

**AUDIT COMMITTEE**

**4 December 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.

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1. **DISCLOSURES OF INTERESTS**

Councillors 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**

With regard to the minute regarding Audit Results Report for the Year Ended 31 March 2014 (Report AUD099 refers), fourth paragraph, it was clarified that that for an objection to be valid, this was required to be made by an elector registered within the District and that this should be copied to the Council, and therefore their name would be known in public.

RESOLVED:

That subject to clarification of the matter referred to above, the minutes of the previous meeting held on 25 September 2014 be approved and adopted.

3. **INTERNAL AUDIT PROGRESS REPORT 2013/14**  
(Report AUD107 refers)

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

Mr Harvey highlighted the considerable progress that had been made in completing actions from audit reports issued prior to 2011 -12, which had now been reduced from 31 to 13. Significant progress had also been made in implementing the remaining management actions, with all high priority actions cleared. The delivery of the Audit Plan was also on target for this time of year.

There was a new issue arising which related to a limited audit opinion on contract management for leisure centres. In the key issues previously reported for the Environmental Services Contract and Accounts Payable, continued progress was being made to implement management actions.

In reply to Members' questions, the Chief Executive explained that the issues arising in respect of contract management for leisure centres addressed different issues than those that had been reported to The Overview and Scrutiny Committee in February 2014 (Report OS95 refers). The report before Audit Committee considered how the Council dealt with day to day contract monitoring arrangements and not the basis of the overall contract. The Chief Executive added that he had requested Mr Tilbury (Corporate Director) to investigate the management of overall contract and also consider the day to day management actions that would strengthen the Council's oversight of the contract. None of the management actions to be taken to address the issues identified by the Southern Internal Audit were considered to be a high priority.

The Chief Operating Officer added that there was a clear distinction in the contract for the leisure centres where the demarcation of responsibility for maintenance rested. In summary, the maintenance of the structure and significant expenditure items were the responsibility of the City Council and that internal decoration and smaller items were the responsibility of the leisure centre operator. This demarcation was reflected in the fee base, which would be higher if the leisure centre operator was responsible for major maintenance.

Members discussed whether a more significant role could be undertaken by The Overview and Scrutiny Committee in considering major contracts in depth. For example, could the approach that Committee had adopted in relation to monitoring the Joint Environmental Services Contracts be also adopted for the leisure centres. It was also suggested that user group meetings that met quarterly with leisure centre operators could be reintroduced to assist in monitoring and the Chief Executive stated that he would discuss these options with Mr Tilbury.

In respect of Accounts Payable and the making of duplicate payments, the Chief Finance Officer explained that of 13 management actions identified by

Internal Audit to be implemented, three remained outstanding and therefore significant progress had been made. Duplicate payments had all been recovered with the exception of less than £3000 which remained to be recovered, and these were being actively pursued.

The Committee welcomed the progress that was being made in resolving outstanding audit actions.

RESOLVED:

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

4. **ANNUAL AUDIT LETTER 2013/14**  
(Report AUD104 Refers)

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

Mrs Handy confirmed that EY had issued an unqualified audit opinion across all aspects of their work for the Council.

RESOLVED:

That the Annual Audit Letter be accepted and the variation to the scale fees for the 2013/14 audit be approved.

5. **AUDIT COMMISSION CONSULTATION 2015/16 ON WORK PROGRAMME AND SCALE OF FEES**  
(Report AUD108 refers)

RESOLVED:

That the work and fee proposals detailed in the Audit Commission's Proposed Work Programme and Scales of Fees 2015/16 consultation document be noted.

6. **ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING UPDATE**  
(Report AUD103 Refers)

Following a question from a Member regarding the Cultural Trust, the Chief Finance Officer stated that the establishment of the Trust was a significant event in the year for accounting purposes. As such, it would form part of the Internal Audit Work Programme in order that assurances could be given that the changes made had been properly dealt with, for example in the accounting treatment of the leases. The findings of Internal Audit would be reported to the Audit Committee in due course.

With regard to changes to Governance Arrangements, the Chief Operating Officer stated that the need for change in some Member decision-making processes had been identified as an issue by the Informal Policy Group considering the Electoral Review. It would be looked at again closer to implementation of the new arrangements to take account of the reduction in the number of Members in 2016 and the consequential impact on workload.

Also in respect of changes to Governance Arrangements, the Chief Operating Officer reported that the report to establish a Cabinet (Major Projects) Committee would be considered by the Council in due course.

During debate about Consultation and Engagement, the Committee were in agreement that consideration of consultation needed to be an integral part of project planning rather than an ancillary consideration.

In consideration of the Corporate Risk Register, the Chief Executive commented that there was merit in the Corporate Business Manager working with a small group of interested Members to develop the style of presentation of performance management information.

At the request of a Member, the Chief Executive stated that he would discuss with the Assistant Director (Policy and Planning) whether a best practice guidance note could be prepared on the lessons learnt from the operation of shared services and what aspects could be improved upon.

RESOLVED:

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

7. **TREASURY MANAGEMENT STEWARDSHIP REVIEW (2014/15)**  
(Report AUD105 refers)

On behalf of the Committee, the Chairman thanked the Chief Finance Officer for organising the recent Member Training on Treasury Management, which had been well received.

RESOLVED:

That the Treasury Management Mid-Year Monitoring Report for 2014/15 be approved.

8. **LOCAL AUDIT AND ACCOUNTABILITY ACT 2014**  
(Report AUD106 Refers)

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

In reply the Members' questions, it was explained that the 'auditor panel' could act on behalf of a number of local authorities to select an auditor. The Chief Finance Officer's recommendation to full Council on the appointment would be

informed by information from a number of sources, including, for example, the views of the Chief Finance Officers' Group for Hampshire.

RESOLVED:

That the update and requirements of the Local Audit and Accountability Act 2014 be noted.

The meeting commenced at 6.30pm and concluded at 8.00pm.

Chairman