

AUDIT COMMITTEE

24 September 2015

Attendance:

Councillors:

Cutler (P)

Burns (P)
Huxstep (P)
Hiscock (P)
Osborne (P)

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

Others in attendance:

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

1. **DISCLOSURES OF INTERESTS**

Councillors Huxstep 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 roles 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. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman informed the meeting that he had received a request from Councillor Gottlieb for a paper to be considered at this meeting. The Committee agreed that it was too short notice for the paper to be considered at this meeting and the Chairman stated that he would consider if there were matters relevant to the Audit Committee within the paper that could be considered at its next meeting.

Councillor Godfrey additionally made reference to the independent report of Claer Lloyd Jones and the possible need to hold a special meeting of the Committee to deal with any associated matters.

3. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 22 June 2015 be approved and adopted.

4. **PUBLIC PARTICIPATION**

Martin Wilson addressed the Committee regarding Report AUD131 and his comments are summarised below:

With regard to the River Park Leisure Centre and Council Leisure Contract, the Committee would be aware that an Internal Audit Report identified issues over the management, including the financial management, of the River Park Leisure Centre. It is understood that the Finance Team has been asked to prepare its own summary of the Council's expenditure on the facility. This is work in progress. The Committee should also be aware that the Information Commission are currently investigating his complaint about the Council's failure to disclose information under the Freedom of Information Act in relation to financial aspects of and overall management of the contract.

Mr Wilson took the opportunity to suggest seven questions which the Committee may want to have answered by the Internal Audit Review and by the Finance Team's report. The Chairman thanked Mr Wilson for his comments and stated that he would receive a written response from the officers, which would be copied to all members of the Audit Committee for their information. An item would also be brought to a future Committee meeting to provide an update.

5. **RISK MANAGEMENT POLICY 2015 - UPDATE** (Report AUD132 Refers)

In reply to questions arising, the Chief Executive explained that the inclusion of risk considerations within committee reports would be made more robust to reflect the context of the item under consideration. This would also include reports to Cabinet.

With regard to capacity issues as referred to under the Silver Hill Development, the Chief Executive stated that the Project Office gave full consideration to the management of projects to ensure that each project was properly resourced. The Project Office had access to a budget to utilise additional resources as required. In addition, if resources were stretched, Cabinet could be requested to consider the prioritisation of projects. The Council had also established a Cabinet (Major Projects) Committee which would consider resource issues associated with project management.

Councillor Godfrey commented that there was a financial range identified in the Risk Management Strategy against which the cost of moderate and major impact events could be measured. This could also give an indication of the accumulated cost of a number of high risk events occurring at the same time. The Committee suggested that it would be of benefit if future reports could include more information of the financial costs associated with a significant risk.

The Chairman made reference to the Internal Audit Actions as contained in the Internal Audit Progress Report and suggested that they be reflected in the Risk Register to make the link between the two.

A number of Members requested that the phraseology used within the narratives of column titles be given further consideration so that its expression of the risk was more objective.

The Committee were also supportive of the inclusion of public health as a sub heading within the Environmental Risks section of future reports.

The Chairman suggested that the Report would also benefit from the inclusion of target dates for each action to monitor any slippage, which in itself could increase the risk. The Chief Executive agreed that the Committee required assurance that management was considering the correct issues and it was agreed that the Chairman would meet with the Corporate Business Manager to develop this approach in future reports.

RESOLVED:

That the report be noted and the officers be requested to further develop the content and layout of future reports as outlined above.

4. **CONTRACT MANAGEMENT REPORT – LEISURE CENTRES - UPDATE**
(Report AUD131 refers)

The Corporate Director reported that the actions identified within the Report with Internal Audit and the Finance Team were currently being undertaken, that income share had been received, and that the Head of Estates was satisfied with the revised approach to his Team's involvement on maintenance issues, as set out in paragraph 1.5 of the Report.

The matters raised by Mr Wilson during public participation would be addressed by letter, which would be copied to all members of the Committee.

RESOLVED:

That the Report be noted.

5. **INTERNAL AUDIT PROGRESS REPORT**
(Report AUD123 refers)

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

Mr Harvey reported that feedback from the external assessment of SIAP had been received and their report would be presented to the 3 December meeting of the Committee.

The Committee discussed the number of high priority management actions that were overdue, some of which related to audit reports issued prior to 2013 – 14, and the management actions that were being taken to close them.

