

AUDIT COMMITTEE

25 June 2013

Attendance:

Councillors:

Cutler (Vice Chairman in the Chair) (P)

Banister (Chairman)

Berry J (P)
Byrnes
Mather (P)

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

Others in attendance:

Councillor Godfrey - Portfolio Holder for Finance and Organisational Development.

1. **DISCLOSURES OF INTEREST**

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

2. **APPOINTMENT OF VICE-CHAIRMAN FOR THE 2013/14 MUNICIPAL YEAR**

RESOLVED:

That Councillor Cutler be appointed Vice-Chairman for the 2013/14 Municipal Year.

3. **FUTURE MEETING DATES AND TIMES**

RESOLVED:

That the timetable of meetings for 2013/14 be agreed as set out on the agenda.

4. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 12 March 2013 be approved and adopted (less exempt Minute).

5. **INTERNAL AUDIT PARTNERSHIP**

The Committee received a presentation by Neil Pitman, Chief Internal Auditor/ Head of Partnership from the Southern Internal Audit Partnership.

Mr Pitman outlined the work of the partnership, which would commence the provision of internal audit services to the City Council from 1 July 2013.

In answer to Members' questions, Mr Pitman explained that the Partnership had 35 full-time equivalent staff possessing a range of audit qualifications. The Partnership aimed to deliver between 180 and 190 audit days per employee per annum. There was the potential to look for economies within the new arrangements but the service provided would also be unique to each organisation and would reflect its own culture and requirements. In response to a question, the Chief Finance Officer explained that the proposals were broadly cost neutral, but in future there may be opportunities to make financial savings which would be brought back to Committee if this affected the level of audit services to be provided.

Mr Pitman continued that if a peak in demand for audit services was encountered across the whole Partnership then collaborative work with other audit organisations would ensure the continuation of service provision, although this scenario was unlikely.

The Governance structure was explained; at a strategic level within the Partnership management were Southampton City Council and Hampshire County Council and key stakeholders were Havant Borough Council, East Hampshire Borough Council and Winchester City Council. The remaining organisations within the Partnership were sold services on a contractual basis. The Partnership was looking to expand into new areas to such as those involved with the Health Service.

The Chief Finance Officer provided detail of the risk to the Council of the new partnership agreement. It was explained that there was a 12 month termination period for the agreement and the partnership provided the lowest risk solution to provide internal audit services when compared with alternatives, including internal provision. Mr. Pitman added that the Partnership had professional indemnity up to £5m and although an absolute assurance could not be given that all frauds would be detected, every opportunity would be taken to ensure prevention.

RESOLVED:

That the presentation be noted.

6. **INTERNAL AUDIT ANNUAL REPORT FOR 2012/13**
(Report AUD060 Refers)

The Internal Audit Manager stated that the areas of partial compliance of the current internal audit service, as highlighted in the self assessment of the service, would now be reviewed in conjunction with the Southern Internal Audit Partnership.

In reply to Members' questions, the Internal Audit Manager stated that the target of 95% of completion of the Audit Plan was historic and would be changed in future presentations. She explained that the internal audit team would also be involved in the development of financial controls and provide a project assurance role on the introduction of the Community Infrastructure Levy, due to the financial risk to the Authority from the high sums involved.

Following debate, it was agreed that the control weakness relating to Selima (the recording of accurate sickness and absence reports (page 31 of the Report refers)) should be raised with the Head of Organisational Development to ensure that the latest software releases of Selima resolved the problem. In addition, with regard to the control weakness relating to the continuity of checks on audit ticket sequences for parking services (page 15 of the Report refers) it was agreed to ask for a report and invite the Parking Manager to the Committee's next meeting to provide an update.

RESOLVED:

1 That the Internal Audit Annual Report for 2012-2013; the assurance opinion from the Internal Audit Manager on the system of internal control and the overall conclusion on the effectiveness of Internal Audit be noted.

2 That the matters raised by the Internal Audit Service and action agreed with management be noted and that the Parking Manager be invited to provide a report and attend the next meeting of the Committee to update on the checks for audit ticket sequences for parking services.

7. **RISK MANAGEMENT POLICY AND UPDATE**
(Report AUD057 Refers)

The Chief Executive stated that the objective of the Risk Management Policy was to make risk management an integral part of the management culture of the organisation.

