Corporate Delivery.

1. **DISCLOSURES OF INTERESTS**

Cllr Huxstep declared a disclosable pecuniary interest in respect of items under consideration which may have a Hampshire County Council involvement due to his role as a County Councillor. However, as there was no material conflict of interest regarding these items, he had a dispensation granted on behalf of the Standards Committee to speak and vote in all matters.

2. **APPOINTMENT OF VICE-CHAIRMAN FOR THE 2015/16 MUNICIPAL YEAR**

RESOLVED:

That Councillor Power be appointed Vice-Chairman for the 2015/16 Municipal Year.

3. **FUTURE MEETING DATES AND TIMES**

RESOLVED:

That the timetable of meetings for 2015/16 be agreed as set out on the agenda.

4. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 12 March 2015 be approved and adopted.

5. **RISK MANAGEMENT POLICY 2015**
(Report AUD118 Refers)

The Committee noted that Report AUD118 had not been published 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 so the Committee's comments could be available for consideration by Cabinet and The Overview and Scrutiny Committee.

In reply to questions, the Chief Executive stated that when risk training was provided to Officers, the Member's role was in risk management would be made clear.

The Chief Executive continued that it was important for the organisation as a whole to have an understanding of the concept of risk and also that items of significance were identified and concentrated upon, which included managing risk in response to changes in government policy. It was the role of Members to challenge and probe the risk management of major projects and to ensure that there was a risk framework which was robust and fit for purpose.

In order to raise the understanding of risk, the officers had been discussing improving the presentation of the end of year report on risk to include information on items of significance over the year and to provide a qualitative statement including an assessment on the direction of travel of the risk. This approach was supported by the Committee

The Committee discussed the dissemination of information to Members on risk and the level of its transparency so that it was easily understood. Reference was made to The Overview and Scrutiny Committee and Cabinet, which also held roles in considering elements of risk.

Mr Harvey from the Southern Internal Audit Partnership indicated that Internal Audit had regard to the Council's risk registers when preparing the Annual Audit Plan and when reviewing the Annual Governance Statement. Mrs K Handy from Ernst and Young said that external audit had regard to the Council's approach to risk management in determining the value for money conclusion.

The Chief Finance Officer proposed that a possible topic for Audit Committee Member training in September was how assurance is provided using the "three lines of defence" concept including in the Risk Management Policy. This could take the form of presentations and questioning of relevant officers and representatives of both internal and external auditors. Following debate, it was agreed that this was a possible subject for further training and should

be circulated to members of the Committee for their views together with any other suggested topics.

Members were asked to submit their comments on The Risk Management Policy 2015 outside of the meeting to the Chief Executive.

RESOLVED:

1. That Cabinet be informed that this Committee supports the Risk Management Policy 2015.

2. That the risks included in the draft Corporate Risk Register in Appendix 3 of the Report be monitored, and following further training of Audit Committee members on how it can undertake its assurance role, Cabinet be notified of the risks that it wishes to further explore and receive detailed reports at future meetings.

TO CABINET:

That Cabinet be recommended to approve the Risk Management Policy 2015 and Corporate Risk Register.

6. CORPORATE GOVERNANCE REPORT AND ANNUAL GOVERNANCE STATEMENT 2014/15

(Report AUD117 Refers)

The Committee noted that Report AUD117 had not been published 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 to enable its contents to be considered at this meeting.

In reply to questions, Councillor Godfrey explained the latest situation with regard to the future of the site of the Old Depot at Bar End, Winchester. It was explained that its future was linked to a number of other important projects for the City, including options for the River Park Leisure Centre. In the interim, the site was still being used by Street Care prior to their move to Matley's Yard and could be used for additional car parking at Christmas. It was aimed to have reached a decision on its future by the end of 2015. Following debate, the Committee agreed that reference to the Old Depot be included in the Asset Management Issue within the Annual Governance Statement.

In addition, on page 18, the Committee agreed that the reference to Consultation and Engagement and the action to be taken should be amended to delete the words "to aid their understanding of" and replace them with "to aid their input to", to give emphasis that the Council was consulting rather than putting forward its own view.

The Chief Finance Officer added that on page 8 of the Statement confirmation should be given that the Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'.

In conclusion, the Committee agreed to the changes to the Statement as outlined above and that it should be brought back to Committee in draft in September prior to its publication.

RESOLVED:

1. That subject to the inclusion of reference to:
 - (a) the Old Depot site in the Asset Management Issue,
 - (b) revised wording to the Consultation and Engagement action, and,
 - (c) inclusion to the reference to the compliance with CIPFA guidance on the role of the Chief Finance Officer,
 all as outlined above, the Annual Governance Statement for 2014/15 as set out in Appendix A be amended and be brought back to Audit Committee in September 2015.

2. That the issues arising and proposed actions identified in Section 5 of Appendix A be noted, 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. ANNUAL FINANCIAL REPORT 2014/15
(Report AUD125 refers)

The Chief Finance Officer gave a presentation to the Committee on the principal points arising within the draft Statement of Accounts and asked Members to comment on its contents prior to it being made available for public inspection from 29 July 2015.

Councillor Hiscock asked that it be recorded in the minutes that he had declared that he was a director of a related party, Keystone Housing. The Chief Operating Officer advised that it would only be necessary to consider leaving the room if there was any discussion on this aspect of the Accounts. This did not arise.

RESOLVED:

That the requirement for the Annual Financial Report and the key issues arising in the Accounts for 2014/15 be noted.

