

AUDIT COMMITTEE

29 June 2017

Attendance:

Councillors:

Cutler (P)

Burns
Huxstep (P)
Prince

Stallard (P)
Thacker
Weir (P)

Deputy Members:

Councillor Bentote (Standing Deputy for Councillor Prince)

Others in attendance:

Councillor Ashton – Portfolio Holder for Finance.

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 participate and vote in all matters which might have a County Council involvement.

2. **APPOINTMENT OF VICE-CHAIRMAN FOR THE 2017/18 MUNICIPAL YEAR**

RESOLVED:

That Councillor Weir be appointed Vice-Chairman for the 2017/18 Municipal Year.

3. **FUTURE MEETING DATES AND TIMES**

RESOLVED:

That the timetable of meetings for 2017/18 be agreed as set out on the agenda

4. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 7 March 2017 be approved and adopted.

5. **GOVERNANCE QUARTERLY UPDATE – OUTTURN 2016/17**
(Report AUD188 refers)

The Corporate Business Manager introduced the Report.

In respect of the Overdue 'High Priority' Management Actions set out on page 27 and 28 of the Report, the Committee was updated as follows:

For Income Collection – Licensing - the actions for fees and charges was completed; the Vanguard review was nearly completed and for reconciliations there was confidence that reconciliations were taking place between licensing and financial systems.

For the Fieldfare LEADER programme, the claim for recovery of running costs had been submitted to the Rural Payments Agency (RPA) and a return was still awaited, and the Egress platform was now being used to share information outside of the organisation.

Mr Harvey from the Southern Internal Audit Partnership was in attendance and presented Appendix 2 – Annual Internal Audit Report and Opinion 2016/17.

Mr Harvey highlighted that, at the time the report was written, there were six reviews where work was completed and an opinion had been formed and included in the opinion (however the final reports had not yet been issued (page 19 refers)). Two of these reports (Vanguard Governance and Contract Management) had been finalised before the Committee meeting.

Mr Mathers from Ernst and Young was in attendance and presented Appendix 3 – EY Audit Progress Report.

Arising from debate, Members made reference that the Annual Financial Report 2016/17 (report AUD193 refers) was not available at this meeting and expressed disappointment that it had not been presented to Committee prior to publication on 30 June 2017, and enquired if this raised any risks with achieving the new statutory publication deadlines in 2018. The Finance Manager replied that the 2017 statutory deadlines had been met and that lessons had been learned in preparation of the Annual Financial Report which would be taken forward in 2018, when the report was required to be published by 31 May. Ms Thompson from Ernst and Young was also in attendance and commented that EY would work with the Finance team in planning the closedown of the 2017/18 accounts. It was agreed that a report be brought to Committee in December to outline how the new deadlines would be met.

In respect of the Annual Governance Statement Progress Monitoring Report (Appendix 1, pages 9 – 11 refers) a Member stated that consideration should

be given to sharpening the descriptive wording within the Report to improve its definition. The Corporate Business Manager stated that a number of changes to the wording had already been used within the Annual Governance Statement 2016/17 Report (report AUD190 refers).

RESOLVED:

1. That the content of the report and the progress included in each of the appendices be noted.

2. That no issues arising from the information in the report be raised with the Portfolio Holder and no items of significance be drawn to the attention of Cabinet.

6. **LOCAL CODE OF GOVERNANCE REPORT**
(Report AUD189 Refers)

RESOLVED:

That the Local Code of Corporate Governance as set out in Appendix 1 be approved.

7. **ANNUAL GOVERNANCE STATEMENT 2016/17**
(Report AUD190 Refers)

The Corporate Business Manager introduced the Report.

Arising out of debate, a number of Members stated that they would welcome within the Statement the inclusion of the linkage between Internal Audit Actions and the Annual Governance Statement, with the officer roles and responsibilities for actions being better defined, and also the inclusion of timelines and deadlines so that points of slippage of actions could be identified.

A Member also made reference to the Annual Governance Statement 2016/17 Action Plan (Appendix 2 refers) and particularly Action 5 relating to Procurement and Contract Management. It was asked if there was a timeline and an estimate of the numbers of outstanding contracts that needed to be registered on the contract register. The Corporate Business Manager stated that this information would be established and be circulated to Audit Committee members at the earliest opportunity and would also be submitted to the Committee's next meeting.

In conclusion, the Committee agreed the Annual Governance Statement as set out.

In the interest of clarity Members asked for confirmation as to who sat on the Corporate Governance Group. It was noted that as a point of contact Joseph Holmes (Corporate Director Professional Services) had lead officer responsibility for these actions.

The Chief Executive added that Internal Audit were also looking at the Council's compliance with the outcomes on Silver Hill Review and that Ernst and Young were also considering organisational development issues and procedures arising from the review, which would be the responsibility of the Chief Executive to implement.

RESOLVED:

1. That the Annual Governance Statement for 2016/17, as set out in Appendix 1, be approved.

2. That the issues arising and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit Committee in six months time.

8. **RISK MANAGEMENT POLICY 2017**
(Report AUD192 Refers)

RESOLVED:

That the Risk Management Policy 2017, its Risk Appetite Statement for 2017/18 and the Corporate Risk Register be noted.

9. **ANNUAL AUDIT FEE 2017/18**
(Report AUD187 refers)

Ms Thompson from Ernst and Young was in attendance and presented this item.

It was noted that a reduction in the fee for the housing benefit claim audit was expected for 2017/18, when compared to the 2016/17 planned fee. This was as a result of a different approach towards this work, with the Council undertaking a greater element of the initial audit testing rather than Ernst and Young.

RESOLVED:

That the indicative Annual Audit Fee for 2017/18 be approved.

10. **AUDIT COMMITTEE WORK PROGRAMME 2017/18**
(Report AUD184 refers)

RESOLVED:

That the Audit Committee Work Programme for 2017/18 be approved.

11. **ANNUAL FINANCIAL REPORT 2016/17**

(Report AUD193 refers)

Members had been advised by the Corporate Director (Professional Services) that the Annual Financial report had not been completed in time for the Committee to receive the document as an information item and for formally noting. However, a hard copy was made available at the meeting and the Finance Manager informed the meeting that there were no significant changes to the accounts for 2016/17; but that a new Expenditure and Funding Analysis note had been included this year, which aimed to make better links between internal reporting and the statutory accounts.

The Chairman stated that the understanding of the accounts could be included as an item at the Audit Committee Training Day to be held on 12 September 2017, prior to the next meeting of the Committee on 28 September 2017. Members were also encouraged to submit their questions on the accounts to the Finance Manager in advance of the next meeting of the Committee.

12. **TREASURY MANAGEMENT OUTTURN 2016/17**

(Reports OS168 and CAB2939 refers)

Councillor Ashton made reference to a change in the approach to risk management, which had been introduced to respond to a fall in yields, as in many cases this was now less than a 1% return. There would be a modest increase in investment in pooled equities and property funds to provide a balance between risk and the challenge of lower yields.

Mr Harvey highlighted that Treasury Management was a subject area for consideration within the Internal Audit Plan for 2017/18.

RESOLVED:

That the Treasury Management Outturn 2016/17 Report be noted.

The meeting commenced at 6.30pm and concluded at 7.55pm.

Chairman