

AUDIT AND GOVERNANCE COMMITTEE

25 July 2019

Attendance:

Councillors

Power (Chair)

Achwal
Becker
Bentote
Bronk
Gottlieb
Laming

Godfrey
Mather
Miller
Weston

Others in attendance who addressed the meeting:

Councillor Cutler (Deputy Leader and Cabinet Member for Finance and Risk)

1. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 13 June 2019 be approved and adopted.

2. **DECLARATION OF INTERESTS**

Councillor Godfrey declared a personal (but not prejudicial) interest in all items that might present a conflict of interest arising from his former position as a Portfolio Holder serving on Cabinet. No such conflict arose in the meeting and he spoke and voted on all items.

Councillor Miller declared a personal (but not prejudicial) interest in all items that might present a conflict of interest arising from his former position as a Portfolio Holder serving on Cabinet. No such conflict arose in the meeting and he spoke and voted on all items.

3. **AUDIT AND GOVERNANCE WORK PROGRAMME**

Following debate, it was agreed that the following topics be added to the work programme:

- Reports on complaints received and their resolution.
- How the new Constitution has operated since it was last reviewed and the further changes that will be required (item for the November meeting).

At the invitation of the Chairperson, Councillor Cutler suggested that the item on the operation of the new Constitution might include consideration of the new arrangements for Human Resources items that were previously reported to the former Personnel Committee, for example on staff turnover and sickness. These items were now reported to The Scrutiny Committee and the Cabinet in a summarised form on a quarterly basis and consideration should be given as to whether these new arrangements were effective. This approach was supported by the Committee.

RESOLVED:

That subject to the further inclusion of reports on complaints received and their resolution and also how the new Constitution has operated since it was last reviewed and the further changes required (item for the November 2019 meeting), the Audit and Governance Work Programme for 2019/20 be noted.

3. **GOVERNANCE QUARTERLY UPDATE - QUARTER 1 2019/20**

(Report AG008 refers)

Councillor Gottlieb declared that he might be the District Councillor referred to in appendix 1 of the Report – Code of Conduct complaints.

Members raised questions or commented regarding the following:

- Whether information should be reported on the value of recorded gifts and hospitality.
- Whether consideration should be given to reducing the length of the gap between the July and November meetings of the Committee to allow the reporting of Internal Audit actions during this period.
- That the appendix on Code of Conduct Complaints should be a regular update with an annual review reported to this Committee.

Councillor Gottlieb abstained from voting on this item.

RESOLVED:

That the content of the Report and the progress against the Internal Audit management actions be noted.

4. **AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2019**

(Report AG010 refers)

Councillor Godfrey declared a personal (but not prejudicial) interest as he was an employee of Hampshire County Council and was a contributor to the Local Government Pension Scheme and he spoke and voted on this item.

Mr Suter, Associate Partner from EY, introduced the Report.

Mr Suter stated that the valuation of land and buildings was complex and

therefore the local team had referred a number of valuation queries to the EY Real Estate team of technical specialists to ensure that there was no misstatement of the Council's assets. This included looking at rental figures. In considering the final presentation of the audit results it was anticipated that the unadjusted misstatements in the valuation of assets would not be material to the accounts. It was also stated that the work towards the value for money conclusion on the Council's use of resources was on target and no further risks had been identified. EY anticipated being able to give an unqualified opinion.

Members raised questions or commented regarding the following:

- The scale and management of the Council's pension fund deficit (page 17 of the Report).
- The circumstances for the overstated value of the area of open space donated to the Council in 2018/19 (page 18 of the Report).

RESOLVED:

That the Letter of Representation as set out in Appendix 1 to the Report be approved.

5. **ANNUAL GOVERNANCE STATEMENT 2018/19**

(Report AG011 refers)

Members raised questions or commented regarding the following:

- It was confirmed that the training on procurement and contract management referred to on page 37 of the Report was for staff.
- The actions that had been taken by the Council to address the recommendations of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- The timing of the presentation of Internal Audit Reports to Committee.
- How the Annual Governance Statement 2018/19 Action Plan (page 36 of the Report) would address the three significant governance issues identified on page 34 of the Report.

RESOLVED:

1. That the Annual Governance Statement for 2018/19 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 and Governance Committee in six months time.

6. **ANNUAL FINANCIAL REPORT 2018/19**

(Report AG012 refers)

The Finance Manager (Financial Reporting) introduced the Report and stated that since publication of the Report the auditors had continued their work on the

Financial Statements. As a result, some minor changes had been made to the Annual Financial Report as appended to report AG012 as detailed below:

- added an *Event After the Balance Sheet Date* (note 5 on page 31) referencing the changes to the Pension Liability following the McCloud ruling; and
- revised the introductory wording for the *Adjustments Between Accounting Basis and Funding Basis Under Regulations* (note 6 on page 32) to clarify its purpose.

Following further proof-reading of the document a number of typographical errors (e.g. references to the former *Audit Committee* that had not been updated and inconsistencies in the capitalisation of 'the Council' etc.) had also been corrected and an updated version of the Annual Financial Report had been circulated to members of the Committee in advance of the meeting. Further changes might be required if material misstatements were identified as EY continued their audit work.

Mr Suter from EY was present at the meeting and explained that further work was required on the valuation of an asset. The Finance Manger (Financial Reporting) informed the meeting that this related to the length of the future use of the River Park Leisure Centre, as a new Leisure Centre was currently being constructed. This may result in a reduction in the balance sheet value of approximately £2m.

The Committee was satisfied that this adjustment could be made once agreement on the value had been reached between officers and EY and therefore agreed that the Chairperson should sign the Statement of Responsibilities as set out in the resolution below.

The Chairperson thanked the Finance Manager (Financial Reporting) for her work on this report.

RESOLVED:

1. That the Statement of Accounts 2018/19 as set out in Appendix 1 be approved.
2. That the Chairperson of this meeting signs the Statement of Responsibilities on page 22 of Appendix 1 to certify the accounts and authorise their issue.

7. **TREASURY MANAGEMENT OUTTURN REPORT 2018/19**
(Report AG006 refers)

Councillor Weston declared a personal (but not prejudicial) interest as she was an employee of HSBC who were mentioned in the Report and she spoke and voted on this item.

The Finance Manager (Capital & Treasury) introduced the Report.

Mr Boutflower, Deputy Investments and Borrowing Manager at Hampshire County Council, was present at the meeting and explained actions taken by the County to prevent a breach of the limit on sums invested for over 364 days occurring again in the future (paragraph 22.6 refers). Mr Boutflower stated that there had been no financial detriment to the Council and sums invested had now returned to within the investment limits.

Also present was Mr Sarfas, Principal Accountant in the Investments and Borrowing Team at Hampshire County Council, who would be representing the County at future meetings of the Committee.

In answer the Members' questions the officers gave explanations on the following:

- The Council's strategy with regard to bail-in risk
- The Council's strategy in managing the average debt portfolio of £156.7m (which had been borrowed to finance the Housing stock purchase).

At the invitation of the Chairperson, Councillor Cutler encouraged Members to attend the Treasury Management Training to be held at the County Council's offices on 26 November 2019.

RESOLVED:

1. That the Annual Treasury Outturn Report 2018/19 be noted.
2. That the limit on sums invested for over 364 days was breached by £35,000 from 12 March 2019 to 16 May 2019 be noted and that the mitigating actions agreed to prevent this occurring again as detailed in paragraph 22.6 be also noted.

The meeting commenced at 6.30 pm and concluded at 7.45pm

Chairperson