

AUDIT AND GOVERNANCE COMMITTEE

Thursday, 21 July 2022

Attendance:

Councillors
Cutler (Chairperson)

Bolton
Bronk
Craske

Godfrey
Laming
Miller

Apologies for Absence:

Councillors Achwal

Deputy Members:

Councillor Batho

Other members in attendance:

Councillor(s) Clear

[Audio and video recording of this meeting](#)

1. **APOLOGIES**

Apologies were noted as set out above.

2. **DISCLOSURE OF INTERESTS**

With regard to report AG072, Councillor Craske declared a personal and prejudicial interest due to his employment with KPMG, who provided audit services to the Council. He left the room during consideration of this item and took no part in the decision or debate. In respect of all other items, he declared a personal (but not prejudicial) interest with regards to his employment with KPMG and remained in the room.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

Councillor Cutler announced that the minutes of the previous additional meeting of the Committee held on 29 June 2022 would be submitted for approval to the September meeting. In response to questions, the Strategic Director and Section 151 officer explained that there had been unavoidable delays in the clearance for publication of the minutes due to the unanticipated absence of a lead officer.

4. **AUDIT & GOVERNANCE WORK PROGRAMME 2022/23**

The Committee discussed the proposed content of the work programme and a number of additional suggestions for reports were put forward. Councillor Cutler emphasised the remit of the committee to focus on process rather than on policy matters.

Councillor Cutler proposed that an additional item be added to the September meeting to build on discussions held at the recent Risk Management workshop, with particular regard to which Committee should be responsible to examine risk in detail. This was agreed.

It was noted that an item on examining the asset management strategy of the council had been suggested previously and the Strategic Director and Section 151 officer had agreed to arrange an informal meeting with the appropriate councillors to discuss. The Strategic Director confirmed that this would take place shortly and a report would be brought to the September meeting of the Committee. Councillor Cutler emphasised that this should focus on process matters rather than policy considerations in order to fall within the remit of the Committee.

RESOLVED:

That the contents of the work programme for the remainder of 2022/23 be noted and the following additional items be agreed for the 27 September 2022 meeting:

- a) Risk Management Strategy - Review
- b) Asset Management Strategy - Governance

5. **PUBLIC PARTICIPATION**

There were no questions asked or comments made.

6. **EXTERNAL AUDIT PLAN 21/22** (AG083)

Councillor Power (Cabinet Member for Finance and Value) expressed concern about the delays in the plan timetable. In response, Kevin Suter (Ernest Young) explained the reasons for the delays, emphasising it was a national issue and there was a shortage of staff, and the aim was to bring the programme incrementally forwards.

Mr Suter responded to Members' questions on the report. He confirmed that he would submit a report to the September Committee meeting on the outcome of the Value for Money (VFM) planning.

Mr Suter confirmed that EY was requesting that the Committee confirm its understanding of, and agreement to, the materiality and reporting levels set out in its report. It was agreed this be included as an additional recommendation and agreed as set out below

RESOLVED:

1. That the external auditor's Audit Strategy for 2021/22 be noted.
2. That the indicative 2021/22 annual audit fee be approved, subject to PSAA approval of the proposed rebasing increase included within.
3. Confirms its understanding of, and agreement to, the materiality and reporting levels as set out in the Audit Planning Report.

7. **TREASURY MANAGEMENT OUTTURN 21/22**
(AG081)

Gemma Farley (Hampshire County Council Investments and Borrowing Team) introduced the report and advised of a minor correction to Table 4 at paragraph 19.2 to include the total investment movement figure of £19.83m.

Members had no questions regarding the content of the report.

RESOLVED:

That the Annual Treasury Outturn report 2021/22 be noted.

8. **DRAFT ANNUAL FINANCIAL REPORT 21/22**
(AG082)

The Corporate Head of Finance introduced the report, advising that the Committee was not being asked to approve the report at this stage as it would be submitted for approval once it had been audited.

The Corporate Head of Finance and the Strategic Director & Section 151 Officer responded to questions on the report which included further clarification regarding the pension scheme liability. It was suggested that a briefing note be included for members on this point when considering the Medium Term Financial Strategy.

RESOLVED:

1. That the council's draft Statement of Accounts for 2021/22 be noted.

9. **AUDITOR'S ANNUAL REPORT 21/22**
(AG080)

Anthony Harvey (Southern Internal Audit Partnership) introduced the report and responded to Members' questions thereon.

Mr Harvey advised that the decision to defer the audit of six service areas as detailed in section 5 of the report had been reported to the March Committee and was due to the ongoing pressures on officers due to the pandemic. He believed this was a reasonable approach given the general stability of the council and the three year internal audit cycle. Mr Harvey also confirmed that he believed he had sufficient resources available to undertake the internal audit work.

RESOLVED:

That the Chief Internal Auditor's Annual Report and Opinion for 2021/22 be noted, as attached as appendix 1 to the report.

10. **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2020/21**
(AG072)

Councillor Craske left the room during consideration of this item and took no part in the debate or decision thereon.

The Service Lead – Revenues and Benefits introduced the report.

On behalf of the Committee, Councillor Cutler and Councillor Power (Cabinet Member for Finance and Value) congratulated the Revenues and Benefits Team for this work with particular regard to the pressures faced by the team during the recent pandemic.

RESOLVED:

That the Certification of Claims and Returns Annual Report for 2020/21 be noted, as attached as appendix 1 to the report.

11. **ANNUAL GOVERNANCE STATEMENT**
(AG076)

The Strategic Director & Section 151 Officer introduced the report on behalf of the Strategic Director & Monitoring Officer and drew members' attention to the three issues that had been identified as requiring further consideration and action, as listed in paragraph 11.14 of the report. The Strategic Director and the Senior Policy and Programme Manager responded to members' questions.

One Member drew attention to inconsistencies between some of the wording used in the AGS and that included in the Annual Financial Report, particularly relating to references to the Committee. It was agreed that further checks be undertaken to ensure the two documents were reconciled.

The importance of ensuring there was no further slippage to deferred items in the internal audit programme was emphasised and the requirement to carefully monitor progress in the quarterly update reports was highlighted. It was agreed that a further recommendation be added to reflect this point.

In response to particular questions regarding the Programme and Project Management, the Strategic Director confirmed this had been prepared in draft form and further commentary could be provided in the Q1 report to the September meeting.

RESOLVED:

1. That, subject to recommendation 3, the Annual Governance Statement for 2021/22 be approved (as set out in appendix 1 of the report) for inclusion in the Draft Annual Financial Report 2021/22 which is included as AG082 above.
2. That the issues arising and proposed actions identified in appendix 1 of the report be noted and the progress against the actions be brought back to the committee as an appendix to the quarterly governance monitoring report.
3. That the Strategic Director be authorised to make minor drafting changes to the statement to ensure consistency between the AGS and the Annual Financial Report and to add a statement to the “Role of Internal Audit” wording in section 7.8 to stress the importance that approved slippage in the 2021/22 programme was fully addressed in 2022/23.

The meeting commenced at 6.30 pm and concluded at 8.10 pm

Chairperson