

AUDIT COMMITTEE

Date and Time: Tuesday 28 March 2023 at 7.00 pm

Place: Council Chamber

Present:

Southern (Vice-Chair, in the Chair), Blewett, Davies, Engström, Hale and Smith and Axam (Joined by Teams)

In attendance:

Collins, Farmer, Neighbour, Radley (arrived 19.07)

Officers:

Graeme Clark, Executive Director - Corporate Services

David Harwood, Internal Auditor

Daryl Phillips, Chief Executive

30 MINUTES OF THE PREVIOUS MEETING

The Chairman requested an amendment to the decision for Item 29, Appointment of Independent Person to Audit Committee.

The Committee discussed and all agreed in principle the following revised wording:

DECISION

Members at this time did not wish to consider the appointment of Independent Person(s) to the Audit Committee but agreed for it to be included in the updated Terms of Reference; this will allow an appointment to be made in the future if the Committee desires.

This amendment was proposed by the Chairman and seconded by Councillor Smith then agreed by the Committee.

With this change the minutes of 25th October 2022 were confirmed and signed as a correct record.

31 APOLOGIES FOR ABSENCE

No apologies received.

32 DECLARATIONS OF INTEREST

No declarations made.

33 CHAIRMAN'S ANNOUNCEMENTS

The Chairman and members commended the Interim Internal Audit Manager for all his work to date.

34 AUDIT COMMITTEE TERMS OF REFERENCE

The Committee considered the revised Audit Committee Terms of Reference.

Member asked if the Committee would be preparing an end of year report on the work of the Audit Committee for this financial year. Officers confirmed it was best practice for a short high-level report to be produced. Members queried whether a new Committee could report on the work of the current Committee. Officers explained that due to the timing restrictions within the committee approval process the first annual report would be due April 2024.

The recommendation was proposed by Cllr Southern; seconded by Cllr Engström.

DECISION

The revised terms of reference were recommended to full Council at its meeting on 27 April 2023.

35 AUDIT RESULTS REPORT 2021/22

Mr Suter, from Ernst & Young (EY) summarised the Audit Results 2021/22 highlighting key findings.

- No evidence of fraud or material weakness in controls
- Changes made to the accounts in relation to the valuation of land and buildings
- No disclosure issues in relation to pensions
- Significant improvements in the accounting for Covid-19 grants

He explained that although the report was substantially complete, some elements were outstanding due to reduced EY staffing resources.

Members questioned the amendment of land valuations, the practical implications of this and the challenges with resourcing the audit and if there was a statutory deadline for completion of the audit. Officers confirmed that the land valuations changes although important had no material impact on the income and expenditure position. Mr Suter explained that the resourcing issues within audit were a national issue. There is not a statutory deadline for the audit to be completed. Members thanked Ernst & Young (EY) for their efforts.

The recommendation was proposed by Cllr Southern; seconded by Cllr Davies.

DECISION

The Committee unanimously agreed to note the Ernst Young LLP report.

36 STATEMENT OF ACCOUNTS 2021/22

Executive Director - Corporate presented members with the Statement of Accounts 2021/22 and the Annual Governance Statement 2021/22. The Executive Director said that Mr Suter's comment that an unqualified opinion would be issued should give the committee confidence in the accounts, but he confirmed that any material changes would be returned to the Audit Committee.

The recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

Audit Committee approved the:

Statement of Accounts 2021/2022 and the Annual Governance Statement 2021/22

The recommendation was proposed by Cllr Southern; seconded by Cllr Smith.

DECISION

That delegated authority be given to the Executive Director - Corporate in consultation with the Chairman of Audit Committee, to approve any non-material changes to the 2021/22 Statement of Accounts that arise from the final external audit review work, and to approve the letter of representation.

37 INTERNAL AUDIT PLAN 2023-24

Mr Pitman, from Southern Internal Audit Partnership, introduced the Internal Audit Plan 2023-24. This risk-based plan was devised in consultation with key stakeholders, it is a fluid document and will change as new and emerging risks are identified throughout the year.

The recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

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

38 INTERNAL AUDIT CHARTER 2023/24

Mr Pitman summarised the Internal Audit Charter 2023/24. It sets out the purpose, authority and reporting requirements and is approved annually by the Senior Leadership team and Audit Committee.

A member questioned whether the report should be amended to reflect that the Audit Charter is in fact listed in the service plans. This was confirmed.

The recommendation was proposed by Cllr Southern; seconded by Cllr Engström.

DECISION

The Committee approved the Internal Charter 2023/24.

39 RISK MANAGEMENT POLICY

The Committee reviewed the policy. The Interim Internal Audit Manager explained that whilst Cabinet has responsibility for the policy, the Audit Committee have risk management governance responsibilities and should have the opportunity to comment on the policy prior to Cabinet approval.

A member questioned the two points of authority and what happens if the Audit Committee is not content with any response from officers or from the Cabinet. The Interim Internal Audit Manager detailed how the risk responsibility lies with the Cabinet and the Audit Committee will have to accept their view ultimately.

The recommendation was proposed by Cllr Southern; seconded by Cllr Davies.

DECISION

The Committee raised no issues for Cabinet to consider prior to their approval of the policy.

40 RISK MANAGEMENT UPDATE

The Interim Internal Audit Manager presented the Risk Management update stating there were no issues to highlight.

The recommendation was proposed by Cllr Southern, seconded by Cllr Engström.

DECISION

The Committee noted the effectiveness of the risk management framework.

41 INTERNAL AUDIT ANNUAL REPORT AND OPINION

The Interim Internal Audit Manager highlighted the key findings from the draft Annual Internal Audit Annual Report 2022/23 adding that the plan had been delivered in full and thanking colleagues at Basingstoke and Deane and Wokingham Councils for their work. No significant issues need to be highlighted to the committee.

Hart District Council staff are responsible for managing IT controls and systems updates and formal procedures need to be produced.

A member requested an explanation of the recent error in Council Tax letters dispatched.

Executive Director - Corporate outlined the actions taken since the issue was identified and confirmed that the investigation is not yet complete. The Executive Director said he would report on the matter to the next meeting of the Audit Committee.

The report recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

The Committee noted the Internal Audit report and opinion.

42 SHAPLEY HEATH GARDEN COMMUNITY PROJECT: CABINET AND STAFFING COMMITTEE FEEDBACK

The Chief Executive provided members with an overview of the recommendations. He acknowledged the findings were challenging for officers and members, areas that will continue to be addressed include:

- Tightened financial controls
- Adherence to the terms of reference
- Experience and qualifications of staff
- Strengthened internal project board
- Projects not overseen by own department head
- Greater involvement of portfolio holders
- Reporting mechanisms followed
- Officers to ensure members are more informed
- Members to challenge officers more and to a greater extent
- Amendment of Delegated Powers in the Constitution
- Amendment of whistleblowing policy

A query was raised regarding whether the Audit Committee had been given access to the Exempt report from the Staffing Committee. Officers confirmed that

an investigation/disciplinary panel had been established, chaired by Cllr Worlock. No formal report was issued by the Committee.

Members debated:

- Previous requests for financial information for this project by members
- Cabinet and specific Portfolio holders roles in this project
- Reports produced as part of the project and how they may be used in the future
- What effect the COVID-19 pandemic had on the governance of the project

Members asked how the Overview and Scrutiny Committee (O&S) would undertake a progress review against the recommendations in September. Evidence would be provided to the O&S Committee to show actions taken.

The recommendation was proposed by Cllr Southern; seconded by Cllr Hale.

DECISION

That Audit Committee recommends to Cabinet that it ensures the full implementation of all recommendations set out in this report and that Overview and Scrutiny Committee should in September 2023 review progress.

- A. The Officer response to the management recommendations contained within the July 2022 taaa Shapley Heath Audit Review report (attached as Appendix 1)
- B. The response from Cabinet on lessons learnt; and
- C. The Staffing Committee review of the exercise of officer management oversight over the Shapley Heath Garden Community project for the period from March 2021 to the closure of the Shapley Heath Garden Community project (November 2021).

The meeting closed at 8.45 pm