

AUDIT COMMITTEE**29 November 2018**

Attendance:

Councillors
Cutler (Chairman)Bentote
Burns
HuxstepMather
Power
StallardOthers in attendance who addressed the meeting:

Councillor Ashton - Portfolio Holder for Finance

Apologies for Absence:

Councillor Horrill – Leader and Portfolio Holder for Housing

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed three members of the public to the meeting.

The Chairman informed the meeting that a Treasury Management Briefing delivered by Arlingclose, Treasury Management advisors, had taken place at the offices of Hampshire County Council on 27 November 2018 and had been attended by a number of members of the Committee. The Chairman had also recently attended a seminar organised by Ernst and Young for audit committee chairs. Issues discussed included Brexit and its potential effects on strategic asset purchase and borrowing.

Training for Audit Committee members and other members of Council would take place on the 15 January 2019 with Treasury Management and the Budget being considered. The training scheduled for the 29 January 2019 would now be utilised for alternative Council training.

2. MINUTES OF THE PREVIOUS MEETING HELD ON 31 JULY 2018

RESOLVED:

That the minutes of the previous meeting held on 31 July 2018 be approved and adopted.

**3. GOVERNANCE: QUARTERLY UPDATE - QUARTER 2 2018/19 AUD220
(Report AUD220 refers)**

The Strategic Director: Resources and Mr Harvey from the Southern Internal Audit Partnership presented this item.

In reply to Members' questions, the Corporate Business Manager stated that the delay in clearing the overdue action arising from the limited assurance opinion in respect of the Hampshire Cultural Trust related to the signing of leases by the Trust. Although the lease was being paid for by the Trust, staff changes at the Trust had delayed the signing of the lease and the Council's Estates Department was providing assistance to the Trust to resolve this matter. Mr Harvey added that the Mayor's Charity was subject to an audit review as part of its annual certification.

RESOLVED:

That the content of the Report and the progress against the Internal Audit Plan and Annual Governance Statement as set out in Appendices 1 and 2 be noted.

4. **MANAGING PROJECT RISKS**
(Report AUD222 refers)

The Strategic Director: Place gave a presentation on the methods the Council used to manage risks.

In answer to Members' questions, the Strategic Director: Place and the Strategic Director: Resources answered Members' questions as follows:

- (i) The Corporate Risk Register considered the accumulative risk of a number of individual risks occurring at the same time. Risks that were common in all projects would filter through to the Corporate Risk Register.
- (ii) The methodology used in the risk proximity score indicated how immediate the risk was and considered the impact on revenue rather than the longer term impact, for example on construction. It was commented by a Member that a higher level risk management tool was required to span the 40 year horizon of a project to adequately cover the longer term period.
- (iii) The Corporate Risk Register took into consideration risks of partnerships, including private sector contractor risks. This would include the potential default of an operator, including for example the operator of the new leisure centre.
- (iv) The Council's risk appetite was included in the risk register and included all potential risk options including that a project was not financially viable. The Council could look at each stage at the risks and could also look to see if the current controls needed to be stronger. The Cabinet Committees also considered projects from outline to full business stage and ensured that project gateways and stop points were included as well as preventing mission creep that increased costs. In addition, each project had its own project board that met monthly.

Councillor Ashton commented that the date of commencement of construction of the sport and leisure centre project had been delayed resulting in a slippage against the schedule as The Overview and Scrutiny Committee had requested a

Facilities Needs Appraisal. There were no new risks resulting and this matter had been considered by the Cabinet (Leisure Centre) Committee. The full business case, including the risks associated with the partner operator would be known by February 2019. The risk of the project programme/project delivery being delayed was risk number 6 in the Winchester Sport and Leisure Centre Project Risk Register and was constantly reviewed. The informal meetings of the project groups were cross political party and the notes of meetings were available to Members.

The Chairman commented that the likely scenarios associated with Brexit were a possible matter for consideration within the Corporate Risk Register.

RESOLVED:

That the Report be noted.

5. **LOCAL GOVERNMENT ASSOCIATION CORPORATE PEER CHALLENGE**
(Report AUD224 refers)

The Committee noted that the Report had not been notified for inclusion within the statutory deadline. The Chairman agreed to accept the item onto the agenda as a matter requiring urgent consideration to enable the Committee to consider the conclusions of the Corporate Peer Challenge Follow up Visit.

The Strategic Director: Resources introduced the report.

In reply to Members' questions the Strategic Director: Resources responded that:

- (i) The timetable for the submission of the revised Constitution for Member scrutiny was in the process of being decided upon. The revised draft would be available in December and a joint meeting of the Audit Committee and The Overview and Scrutiny Committee would be held early in the New Year.
- (ii) The new People Strategy/Workforce Plan was explained including the review of business travel, effects of staff turnover and increases in staff absence attributed to stress. As part of the delivery of the Council Strategy staff would be recruited to support different stages of the life of a project through fixed term contracts. The Council would aim to be a flexible employer to compete in the recruitment market and a recent Personnel Committee paper set out plans to deliver this.
- (iii) A Transformation Programme would commence in February 2019 with service reviews. The action plan would be progressed in conjunction with staff, with staff briefings being held. A Staff Forum was also being established and other measures put in place to help ensure that services were efficient and effective and that staff were clear on the direction of travel of the Council.

- (iv) The Residents Survey was currently being procured and would be launched in January 2019.
- (v) An update on progress against the peer review action plan would be included in the Quarter 3 Governance Monitoring Report in March 2019.

RESOLVED:

That the comments made by the LGA Peer Challenge Team as set out in Appendix 1 of the Report be noted.

6. **ANNUAL AUDIT LETTER 2017/18**
(Report AUD221 refers)

The Strategic Director: Resources introduced the report and answered Members' questions relating to trading companies and also to the proposed future changes to accounting standards, including IFRS 9 Financial Instruments, and whether the changes would result in extra work for the Council.

RESOLVED:

That the Annual Audit Letter 2017/18 be accepted.

7. **TREASURY MANAGEMENT MID-YEAR MONITORING REPORT FOR 2018/19**
(Report AUD223 refers)

Andrew Boufflower, Deputy Investment and Borrowing Manager (Hampshire County Council) introduced the report.

In answer to Members' questions, it was stated that the return of 1.04% on long-term investments referred to in table 4 of the Report would be clarified. Subsequent to the meeting it was confirmed that the return of 1.04% was correct, but the two percentage figures had not been updated; instead of 0.94% and 0.86% for the rates at 30.09.2018 they should have stated 1.06% and 1.03%.

The Committee debated whether the Council was too risk averse in its investment strategy. The Strategic Director: Resources commented that the Council required cash to fund its capital programme, and the funding of the capital programme would reduce balances in the forthcoming months.

Councillor Ashton added that the Council did have investments in higher risk assets that increased investment returns. Cash was also used to reduce borrowing which had a positive effect in combating inflation.

RESOLVED:

That the Treasury Management Mid Year Monitoring Report 2018/19 be noted.

The meeting commenced at 6.30pm and concluded at 8.30pm

Chairman