

Audit Committee

Date and Time: Tuesday 1 October 2024 at 7.00 pm

Place: Council Chamber

Present:

Makepeace-Browne (Chairman), Axam, Hale, Khepar and Southern

In attendance:

Officers:

Graeme Clark, Executive Director, Corporate Services & S151 Officer

Kathy Long, Committee Services Officer

11 Apologies for Absence

Apologies for absence were received from Cllrs Brown and Taylor.

12 Minutes of the Previous meeting

The minutes of the previous meeting held on 23 July 2024 were agreed and signed as a correct record of the proceedings.

Proposed by Cllr Southern

Seconded by Cllr Axam

13 Declarations of Interest

There were no declarations of interest made at the meeting.

14 Chairman's Announcements

The Chairman announced that she would be attending the South East Regional Audit Committee Forum on 22 October 2024

The Chairman advised that the Internal Auditors (Southern Internal Audit Partnership) had offered to meet with Members of the Committee to provide a briefing whenever required.

15 Internal Audit Progress Report - August 2024

Neil Pitman from Southern Internal Audit Partnership (SIAP) presented an overview of internal audit activity against the assurance work completed in accordance with the approved Audit Plan, as well as providing an overview of the status of 'live' reports.

The Committee was advised of updates to the report that had been circulated with the agenda:

- Analysis of 'live' audit reports tracking management actions through to implementation – There were two updates to the overdue actions relating to HR Workforce Strategy. Since the agenda had been published, one of the low and one of the medium priorities had been implemented. It was noted, therefore, that the total number of overdue actions should be amended to read: Low: 0; Medium: 6; and High: 3.
- Rolling work programme – the report provided more detail in respect of ongoing reviews against those detailed in the agreed Audit Plan. The Committee was advised that:
 - the review of GDPR was now in field work stage
 - the ongoing advisory and review of the National Fraud Initiative was in field work stage
 - tree safety review – now had agreed terms of reference
 - repair and maintenance of buildings was currently in field work stage
 - the review of building control had been scoped.
- Overdue high priority management actions – Shared Legal Services – the Committee was advised that a revised due date of December 2024 had been proposed and agreed for a new deed to be drafted and agreed. The deed was required to reflect a revised way of working but still maintaining core terms and conditions. An explanation and further details were included under the following agenda item with a report from the Director of Corporate Services and Section 151 Officer.
- Overdue high priority management actions – External Legal Advice – A revised due date of December 2024 had been proposed and agreed to reflect that a revised deed was required to add flexibility to the clause regarding external legal advice. An explanation and further details were included under the following agenda item with a report from the Director of Corporate Services and Section 151 Officer.
- Overdue medium priority management actions – Licensing Reviews – There were four management actions that had been identified with due dates shown in the report as “TBC”. The Committee was advised that a revised due date of 31 December 2024 had been proposed and agreed. An explanation and further details were included under the following agenda item with a report from the Director of Corporate Services and Section 151 Officer.

During discussion, Members asked questions regarding:

- the reason for the delay in implementation in respect of a new deed for Shared Legal Services
- the need for meaningful KPIs for contract management

- whether sanctions could be imposed when key KPIs had not been met.

In response, the Executive Director - Corporate advised Members that, at the previous meeting in July 2024, Members raised concerns regarding what steps management was taking to implement actions and that this is what had prompted the following item on the agenda for the meeting. It was noted that, at the time of the internal audit, the Council had been minded to undertake a simple renewal of the deed. Subsequently, Basingstoke and Deane Borough Council had appointed a new Director in charge of both functions of Shared Legal Services and Licensing. At a meeting of Hart District Council's Chief Executive, the Executive Director – Corporate/Section 151 Officer and the new Director at Basingstoke and Deane Borough Council, a different course of action had been agreed in order to streamline the governance arrangements for both shared services of Legal and Licensing. Both councils were currently in the process of undertaking this work. Basingstoke and Deane Borough Council had indicated that they would have the new deed documents completed by the end of December 2024. The Executive Director – Corporate undertook to check in on the progress with the new deeds at a forthcoming meeting with the Director at Basingstoke and Deane. The point was made that it had been both councils that had decided to extend the original target date in order to achieve greater streamlining in governance arrangements.

The Executive Director - Corporate stated that the Shared Legal Service was performing well, but that the KPIs could be strengthened to measure turnaround times and budgetary KPIs so that progress could be easily tracked. Although it was not the Committee's place to agree contract KPIs, it was agreed to take on board the need for meaningful KPIs and the Executive Director undertook to report back to the Committee on this for information. It was his intention that the revised KPIs would give more rigour and strength to the governance process and the oversight of the Shared Services agreement.

In response to a question from a councillor, the Committee was informed that the contract was an inter-authority agreement with a deed and was not a commercial contract and, as such, sanctions could not be imposed. Nevertheless, performance targets would be set with the expectation that there would be a dialogue with Basingstoke and Deane Borough Council should any performance on KPIs fall short.

In respect of the target dates for management actions, the Committee was reassured that it was normal for completion dates sometimes to change from the point where management agreed an action and its deadline date. The reasons for this could be to strengthen an action, a restructure having taken place and where circumstances had changed. It was agreed that there needed to be flexibility to ensure that the Council had effective internal audit with actions followed through and a process which could be monitored. Moving forward, the Executive Director - Corporate would be reporting to the Committee providing an explanation of the reasons for any slippage in meeting the original deadlines agreed for management actions.

