

**AUDIT COMMITTEE****8 March 2018**Attendance:

Councillors:

Cutler (P)

Burns (P)

Huxstep (P)

Prince (P)

Stallard

Weir (P)

Weston (P)

Deputy Members:

Councillor Gottlieb (Standing Deputy for Councillor Stallard)

Others in attendance:

Councillor Ashton – Portfolio Holder for Finance

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**1. DISCLOSURES OF INTERESTS**

Councillors Huxstep declared a disclosable pecuniary interest in respect of items under consideration which may have a Hampshire County Council involvement due to his role as a County Councillor. However, as there was no material conflict of interest regarding these items, he 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. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman stated that he had attended a seminar for Audit Committee chairs organised by Ernst and Young. Subjects covered had included how an Audit Committee was run and also asset purchases. Alternative committee meeting models for the consideration of the audit function had also been discussed.

The Chairman added that the meeting of the Audit Committee in conjunction with The Overview and Scrutiny Committee to consider revisions to the Constitution would now be held in the new Municipal Year.

**3. MINUTES**

Arising out of consideration of the minutes of previous meeting, the Strategic Director: Resources informed the meeting that a deadline had been set for East Hampshire District Council to reimburse the City Council (in respect of the Environmental Services Contract) before the end of the financial year. The outcome would be reported to the Committee's next meeting.

Following a wider discussion on the Council's outstanding debts, the Chairman requested that when considering the report on the financial statements, a reference be included on the Council's approach to managing bad debts.

RESOLVED:

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

4. **GOVERNANCE SUMMARY REPORT – QUARTER 3 (2017/18)**  
(Report AUD202 refers)

The Strategic Director: Resources introduced the Report.

The Committee asked a number of questions and made comment on the following which were responded to by the relevant officers present:

- (i) The outstanding actions on procurement and contract management;
- (ii) The outstanding actions on the Corporate Peer Review Action Plan.

Members requested that future reports also include details on the revised completion dates for outstanding actions.

Mr Pitman and Mrs Jerams from the Southern Internal Audit Partnership were in attendance and presented Appendix 2 – Internal Audit Progress Report February 2018. Mr Pitman stated that there were no further limited assurances and there was confidence that all outstanding audits would be completed by the end of the financial year.

The Committee discussed the overdue action related to Procurement and Contract Management - Street Markets (where it was noted that all high priority actions had been cleared) and Ethical Governance (which was part of the review of the Constitution), which were responded to by the relevant officers present.

RESOLVED:

1. That the content of the report and the progress against the Annual Governance Statement Action Plan in Appendix 1 and Internal Audit Progress report included in Appendix 2 be noted.
2. That no items of significance be drawn to the attention of Cabinet.

5. **INTERNAL AUDIT PLAN 2018/19**  
(Report AUD203 refers)

Mr Pitman and Mrs Jerams from the Southern Internal Audit Partnership were in attendance and presented the Report.

Following debate, the Committee agreed that the following be considered for addition to the strategic audit plan for review over the period (2018/19 – 2020/21):

- (i) Historic Environment (in line with key area 5 of the Council's Strategy – improving the quality of the District's environment – 5a protect and enhance the District's rich heritage....);
- (ii) The contract management aspects of the relationship of the City Council with the Hampshire Cultural Trust, including whether assets were being looked after correctly and the interface of the relationship.

RESOLVED:

That subject to consideration of the inclusion of Historic Environment and the relationship of the City Council with the Hampshire Cultural Trust, as outlined above, the Internal Audit Plan as set out in Appendix 1 and the Fraud Plan in Appendix 2 be approved.

6. **INTERNAL AUDIT CHARTER 2018/19**  
(Report AUD204 refers)

Mr Pitman and Mrs Jerams from the Southern Internal Audit Partnership were in attendance and presented the Report.

RESOLVED:

That the Internal Audit Charter as set out in Appendix 1 be approved.

7. **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016/17**  
(Report AUD205 refers)

Mr Mathers from Ernst and Young was present at the meeting and presented the Report which summarised the results of External Audit's work on the Council's housing benefits subsidy claim for 2016/17.

RESOLVED:

That the Annual Report as set out in Appendix 1 to the Report be noted.

8. **LGA PEER REVIEW ACTION PLAN PROGRESS UPDATE**  
(Report AUD206 refers)

The Strategic Director: Resources stated that the Peer Review Team would be revisiting the Council in June 2018 for a follow-up review. By way of clarification, it was stated that the action under LGA1 was amber and not green (page 2 of appendix 1 of the Report refers).

Mr Pitman from the Southern Internal Audit Partnership was in attendance and added that the position statement was a draft for the Council's management to consider and that the terminology and language used could be made more accessible at the time it was presented to the public. The progress with the recommendations was substantial, as reflected in the review, with the amber actions only needing to be signed off (by members of Cabinet) as the work had been completed.

In reply to Members' questions, the Strategic Director: Resources stated that the clear definition of a major project and associated risk register (Action IPG4 on page 8 of the Report refers) would be based on the relationship of the project's complexity, impact and risk.

The Committee considered the timetable for completion of the outcomes of the follow-up Peer Review and the revised Constitution. In respect of the Constitution review, it was commented that an extended timetable that provided time for broad consultation on the draft outcomes, the opportunity for the Audit Committee to meet to consider a report on the subject and then the report being progressed for final consideration at a special meeting of the Council would be its preferred option. The Strategic Director: Resources stated that he would share these comments with the Leader of the Council.

RESOLVED:

That the progress against the actions in Appendix 1 and 2 to the Report be noted.

9. **LOCAL CODE OF CORPORATE GOVERNANCE 2018**  
(Report AUD207 refers)

The Strategic Director: Resources introduced the Report.

Members gave consideration into incorporating the principles of the Code into the work of the Council, for example when drafting the Council's strategies. The Strategic Director: Resources explained that the Council's Annual Governance Statement, which was considered by the Audit Committee and Cabinet, took it into consideration.

The Committee debated methods to raise awareness of the Local Code across the Council. It was suggested that it be part of the Constitution and be brought to the attention of newly elected Members. It was also commented that its language and terminology could be improved and it was agreed to circulate copies to all members of the Committee for input to improve its readability.

RESOLVED:

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

10. **PLANNING FOR AND AUDIT OF THE 2017/18 ACCOUNTS**

(Report AUD208 refers)

The Finance Manager, Financial Services, introduced the section of the Report relating to the actions to be taken to ensure that the statement of accounts for 2017/18 was fully compliant with statutory requirements and to make the Committee aware of changes impacting on the statements.

Mr Mathers from Ernst and Young was present at the meeting and introduced the external auditor's Audit Plan for the 2017/18 financial statements and value for money conclusion.

In answer to Members' questions, Mr Mathers outlined the methods that Ernst and Young would employ to ensure that they complete the 2017/18 audit in accordance with the new statutory requirements. These steps included having a timetable with strict deadlines for all local authority clients to comply with for the receipt of information and providing good communication.

RESOLVED:

1. That the report in respect of the Council's Statement of Accounts for 2017/18 be noted.
2. That the amendments to the disclosure of accounting policies be approved.
3. That the Audit Plan be noted.

The meeting commenced at 6.30pm and concluded at 8.45pm.

Chairman