In response to questions, he added that risk management would be cascaded through the organisation from the Senior Management Team by means of

team meetings and through the induction of new employees. Managers undertaking projects would be encouraged to contact the Chief Finance Officer at the earliest opportunity to identify financial risks. The partnership with the Southern Internal Audit Partnership would assist in providing an external view on the culture of the organisation to identify areas for improvement.

The Chief Executive added that an area for review was the presentation of the monitoring of risks in the report to this Committee. The Committee were of the opinion that the presentation of risk could be improved by providing information on the direction of travel to identify year on year trends. The inclusion of a colour coded league table identifying the highest risks at the top and up and down arrows to show movement would assist in leading to a more dynamic presentation.

RESOLVED:

1. That Cabinet be informed that this Committee supports the Risk Management Policy 2013.
2. That the updated Corporate Risk Schedule in Appendix 2 to the Report and the suggestions above for the improved presentation of information be noted.

TO CABINET:

That Cabinet be recommended to approve the Risk Management Policy 2013.

8. **CORPORATE GOVERNANCE REPORT AND ANNUAL GOVERNANCE STATEMENT**
(Report AUD061 Refers)

The Chief Operating Officer referred to an update to the Report which was circulated at the meeting. The Update now included at page 13, Appendix A, Current Issues, Partnership Arrangements, reference to the Environment Services and Ground Maintenance Contract and a statement that during 2013/14 an internal audit protocol on information sharing between parties and their respective assurance providers will be put in place.

In addition, the Update made reference to two additional recommendations which referred to Appendices B and C of the Report and these are as set out in the Resolution below.

RESOLVED:

1. That the Audit Committee the Annual Governance Statement for 2012/13 as set out in Appendix A, as amended above, be approved.

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.

9. **EXTERNAL AUDIT PLAN 2012/13**
(Report AUD059 refers)

Mrs. K Handy and Mr M Bowers from Ernst and Young were in attendance.

Mrs Handy introduced the Plan and explained the need for it to comply with the relevant audit standards as had previously been the case with the Council's former external auditors, the Audit Commission. The Plan had not identified any significant risks. The key areas that would be concentrated upon were budget setting and financial planning. With regard to materiality Mrs Handy stated that amounts below an estimated £93,000 would be considered to be "trivial" and would not be reported on by them.

In reply to questions, Mrs Handy stated that possible areas where an increase in fees might take place (although this was not anticipated) was in respect of; non-delivery within the timetable; that the quality of work was not up to standard, or if objections to the accounts were received and additional work was necessary. The external auditor would work with the Chief Finance Officer and Internal Audit Manager to address these issues in the first instance so that additional costs were avoided if possible, by the Authority. The Chief Finance Officer added that the consequential cost of any objection to the accounts could be identified and had on previous occasions been published.

RESOLVED:

That the Audit Plan be noted.

10. **ANNUAL AUDIT FEE 2013/14 (REVISED)**
(Report AUD063 refers)

RESOLVED:

That the revised indicative annual audit fee for 2013/14 be approved.

11. **LOCAL AUDIT AND ACCOUNTABILITY BILL**

(Report AUD058 refers)

RESOLVED:

That the Report be noted.

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

(Report AUD062 refers)

The Chief Finance Officer gave a presentation on the Annual Financial Report.

The audited accounts should be approved by the Audit Committee before 30 September 2013 and the Pre-audited Statement of Accounts be signed off by the Chief Finance Officer by 30 June. Public questions or objections would need to be received by Thursday 22 August.

A change for 2012/13 had been the use of a new fixed asset register, supplied by the Chartered Institute of Public Finance and Accountancy (CIPFA), and Internal Audit had been involved in verifying both the process and soundness of its implementation. Housing's dwelling assets had not been moved across to the new register at the present time but possibly would be in future.

In reply to Members' questions, it was noted that debts in National Non - Domestic Rates (NNDR) had increased by £50,000 and that an area to keep under consideration for the future was Council Tax bad debts, because of the recent changes in the legislation.

RESOLVED:

That the requirement for the Annual Financial Report and the presentation from the Chief Finance Officer be noted.

11. **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>
##	Minutes 12 March 2013 Internal Audit Annual Report to 28 February 2013) Information relating to the) financial or business affairs) of any particular person) (including the authority) holding that information).) (Para 3 Schedule 12A refers)

12. **EXEMPT MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the exempt minute of the previous meeting held on 12 March 2013 be approved and adopted.

The meeting commenced at 6.30pm and concluded at 8.35pm.

Chairman