The Committee noted the Internal Audit progress report dated August 2024.

16 Follow-Up on Internal Audit Management Actions

The Executive Director - Corporate introduced his report which provided an update on internal audits that had received limited assurance and the current status of these. The appendix to the report showed that, with the exception of the actions in connection with Shared Legal and Licensing Services and HR, most had been completed with the remainder on track. Members were advised that the HR action had been agreed by the Senior Leadership Team the previous week and was therefore complete.

The Executive Director - Corporate drew attention to the accounts receivable action in respect of debts that had historically been suppressed, amounting to £201,000. Following action taken, it was noted that £134,000 was still outstanding. Some of this amount was covered by ongoing payment arrangements, some by legal action to be taken to pursue the debts and the remainder had been deemed irrecoverable. The Committee was also advised that the Senior Leadership Team received monthly update reports on all debts as part of the debt recovery process.

The Committee noted the report.

17 External Auditor's (Ernst & Young) Annual Report 2022/23

Preeti Malik from Ernst and Young (EY) gave an update on work in connection with providing the 2022/23 audit report.

The Committee was informed that a new Statutory Instrument and code of audit practice had been laid before Parliament. The new code of practice had been developed following consultation carried out during February and March 2024 and it was intended that these would address the current backlog of local government audits involving the setting of a series of backstop dates. The first backstop date of 13 December 2024 would clear the backlog of unaudited accounts up to and including 2022/23. EY was working to sign off accounts by the end of November 2024, albeit on a disclaimer basis. EY's audit report would be shared with the Council's senior management and this in turn would then be shared with those charged with audit governance.

The Committee noted the update.

18 External Audit Interim Audit Results Report 2023/24

Preeti Malik (EY) introduced the key findings from the interim External Audit Results Report 2023/24. She thanked the Executive Director - Corporate, the Finance Manager and the Finance Team for their continued support during the 2023/24 audit process.

Attention was drawn to a couple of areas of the audit concerning changes in materiality. The Committee was advised that EY had based materiality on the 2022/23 accounts. However, following receipt of the 2023/24 draft accounts, EY had decided to revise the materiality figure, with the result that it had gone up. It was noted that there were no changes to the percentages that had been set for planning materiality. There had also been no changes to the risk identified from the planning stage.

During the audit of the 2023/24 accounts, EY had noted a couple of differences during the field work stage. One was a minor uncorrected audit difference extrapolated potential total increase in net expenditure of £155,000. EY was comfortable that this did not need to be adjusted in the final statement of accounts. In respect of corrected audit differences, EY had identified two differences on investment properties. These differences had been due to the fact that the assumptions used by the Council's valuers (CAPITA) had been different from the assumptions used by EY's valuers. Members noted that a small number of disclosure adjustments had been corrected by the management during the course of the audit.

Given that the audit process was still ongoing, and EY would continue to challenge the remaining evidence provided, it would be the final disclosures in the annual report and statement of accounts which would influence EY's final audit opinion.

In respect of the value for money audit, the Committee was informed that this had been completed and EY had identified no risk of significant weakness in the Council's arrangements and that EY expected to issue an unqualified value for money conclusion.

The Committee noted the external auditor's report.

19 Statement of Accounts and Annual Governance Statement 2023/24

The Committee considered the Statement of Accounts and Annual Governance Statement for 2023/24 and noted that the draft Letter of Representation would be issued following the conclusion of the external audit.

The Executive Director - Corporate reminded the Committee that the 2023/24 accounts had been on the Council's website since 30 May 2024 for a five-week public inspection period in June/July and that there had been no issues raised.

The Annual Governance Statement had been approved by the Committee at its previous meeting in July 2024, subject to some suggested amendments and these changes had been incorporated in the document included for approval at Appendix 2 to the report.

Decision:

The Committee approved:

- (i) the Statement of Accounts for 2023/24
- (ii) the final Annual Governance Statement for 2023/24, and
- (iii) that delegated authority be given to the Executive Director – Corporate, in consultation with the Chairman of the Audit Committee, to approve any non-material changes to the 2023/24 Statement of Accounts that arose from the final external audit review work, and to approve the Letter of Representation.

The Recommendation was proposed by Cllr Southern; seconded by Cllr Axam and was agreed unanimously by those Members present.

20 Consultation on 2024/25 Scale of Audit Fees

The Executive Director – Corporate introduced the Public Sector Audit Appointments consultation on the 2024/25 audit fee scale for opted-in local government, fire, police and other bodies. Members were invited to make any comments that the Executive Director could reflect in his response to the consultation. It was proposed to include comments regarding:

- the Council’s disappointment that fees had increased substantially, with the current proposal being a 9.5% increase from the previous year, and
- the need for a guaranteed fixed fee, with no additional fees, so that the Council could budget appropriately for this work

Members noted that the Executive Director – Corporate would be finalising the response the following week, in consultation with the Chairman of the Committee.

Decision:

The Committee supported the proposed approach to the consultation response, as outlined by the Executive Director – Corporate.

21 Audit Committee Work Programme

The Committee considered the Audit Committee Work Programme dated October 2024.

The Chairman reminded Members of the offer from Southern Internal Audit Partnership to provide briefings to the Committee whenever required.

The Committee noted the Work Programme.

The meeting closed at 7.58 pm