

AUDIT COMMITTEE

Date and Time: Tuesday 26 March 2024 at 7.00 pm

Place: Council Chamber

Present:

Blewett, Davies, Hale, Southern (Chairman), Thomas, Butler and Woods

In attendance (Virtual):

Neil Pitman, Southern Internal Audit Partnership
Iona Bond, Southern Internal Audit Partnership
Kevin Suter, Ernst & Young
Andrew Britain, Ernst & Young

In attendance:

Officers:

Graeme Clark, Executive Director, Corporate Services & S151 Officer
Emma Evans, Committee and Member Services Officer

18 ELECTION OF CHAIRMAN

The Executive Director, Corporate explained that as neither the Chairman nor the Deputy Chairman were available for the meeting, a Chairman will need to be appointed for this meeting.

Councillor Hale nominated Councillor Southern. Councillor Southern seconded.

Councillor Southern was unanimously approved as the Chairman for this meeting.

19 APOLOGIES FOR ABSENCE

Apologies were received from Cllr Axam and Engström.

Cllr Butler was attending as substitute for Cllr Axam, Cllr Woods was attending as substitute for Cllr Engström.

Cllr Davies had advised she would be a late arrival.

20 MINUTES OF THE PREVIOUS MEETING

The minutes of 24 October 2023 were agreed and confirmed and signed as a correct record.

21 DECLARATIONS OF INTEREST

No declarations made.

22 CHAIRMAN'S ANNOUNCEMENTS

No announcements.

The Executive Director, Corporate gave a brief overview of the role of the Audit Committee as several Members were new to the Committee.

23 EXTERNAL AUDIT (EY) VALUE FOR MONEY REPORT

Mr Suter from Ernst Young (EY) introduced the External Auditors report on the key findings of their value for money work for 2022/23. He stated that this was an interim report until after the Auditors Annual Report is finalised about 30 September 2024. No risks of significant weakness or actual significant weakness were brought to the attention of the Committee.

No questions were asked.

Mr Suter introduced Mr Brittain who will be the Lead EY Partner for the next 5 years. Mr Brittain will be the lead for the 2023/24 Audit onwards.

24 EXTERNAL AUDIT (EY) PLANNING DOCUMENT 23/24

Mr Brittain introduced the 2023-24 External Audit Planning Report, stating that although the 2022/23 is not yet complete the 2023/24 Audit process can begin.

It was confirmed that the Audit Manager for 2023/24 has already run a workshop with the Hart Finance team to outline the scope and requirements of the work and ensure a smooth process.

Several risks were highlighted:

- Risks relating to the valuation of properties
- The impact of the introduction of a new standard covering leases (IRFS 16)

Members queried whether the Auditors were content with the current valuation of property. It was confirmed that as at the last set of accounts they were, and it is part of the current Audit Plan for 2023/24.

A Member asked if any Hart leases would be covered by the new standard and why had the government introduced it.

The Executive Director, Corporate explained that they would be as the new accounting standard covered embedded leases such as the Serco vehicle lease as part of the waste management contract.

Mr Brittain stated that it was not government specific and was industry wide. Corporate accounts have reflected this for several years but having been delayed for government by the pandemic they have now been implemented.

The Chairman thanked Mr Suter for all his efforts and welcomed Mr Brittain.

25 INTERNAL AUDIT PROGRESS REPORT QUARTER 3 2023/24

The Executive Director, Corporate introduced Iona Bond from Southern Internal Partnership (SIAP) representing Neil Pitman.

Ms Bond stated that Members should have received a link to a client survey to gather their views as part of the SIAP internal quality assurance.

Ms Bond introduced the Quarter 3 Progress Report stating that 47% of the plan is already completed and 53% is in progress. Currently only 4 outstanding management actions have been identified from the cohort of overdue audits and none are classed as high priority. Since the last progress report 2 further audits have been finalised with a limited assurance opinion: workforce strategy and legal services.

A Member queried the meaning of the assurance opinions. The levels of opinion were explained.

A Member asked if the Programme and project management skills audit now listed as substantial meant that previous concerns identified had been corrected. This was confirmed.

A Member asked if what the process was for checking that issued identified as needing management action were addressed. The process was explained. Auditors would discuss with senior management. If in-year action was necessary senior management would then implement improvements and the Auditors would monitor the progress made and re-audit if they were of significant or material risk. If no in-year action was necessary, it would be revisited at the next Audit Planning round.

Members queried 6 high-level management actions that had been identified in relation to a Shared Legal Services Deed and delays in agreeing a previous deed. The Executive Director, Corporate confirmed that management were undertaking actions to address this issue. It was anticipated that a draft deed will be received within a few months and the service will continue with Basingstoke and Deane Borough Council but with slightly different terms. It will then be subject to the decision-making process.

Cllr Davies arrived at 19.31.

Members noted the report.

26 INTERNAL AUDIT CHARTER 2024/25

Ms Bond introduced the Internal Audit Charter 2024/25, explaining that no changes had been made since last year's report. Standards are due to change in January 2025 and so at that stage a new Charter will be submitted to the Committee.

DECISION

The Committee approved the Internal Charter 2024/25.

27 INTERNAL AUDIT PLAN 2024/25

Ms Bond from SIAP, introduced the Internal Audit Plan 2024-25. This risk-based plan was devised via a review of strategic plans and risk registers and consultation with key stakeholders, it is a fluid document and will change as new and emerging risks are identified throughout the year.

A Member asked:

- how the risk scores are calculated,
- how often they are reviewed
- if there are mitigation plans for each of the risks
- are budgets set aside to address these risks

The Executive Director, Corporate explained that the risk process is agreed by the Audit Committee every two years. The actual oversight of risk registers is overseen by the Overview & Scrutiny Committee (O&S) on a quarterly basis. Risks are calculated using a matrix of likelihood and impact with scores depending on the severity, this can change at any time. Mitigation is considered by O&S and will be discussed at the next meeting. Some mitigations do come at a cost such as preventing cyber-attacks but also insurance is in place to limit the financial impact of some of the risks.

A Member queried the loading of audits into quarter 3 and 4 and the number of days allocated. The Executive Director – Corporate stated that the audits are scheduled to suit service work programmes where possible. It was agreed that the issue would be discussed further with SIAP.

A Member queried the timing of the Procurement Audit considering potential new legislation. It was agreed that this would be investigated further and if necessary the audit would be brought forward.

DECISION

The Committee approved the Internal Audit Plan for 2023/24.

28 GOVERNMENT'S PROPOSALS TO ADDRESS THE LOCAL AUDIT BACKLOG IN ENGLAND

Members received a verbal update on the proposals from the Executive Director – Corporate. He stated:

- the government had launched a consultation on addressing the backlog of audits across local government.
- Hart only has one outstanding audit
- last year saw an 100% increase in our audit fee
- 2021/22 audit is completed
- 2022/23 audit is still not audited, the consultation gives auditors additional time and can be a lighter-touch audit. It is anticipated this light touch assurance will be given in September 2024 but it will not be a full sign off certificate.
- 2023/24 accounts will be completed by October /November 2024 so Hart will have almost caught up.
- October Audit Committee will need to be delayed or an additional meeting will need to be scheduled in November to consider the Audit findings.

29 AUDIT COMMITTEE WORK PROGRAMME

The Committee considered the Audit Committee Work Programme. It was noted that the dates for the External Audit Report and Accounts consideration will have to change and potentially an additional Audit Committee meeting may have to be held in November 2024.

The meeting closed at 8.04 pm