8. **INTERNAL AUDIT PROGRESS REPORT**

(Report AUD123 refers)

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

Mr Harvey reported that Internal Audit's follow up review of the Joint Environmental Services Contract was nearly complete and would be reported to the Committee's next meeting.

With regard to Accounts Payable – follow up, it was noted that there was three overdue management actions and the Chief Finance Officer stated that these would be completed by the end of July 2015.

RESOLVED:

That the Internal Audit Progress Report 2014 – 15, attached as Appendix 1 to the Report, be noted.

9. **ANNUAL INTERNAL AUDIT REPORT AND OPINION FOR 2014/15**

(Report AUD124 Refers)

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

In response to questions about the appropriate balance between audits which had received an adequate assurance and substantial assurance, Mr Harvey indicated that the Council would have to have regard to whether the additional costs that might be incurred to achieve a substantial assurance would be proportionate to the benefits achievable.

RESOLVED:

That the Chief Internal Auditor's Annual Report and Opinion for 2014-2015 be approved.

10. **CONTRACT MANGEMENT REPORT - UPDATE**

(Report AUD126 refers)

The Committee noted that Report AUD126 had not been published 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 to enable its contents to be considered at this meeting.

The Corporate Director informed the meeting that the Report referred to certain Internal Audit actions which had been completed but had not been entered onto the Council's performance management software, Covalent. This would explain any variance with Report AUD123 – Internal Audit Progress Report 2014-15.

The Committee noted that Councillor Burns had been an unable to attend the meeting and had requested that this item be deferred for consideration at the Committee's next meeting.

At the conclusion of debate, the Committee agreed that prior to its next meeting, the Audit Committee and the Leader should be fully informed that the process for the income sharing income arrangement between the City Council and People and Places for the management of the River Park Leisure Centre (RPLC) was correct and reasonable resources had been deployed in order to give the process sufficient assurance. The Leader also asked that the report include a summary of the Council's own expenditure on RPLC (as reflected in the Annual Budget and Statement of Accounts). An opportunity would be afforded to Councillor Burns to discuss the conclusions with an update report at the next meeting of the Committee.

RESOLVED:

That the Report be noted and that prior to its next meeting Members of the Committee and the Leader be fully informed that the process for income sharing income arrangement between the City Council and People and Places for the management of the River Park Leisure Centre was correct and reasonable resources had been used to give that assurance.

11. **EXTERNAL AUDIT PLAN 2014/15**
(Report AUD121 refers)

Mrs K Handy from Ernst and Young was in attendance and presented this item.

Arising out of consideration of the section on Economy, Efficiency and Effectiveness and the response to the Silver Hill judicial review, Mrs Handy stated that Ernst and Young, acting as external auditors, would be looking for the risks to financial resilience in the medium financial strategy should there be a delay in progressing the Silver Hill development.

In addition, should there be a delay in reporting the outcome from the independent review into the decisions taken by the Council concerning the Silver Hill development before the Accounts were published; Mrs Handy stated that Ernst and Young would look for an alternative approach to obtain the necessary assurance for the value for money conclusion.

RESOLVED:

That the Audit Plan be noted.

12. **ANNUAL AUDIT FEES 2015/16**
(Report AUD122 refers)

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

RESOLVED:

That the indicative annual audit fee for 2015/16 be approved.

13. **AUDIT COMMISSION CLOSURE**
(Report AUD115 refers)

RESOLVED:

That the Report be noted.

14. **AUDIT COMMITTEE WORK PROGRAMME 2015/16**
(Report AUD116 refers)

RESOLVED:

That the Audit Committee Work Programme for 2015/16 be approved.

15. **TREASURY MANAGEMENT OUTTURN REPORT FOR 2014/15**
(Report AUD120 refers)

Mr Andrew Boufflower, Deputy Investments and Borrowing Manager from Hampshire County Council, was in attendance and presented this item. He confirmed that the County Council delivered the service in accordance with the strategy and prudential indicators set by the City Council.

RESOLVED:

That the Annual Treasury Outturn Report 2014/15 and the actual Prudential Indicators provided at Appendix A be approved.

16. **TREASURY MANAGEMENT PRACTICES (LESS EXEMPT APPENDIX)**
(Report AUD119 refers)

Mr Andrew Boufflower, Deputy Investments and Borrowing Manager from Hampshire County Council, was in attendance and presented this item.

Further to debate, the Committee did not support reviewing the Treasury Management Policy and Practices on a three yearly cycle as it was decided that it should keep policies and practices under review to take into account the outcomes of Member Training on the topic and the changes to the Council's structure in 2016/17. Instead, the Treasury Policies and Practices would be reviewed on an annual basis at this stage.

RESOLVED:

1 That the Treasury Management Policy Statement for 2015/16 be approved.

2 That the Treasury Management Practices, which support the delivery of the Treasury Management Strategy for 2015/16, be noted.

3 That the Treasury Management Policy Statement and the Treasury Management Practices be reviewed by the Audit Committee annually but this approach be subject to further consideration following further Member Training on the topic and any changes to the Council's Member structures in 2016/17.

17. **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>
##	Treasury Management Practices – Exempt Appendix) Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Para 3 Schedule 12A refers)

18. **TREASURY MANAGEMENT PRACTICES – EXEMPT APPENDIX**

(Report AUD119 refers)

The Committee considered the Exempt Appendix which gave details of Hampshire County Council's Treasury Management Practices.

RESOLVED:

That the Exempt Appendix be noted.

The meeting commenced at 6.30pm and concluded at 9.50pm.

Chairman