

AT A MEETING of the AUDIT COMMITTEE of the COUNTY COUNCIL held at The Castle, Winchester on 26 June 2014.

PRESENT:

p Councillor Keith Evans (Chairman)

p John Bennison  
a Vaughan Clarke  
a Adrian Collett  
p Andrew Gibson

p Roger Huxstep  
a Tony Hooke  
a Mark Kemp-Gee  
p George Ringrow

Kate Handy and Hassan Rohimun from the County Council's auditors, Ernst & Young, also attended this meeting.

**48. APOLOGIES**

Apologies were received from Councillors Vaughan Clarke, Adrian Collett, Tony Hooke and Mark Kemp-Gee. Councillor Latham attended the meeting as the formal conservative deputy.

**49. DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

No declarations were made at the meeting.

**50. MINUTES**

The Minutes of the meeting held on 13 February 2014 were agreed as a correct record and signed by the Chairman.

**51. CHAIRMAN'S ANNOUNCEMENTS**

No announcements were made at this meeting.

**52. KEY ASPECTS OF RISK MANAGEMENT STRATEGY AND ASSOCIATED IMPROVEMENT PLAN**

The Committee considered a report of the Director of Policy and Governance – Corporate Services on the Key Aspects of Risk Management Strategy and the Associated Improvement Plan (Item 5 in the Minute Book).

Members were advised that the County Council’s arrangements for managing risk and health and safety were important elements of its governance arrangements and that it had had robust strategies in place for many years. Year on year assessment had also demonstrated consistent excellent performance against recognised national standards, which had culminated in considerable recognition for the County Council as a centre of excellence.

**RESOLVED:**

That the report be noted.

**53. INFORMATION COMPLIANCE – USE OF REGULATED INVESTIGATORY POWERS**

The Committee considered a joint report of the Directors of Culture, Communities and Business Services and Policy and Governance – Corporate Services (Item 6 in the Minute Book) detailing how the County Council had used its investigatory powers in the last three months, as required by the Code of Practice issued by the Home Office.

The Director advised Members on the limited number of times the County Council had used these powers and answered a number of questions relating to these incidents.

**RESOLVED:**

That the report be noted.

**54. INTERNAL AUDIT CHARTER**

The Committee considered a report of the Director of Corporate Resources – Corporate Services on the County Council’s Internal Audit Charter (Item 7 in the Minute Book).

The Chief Internal Auditor Director reported the Public Sector Internal Audit Standards to maintain an “internal audit charter” providing a framework for corporate governance, transparency and accountability and that this charter be reviewed annually.

Members were advised that the County Council’s Audit Charter provided a compliant framework which defined the purpose, authority and responsibility of the internal audit activity.

**RESOLVED:**

That the County Council’s Internal Audit Charter be approved.

**55. INTERNAL AUDIT PLAN 2014/15**

The Committee considered a report of the Director of Corporate Resources – Corporate Services (Item 8 in the Minute Book) giving an overview of the Internal Audit Plan for 2014/15.

The Chief Internal Auditor summarised a number of key reviews which would take place over the coming year including the IBC and The Care Act/Better Care Fund. Members asked questions regarding particular reviews and expressed their satisfaction at the content contained in the report.

**RESOLVED:**

That the County Council's Internal Audit Plan for 2014/15 be approved.

**56. EFFECTIVENESS OF INTERNAL AUDIT**

The Committee considered a report of the Director of Corporate Resources – Corporate Services (Item 9 in the Minute Book) summarising the internal self-assessment and on-going monitoring undertaken by the Southern Internal Audit Partnership during the year 2013/14.

The Chief Internal Auditor reported the requirement within the Public Sector Internal Audit Standards to undertake an external assessment every five years. With the diversity of organisations to which the Southern Internal Audit Partnership provided services, Members noted it would be beneficial that the initial assessment be carried out by an independent external firm through a validated self-assessment approach.

During this item, the Chairman announced that he had received a letter from the County Council's auditors, Ernst and Young, seeking the Committee's response to a consultation on how the Committee exercised oversight of the County Council's management processes. He advised that he had responded on behalf of the Committee and that a copy of his response would be sent to all Committee members in due course.

