

AUDIT COMMITTEE

25 September 2014

Attendance:

Councillors:

Cutler (P)

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

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

Others in attendance:

Councillor Horrill

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. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 26 June 2014 be approved and adopted.

3. **INTERNAL AUDIT PROGRESS REPORT**
(Report AUD098 refers)

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

In reply to Members' questions, the Chief Finance Officer stated that the main accounting bank reconciliation, which had received a limited audit assessment, was recognised as a key control. Steps had been taken to address the situation following the staffing turnover within the Finance Team that had led to this assessment.

In respect of Performance and Risk Management, which had also received a limited audit assessment, the Chief Executive explained that managers were the owners for risks in their area of work and were assisted by the Corporate Business Manager in their monitoring and management on the Council's performance and risk management software, Covalent. Due to the high demand on managers, a judgement had to be made on the balance of time taken in juggling competing priorities. Risk management was prioritised to help minimise the authority's exposure to governance issues, including those relating to finance. However, on occasions, managers made judgments about whether dealing with emerging potential risks, particularly on major projects, needed these issues to be given greater priority compared to some outstanding audit recommendations of low or medium priority. There was also a governance framework, which included consideration of risks by the Performance Management Team and the Corporate Governance Group.

The Chief Operating Officer confirmed that following the Guildhall audit revised procedures were being put in place by the Management.

In response to Members' concerns that the Committee should be seen to take an overview of risk management and to ensure that it was effectively embedded within the culture of the organisation, the Chief Executive stated that more comprehensive information on high priority issues would be brought to Committee in future monitoring reports to provide assurance that they were being dealt with and that risks were being actively managed.

RESOLVED:

That the Internal Audit Progress Report 2014-15 attached as Appendix 1 to the Report be approved.

4. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2014
(Report AUD099 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 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.

Members raised questions regarding the additional charge of £5,500, subject to Audit Commission approval, for correspondence with electors. In explanation, Mrs Handy stated that the additional charge mainly related to points raised by Mr Wilson regarding the River Park Leisure Centre. Following consideration of the facts it had been EY's conclusion that the initial response to the matters raised with the external auditor should be a matter to be dealt with by the Council. The Chief Executive added that a report on this subject would be submitted to The Overview and Scrutiny Committee on 27 October 2014.

Mrs Handy also indicated that another elector had raised points about Silver Hill but had not given permission to their name being released at this stage. From the information received, Mrs Handy indicated that the potential complaint related to a decision in 2014/15 and was not relevant to signing-off the 2013/14 accounts. If a formal objection was made then the objector's name would become public, whether or not consent had been given to the release of the name at an earlier stage.

The Chief Executive thanked the Chief Finance Officer and her staff for their work in achieving an unqualified audit opinion.

RESOLVED:

That the Auditor's Report (Appendix 1) be noted and the Letter of Representation set out in Appendix 2 of the Report be approved.

5. **ANNUAL GOVERNANCE STATEMENT 2013/14**
(Report AUD100 Refers)

In reply to a Member's question, the Chief Finance Officer confirmed that the risk workshops would now be held with risk owners in the autumn.

RESOLVED:

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

6. **TREASURY MANAGEMENT STEWARDSHIP REVIEW (2013/14)**
(Report AUD101 refers)

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 Stewardship report.

It was noted that the reference in paragraph 3.3 of the report should be to Q4 of 2013/14.

RESOLVED:

1. That the Treasury Management Stewardship Report for 2013/14 and the actual Prudential Indicators provided at Appendix A to the Report be approved.

2. That it be noted that the Treasury Management Service Partnership working with Hampshire County Council was implemented on 15 September 2014.

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

(Report AUD102 refers)

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 audited Statement of Accounts by 30 September 2014.

The Chief Finance Officer gave a presentation to the Committee and submitted at the meeting replacement pages for page 10 (Movement in Reserves Statement for the Year Ended 31 March 2014) and page 14 (Cash flow Statement for the Year Ended 31 March 2014), which contained minor corrections to those in the published Report. The replacement pages are included as an addendum to the Report in the published report book.

The Committee thanked The Chief Finance Officer and her staff for their work in preparing the Report.

RESOLVED:

1. That the Explanatory Foreword to the Statement of Accounts for 2013/14 be noted.
2. That the Statement of Accounts for 2013/14, as amended above, be approved.

8. **FRAUD BRIEFING**

Mr M Bowers from Ernst and Young and Mr Harvey from the Southern Internal Audit Partnership presented this item.

The presentation had been prepared by the Audit Commission and was based on the Protecting the Public Purse 2013 Report which set a national picture and also the interpretation of results within a local context.

Arising out of questions from the Committee, the Chief Executive stated that he would raise with the Council's Parking Manager the issue of potential fraud arising from the misuse of the Blue Badge Scheme parking for the disabled and the steps that were being taken by the Council to minimise any risks.

RESOLVED:

That the Fraud Briefing be noted.

The meeting commenced at 6.30pm and concluded at 8.40pm.

Chairman