

AUDIT COMMITTEE

3 December 2015

Attendance:

Councillors:

Cutler (P)

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

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

Deputy Members:

Councillor Tait (Standing Deputy for Councillor T Ruffell)

Others in attendance:

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

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 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.

In addition, Councillor Stallard made a personal statement that with regard to the River Park Leisure Centre item she had been a previous Portfolio Holder for Sport, but she had no conflict of interest in the item before Committee and she spoke and voted on this item.

2. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman informed the meeting that since the last meeting he had personally met with Neil Pitman, Head of the Southern Internal Audit Partnership. The meeting had proved very useful and had looked at best practice in audit. He would continue to have a quarterly meeting with a representative of the Partnership.

3. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 24 September 2015 be approved and adopted.

4. **PUBLIC PARTICIPATION**

The Chairman informed the meeting that he had been contacted by Martin Wilson who had addressed the previous meeting of the Committee regarding the River Park Leisure Centre (Report AUD 131 refers) stating that he was unfortunately unable to attend this meeting.

The Chairman further explained that Mr Wilson had submitted a written response (dated 22 October 2015) in reply to the Corporate Director's letter dated 14 October 2015 (attached as appendix 1 to Report AUD140), which in turn had been written in response to matters raised by Mr Wilson during public participation at the previous meeting. The Chairman stated that he would allow the Committee to consider Mr Wilson's 22 October 2015 letter as part of the consideration of the item on Report AUD140 – River Park Leisure Centre – Update.

4. **RIVER PARK LEISURE CENTRE - UPDATE**
(Report AUD140 refers)

The Chairman agreed that Members should have the opportunity to discuss the letter from Mr Wilson, dated 22 October 2015, with the purpose of identifying if there were any elements that fell within the remit of the Committee that had not been previously addressed and required further explanation. Paper copies were circulated at the meeting. A copy of the letter is also attached as an addendum to the Report and is available for inspection on the Council's website.

The Corporate Director explained that the letter did not recognise that those costs relating to RPLC in the Council's Accounts related to the costs of the Council's obligations under the Contract together with its own overheads. The letter also did not properly understand the extent of the Council's maintenance obligations under the Contract. Following consideration of point 1 of the 22 October 2015 letter, the Committee agreed to defer its further consideration until after the close of the period of the appeal against the Information Commissioner's Office Decision Notice, which would expire within 28 days from 12 November 2015, and an opportunity for officers to respond further to Mr Wilson. If Mr Wilson was not satisfied with the response at that point, the Chairman would consider whether any issues warranted further consideration by the Committee.

In reply to Members' questions about the retention period for information on contracts, the Chief Operating Officer explained that the Council did have a Document Retention Policy. This Policy provided standard guidance in line with other Hampshire authorities and was not specific to contracts. The

general guidance on financial management document retention was six years plus one, and this would include accounts and receipts for the River Park Leisure Centre and Meadowside. Documents for significant elements of maintenance work might be retained for longer, if management found this useful. Both paper and electronic copies of documents were normally destroyed beyond this period. There was a legal obligation to destroy any documents not still needed after the retention period if they contained personal data. If any information was still held it could still be subject to Freedom of Information requests but there was no obligation to retain information indefinitely just in case a Freedom of Information request might be made.

The Corporate Director added that following the Freedom of Information request, information had been disclosed from the Council's systems to Mr Wilson, and it had been confirmed by the Information Commissioner's Office that this information had been disclosed.

The Chief Executive concluded that the officers would give further consideration to the content of Mr Wilson's 22 October 2015 letter to identify any points that may have not have been covered in previous replies and he would discuss the findings with the Chairman prior to the Committee's next meeting.

RESOLVED:

1 That the response of the Corporate Director to the questions raised in public session at the meeting of the Committee on 24 September 2015 be noted (Appendix 1 refers).

2 That the decision of the Information Commissioner be noted (Appendix 2 refers).

3 That the Chief Executive give further consideration to the content of Mr Wilson's letter dated 22 October 2015, organise a response to Mr Wilson, and discuss his findings with the Chairman prior to the Committee's next meeting.

5. **RISK MANAGEMENT POLICY 2015 - UPDATE**
(Report AUD135 refers)

In reply to questions arising, the Chief Executive explained that recent changes resulting from the Government's spending review and changes to funding streams as they affected both the General Fund and the Housing Revenue Account would possibly need to be reflected in the Corporate Risk register.

The Chief Executive added that future Council reports would be more consistent in the way that risks were reported, with the style presented in the Risk Management Policy 2015 being adopted and used in the recent Budget report.

Following debate, the Committee agreed that future reports should be revised to include additional details as set out in the resolution below.

RESOLVED:

That the Report be noted and that future reports include the following:

- (a) additional detail in the risk title to make the description of the risk more clear;
- (b) a narrative explanation to provide more context to actions that have been dealt with and will therefore not appear in future reports or where the risk has significantly changed, and that these be cross referenced to related reports;
- (c) details of risk scores (including financial impact where possible), and;
- (d) milestones to show that progress has been made.