**RESOLVED:**

- i. That the review conducted in assessing the Effectiveness of Internal Audit be approved.
- ii. That the action plan generated from the assessment against the Public Sector Internal Audit Standards be endorsed.
- iii. That the approach to selecting an independent external firm to undertake a validated self assessment during 2015/16 be approved.

**57. INTERNAL ANNUAL AUDIT REPORT AND OPINION 2013/14**

The Committee considered a report of the Director of Corporate Resources – Corporate Services (Item 10 in the Minute Book) on the opinion of the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2014.

The Director summarised the key points and concluded that the County Council had an appropriate framework of control that provided reasonable assurance regarding the effective, efficient and economic achievement of the County Council's objectives, and that controls were working in practice.

**RESOLVED:**

That the annual report and opinion of the Chief Internal Auditor for 2013/14 be approved.

**58. TREASURY MANAGEMENT OUTTURN REPORT**

The Committee considered a report of the Director of Corporate Resources – Corporate Services (Item 11 in the Minute Book) setting out the performance of the treasury management function during 2013/14.

Members noted that legislation now prevents banks who get into financial difficulty from being “bailed out”. Therefore, in order to safeguard the County Council, an amendment was proposed to the Investment Strategy through the consideration of investing in high credit quality bonds issued by banks and other private organisations.

**RESOLVED:**

The Committee noted the following recommendations being reported to Cabinet and Full Council, that:

- i. The contents of this outturn report be noted.
- ii. That the 2014/15 Investment Strategy be amended to include longer duration bond investments with banks and other organisations, as outlined in section 7 of the report.

**59. ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report of the Chief Executive and Director of Corporate Resources – Corporate Services (Item 12 in the Minute Book) seeking approval of the Annual Governance Statement for Hampshire County Council and Hampshire Pension Fund for 2013/14.

Members were made aware of the action plan to address weaknesses and to ensure continuous improvement of the system of corporate governance. The Chairman thanked Officers for a very comprehensive and readable report.

**RESOLVED:**

That the draft annual governance statement be approved for signature by the County Council's Leader of the Council and Chief Executive.

- 60. (a) HAMPSHIRE COUNTY COUNCIL AUDIT PLANNING REPORT 2013/14  
(b) HAMPSHIRE PENSION FUND AUDIT PLANNING REPORT 2013/14  
(c) HAMPSHIRE COUNTY COUNCIL FEE LETTER 2014/15**

**(d) HAMPSHIRE PENSION FUND FEE LETTER 2014/15**

The Committee received and noted the Auditors Planning Reports for 2013/14 and Fee Letters for 2014/15 relating to Hampshire County Council and the Hampshire Pension Fund (Item 13 (a-d) in the Minute Book).

**61. PRESENTATION ON “PROTECTING THE PUBLIC PURSE 2013 - FIGHTING FRAUD AGAINST LOCAL GOVERNMENT NOVEMBER 2013”**

The Committee received and noted a joint presentation by the Director of Corporate Resources – Corporate Services and the Council’s Auditor on “Protecting the Public Purse 2013 – Fighting Fraud against Local Government – November 2013” (Item 14 in the Minute Book).

The Director reported on statistical data relating to fraud detection performance within the Hampshire area, compared to similar local authorities, most of which was low level.

**62. MINUTES OF THE PENSION FUND PANEL MEETING – 28 FEBRUARY 2014 – LESS EXEMPT MINUTES (FOR INFORMATION)**

The Committee received and noted the minutes of the Pension Fund Panel meeting held on 28 February 2014 (Item 15 in the Minute Book) (less exempt minutes)

**63. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED:**

That, in relation to the following item, the public be excluded from the meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public are present during this item there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that, in all the circumstances the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the exempt minutes.

**64. EXEMPT MINUTES OF THE PENSION FUND PANEL MEETING - 28 FEBRUARY 2014 – (FOR INFORMATION)**

The Committee received and noted the exempt minutes in relation to Minute 62 above (Item 17 in the Minute Book).