

AUDIT COMMITTEE

Date and Time: Tuesday 25 October 2022 at 7.00 pm

Place: Council Chamber

Present:

Axam (Chairman), Blewett, Davies, Hale, Smith, Southern and Woods

In attendance: Chandrika Sharma, Ernst & Young

Officers: Isabel Brittain, Section 151 Officer
David Harwood, Internal Auditor
Rebecca Borrett, Committee Services and Members Officer

22 MINUTES OF THE PREVIOUS MEETING

The minutes of 26 July 2022 were agreed and signed as a correct record.

23 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Engström, who is substituted by Councillor Woods.

24 DECLARATIONS OF INTEREST

No declarations made.

25 CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced:

1. There is to be a significant increase in the annual PSAA fees for 2023/24, increasing from approximately £80k to £250K. Members questioned:
 - the justification for this
 - the last time of an increase
 - if this would now go out to tender
 - how confident could we be additional supplementary costs would not now be incurred

The S151 Officer clarified:

- historically tenders were submitted at a price lower than it cost to provide the service
- the last increase was five years ago, when the service was last tendered

- the revised price was following a tender process, but this is a specialist statutory function with limited providers
 - as far as possible, previous supplementary work areas were reflected in the new fee structure but there could be no confidence additional fees could not be incurred moving forwards
2. Following the conclusion of the meeting there would be a discussion regarding changes to the way internal audit reports were circulated to Audit Committee members. A member asked if this could be off the record as it related to a change in process, which was not relevant to the public.

26 SHAPLEY HEATH AUDIT REVIEW

The S151 Officer provided members with an update on the steps taken to introduce the agreed management actions arising from the Shapley Heath Audit Review.

Members said that whilst it was good to know what progress was being made, the update did relate directly to the Shapley Heath Audit review. Officers apologised for the title being misleading.

In respect of Shapley Heath, Members discussed whether or not the outcomes from the findings of both Cabinet and Staffing Committees deliberations would be provided to Audit Committee. Members were reminded that the previous meeting minutes, as agreed, asked:

- Cabinet to provide a response to the management recommendations contained within the Shapley Heath Audit Review report, and to review the application of project governance, financial controls, and reporting for the Shapley Heath project and to provide a response to Audit Committee on lessons learnt.
- Staffing Committee be asked, for the period from March 2021 to the closure of the Shapley Heath project, to review the exercise of officer management oversight over the Shapley Heath project, including a review of officers' application of financial controls, risk management, monitoring, and reporting. The findings to be shared with Audit Committee.

DECISION

If no response has been received to the satisfaction of the Audit Committee, the Leader of the Council will be requested to attend the March 2023 Audit Committee to provide members with a response.

27 INDEPENDENT AUDIT UPDATE REPORT

The Committee received an update on the Independent Audit Report from Ernst & Young (E&Y). Issues identified related to the lack of an agreement between the Council and its housing management company and a variance in the valuation of the civic offices following tenant lettings.

Members advised external advice had been sought for validation in relation to the housing management company. E&Y confirmed it was not having a signed agreement which was the issue.

Member asked if the basis of valuation were consistent. E&Y confirmed as part of previous audit there was a difference in methodology.

Members asked to be updated when these points have been reported upon, and not to have to wait until the March 2023 meeting. The Chairman clarified he understood the issues need to be resolved before the accounts are signed off in November. This led to members discussing if the timing of Audit Committees needed to be changed to reflect external factors. Officers felt it was important to hold a meeting to approve the accounts.

DECISION

The new S151 to work with Committee Services for the next year scheduling to ensure meetings coincide with approving accounts.

28 INTERNAL AUDIT PROGRESS REPORT OCTOBER 2022/23

The Committee received a progress report on the work undertaken by Internal Audit for the period June to 10 October 2022.

Members were advised that:

- all audits were expected to be completed by 31 March 2023
- the intention is for the new internal audit provider to be in place for the new financial year
- a draft internal audit opinion for 2022/23 be presented to the March 2023 meeting
- detailed follow-up work is to be undertaken on the agreed IT controls actions and an update on the current position will be reported at the March 2023 meeting
- the Disabled Facilities Grants audit completed in October 2021 included a high-risk action that the grant process was not complying with contract standing orders. New Government guidance now renders that action obsolete. The action was also referred to in the draft 2021/22 annual governance statement and will need to be removed before the statement is approved

- CIPFA had issued revised Audit Committee position statement. This will require the Committee's terms of reference to be updated
- the new S151 officer commences working for the Authority on 1 November. They wish to review the internal audit outsourcing process before taking any further decisions

Members asked if the refresher training could be extended to councillors as well as internal teams.

Members questioned Section 7 - IT controls, the discussion at the previous meeting and whether the position remains unchanged. Officers explained last year's report identified weakness in service areas. The intention of the follow-up review is to ascertain whether the same weaknesses apply or have been addressed. The findings of the review will be presented at the March 2023.

DECISION

Refresher training to be extended to Councillors and a workshop to be arranged.

29 APPOINTMENT OF INDEPENDENT PERSON TO THE AUDIT COMMITTEE

Officers sought the Committee's views as to whether they wish to appoint an independent person or persons to the Audit Committee based on papers provided.

Members considered:

- current good practice
- that careful implementation was required
- an independent persons actual independence throughout tenure
- confidentially
- political ideals
- the experience of the current committee members and within the Council, and what would an independent person have added over the last two years
- the possibility of finding someone capable
- risk versus benefit

Members questioned:

- how typical it is for audit committees to elect. Officers advised that across Hampshire they believed that only Rushmoor Borough Council had made an appointment
- is this an LGA recommendation. Officers confirmed it was not but came from Government looking at external audit processes. CIPFA have also encouraged the use of two independents

- if the independent would have voting powers. Officers confirmed they would not, it is only an advisory role

Members discussed:

- if additional experience required this could be contracted in
- reaching out to other councils who had appointed an independent person to see if they had found it useful
- the option to wait rather than commit now
- the length of any appointment

Officers confirmed the length of any appointment would be at the Committees discretion. They also suggested that if updated Terms of Reference are to be presented to the March 2023 meeting, they could include for the future appointment of independent persons. This approach also has the advantage of not having to refer the matter back to Council at some future time, as the terms of reference within the Constitution would allow for independent members appointment.

In response to a question about how regularly the Committees terms of reference should be reviewed, Officers explained that the existing Terms of Reference had not been updated since 2018 and need to be updated to reflect best practice. The internal audit manager should review the terms of reference annually, and then bring forward any suggestions for change to the Audit Committee.

DECISION

Members agreed for the appointment of Independent Person(s) to be included in the updated Terms of Reference, but no appointment to be made at this time.

The meeting closed at 8.25 pm