4. **ANNUAL GOVERNANCE STATEMENT – MONITORING UPDATE**
(Report AUD134 refers)

RESOLVED:

That no matters be raised with the relevant Portfolio Holder and no items of significance be drawn to the attention of Cabinet.

5. **INTERNAL AUDIT PROGRESS REPORT**
(Report AUD138 refers)

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

Mr Pitman reported that the new issue arising of income collection (page 12 refers) had received a limited assurance opinion. Internal Audit had identified a number of common aspects to be addressed relating to income collection processes followed in a range of service areas. It was recognised however, that a majority of income collected was by way of cheque and card, with low levels of cash, therefore reducing the risk environment.

At the request of the Chairman, the officers provided updates on the management actions in response to high priority actions that were outstanding. The Chief Executive updated the Committee on the latest position with regard to Absence Management; The Chief Operating Officer on Information Management and the Corporate Director on Contracts and New Homes and also Housing Options and Licensing Financial Controls.

The Chief Executive commented that progress was being made towards completion of all management actions, however, Covalent, the Council's

performance management software, in a small number of instances had not been updated to reflect this and this was an area where improvement could be made.

The Committee discussed whether some officers had agreed over - optimistic completion dates for management actions with Internal Audit which had resulted in overdue dates when deadlines had been missed. Mr Pitman stated that the agreeing of possible action completion dates between management and Internal Audit was the subject of discussion between the two parties, and this area could be given further consideration, but he would discourage too long a period being allowed to complete actions where there was no business case to do so.

The Chairman stated that he would be encouraging written updates from management for overdue high priority management actions. The Chief Executive stated that a short written response to overdue high priority management actions was appropriate, with reports on other outstanding management actions being on a case by case judgement.

RESOLVED:

That the Internal Audit Progress Report 2015-2016 attached as Appendix 1, be noted.

6. **EXTERNAL QUALITY ASSESSMENT OF THE SOUTHERN INTERNAL AUDIT PARTNERSHIP**
(Report AUD139 refers)

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

The Committee congratulated SIAP on its excellent assessment. It was noted that under the points for further development of the service, the recommendation to introduce regular meetings between the Head of Internal Audit and the Chairman of the Audit Committee had already commenced and that the other recommendations were being progressed as detailed on pages 8 and 9 of the Report.

RESOLVED:

That the External Quality Assessment report attached as Appendix 1 be noted.

7. **TREASURY MANAGEMENT MID YEAR REVIEW 2015/16**
(Report AUD137 refers)

The Committee welcomed to the meeting Mr Andrew Boutflower from Hampshire County Council's Treasury Management Team.

Mr Boutflower presented the Report and explained that activity was in accordance with the Treasury Management Strategy for 2015/16.

The Chairman also referred to the Treasury Management training for Audit Committee members which had taken place on 23 November 2015 and had been well received.

RECOMMENDED:

THAT THE CHANGE TO THE 2015/16 TREASURY MANAGEMENT STRATEGY AND INCREASE IN THE UPPER LIMIT ON VARIABLE INTEREST RATE INVESTMENT EXPOSURE TO £80.0M, AS DETAILED IN PARAGRAPHS 7.2 TO 7.6 OF THE REPORT, BE APPROVED

RESOLVED:

That the Treasury Management Mid-Year Monitoring Report for 2015/16 be approved.

8. **ANNUAL AUDIT LETTER 2014/15**
(Report AUD136 refers)

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

The Committee welcomed the assurance provided by the unqualified audit opinion on the Council's financial statements and the unqualified value for money conclusion.

In response to a Member's question regarding Significant Value for Money Risk 3 – Contract Management, Mr Pitman, Head of the Southern Internal Audit Practice, informed the meeting that the internal audit follow up review of Contract Management would be completed by 31 March 2016 and that this was to allow management actions to be embedded prior to review.

The Committee noted that this would be the last meeting to be attended by Mr M Bowers prior to him leaving EY. Members and officers thanked him for his contribution to the work of the Council over many years and wished him well for the future.

RESOLVED:

That the Annual Audit Letter 2014/15 be accepted.

9. **LOCAL AUTHORITY FINANCIAL POSITION ANALYSIS 2014**
(Report AUD141 refers)

The Chief Finance Officer gave an overview presentation on the analysis of the financial position of the Council in the form of "spidercharts". It was explained that the information had been supplied by the Local Government Association and added value in that it looked at the financial position in a

different way and gave the opportunity for Members to ask questions if certain measures appeared to be out of line with other comparator Councils.

The information would be supplied annually and would be brought back to Committee in order that year on year trends could be identified.

RESOLVED:

That the analysis of the financial position of the Council be noted.

The meeting commenced at 6.30pm and concluded at 9.05pm.

Chairman