Mr Harvey updated the Committee that the high priority actions for Asset Management and Absence Management had been completed and it was anticipated that those for Housing Options would be completed by the end of September. The Chief Executive added that in certain circumstances, due to competing priorities, management had to make a judgment as to level or timing of action to be taken. Where necessary this could be discussed with Internal Audit. It was important for the Committee to identify trends and he highlighted that the number of overdue actions was decreasing over time.

A number of Members requested that further action should be taken to reduce the number of high priority management actions that were outstanding and the Chairman agreed that in accordance with best practice he would meet with Internal Audit on an independent basis each Committee cycle and report back to Committee on any particular points of concern arising.

RESOLVED:

That the Internal Audit Progress Report 2015 – 16, attached as Appendix 1 to the Report, be noted and that the Chairman meet independently with Internal Audit as outlined above.

6. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2015
(Report AUD130 refers)

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

Mrs Handy stated that Ernst and Young, as external auditors, expected on Friday 25 September 2015 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.

Mr Bowers added that there was a correction to be made to the Letter of Representation: Audit of financial statements as attached as Appendix B to the Report within section A. Financial Statements and Financial Records point no 5, where the one item of unadjusted audit difference relating to an under - accrual of expenditure should state £144,000 and not £72,000 as set out. This was regarded by the local authority as not being a material item and this approach was acceptable to EY, as external auditors, provided Members were informed at this meeting.

Mrs Handy clarified that the Internal Audit review in respect of the River Park Leisure Centre was still to be concluded as a meeting remained to be arranged between Internal Audit and the Chief Finance Officer. If this information had been received at the time the Report had been prepared, then the wording of the Report would have been amended and would have been similar to that set out in the Silver Hill Independent Review entry.

RESOLVED:

1. That the Auditor's Report (Appendix A) be noted, and;
2. That subject to section A. Financial Statements and Financial Records point no 5. being amended to state £144,000 and not £72,000, the Letter of Representation set out in Appendix B of the Report be approved.

7. **CORPORATE GOVERNANCE REPORT AND ANNUAL GOVERNANCE STATEMENT 2014/15**

(Report AUD130 Refers)

RESOLVED:

That the Annual Governance Statement for 2014/15 as set out in Appendix A, be approved.

8. **ANNUAL FINANCIAL REPORT 2014/15**

(Report AUD128 refers)

Mr Kennedy, Principal Management Accountant, gave a presentation to the Committee on the principal points arising within the Annual Financial Report. The presentation included reference to the minor word changes between the copy of the Annual Financial Report considered on 22 June 2015 (Report AUD125 refers) and the copy contained in Report AUD128.

The Committee thanked the Chief Finance Officer and her Team for the work undertaken on the Statement of Accounts.

RESOLVED:

1. That the Explanatory Foreword to the Statement of Accounts for 2014/15 be noted.
2. That the Statement of Accounts for 2014/15 be approved.

9. **REVIEW OF TERMS OF REFERENCE**

(Report AUD133 refers)

The Committee gave consideration to paragraph 1.2 of the covering Report and whether it should formally report on its activity to Council.

Following debate, it was agreed to amend paragraphs 31 and 32 of the Draft Revised Terms of Reference. Paragraph 32 would be amended to reflect that the Audit Committee would report to full Council on any matter of such importance that it needed to be brought to its attention on an exception basis. Paragraph 31 would be amended to draw to the attention of the Leader and Cabinet the Committee's findings, conclusions and recommendations

concerning the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

RECOMMENDED:

THAT SUBJECT TO THE AMENDMENT OF PARAGRAPHS 31 AND 32 AS FOLLOWS:

31 TO REPORT TO THE LEADER, RELEVANT PORTFOLIO HOLDER, OR CABINET, AS APPROPRIATE, ON THE COMMITTEE'S FINDINGS, CONCLUSIONS AND RECOMMENDATIONS CONCERNING THE ADEQUACY AND EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORKS; FINANCIAL REPORTING ARRANGEMENTS, AND INTERNAL AND EXTERNAL AUDIT FUNCTIONS.

32 TO REPORT TO FULL COUNCIL ON AN EXCEPTION BASIS IF NEEDED, SHOULD A MATTER OF SUFFICIENT IMPORTANCE REQUIRE TO BE DRAWN TO THE ATTENTION OF FULL COUNCIL.

THE REVISED TERMS OF REFERENCE FOR THE AUDIT COMMITTEE AS SET OUT AT APPENDIX 1 OF THE REPORT BE APPROVED.

The meeting commenced at 6.30pm and concluded at 9.00pm.

Chairman