

AT A MEETING of the AUDIT COMMITTEE of the COUNTY COUNCIL held at The Castle, Winchester on 29 September 2010.

**PRESENT:**

p Councillor K. Evans (Chairman)

p F. Allgood  
a J. Bryant  
p V. Clarke  
p B. Dash

p M. Geddes  
p A. Gibson  
p E. Neal  
p C. Thomas

Prior to the commencement of the meeting, the Panel received an informal briefing by the County Treasurer on Treasury Management.

**57 APOLOGIES**

Apologies for absence were received from Councillor J. Bryant.

**58 DECLARATIONS OF INTEREST**

All Members who believed they had a personal or prejudicial interest in any matter to be considered at the meeting were asked to declare that interest and, having regard to the circumstances described in paragraphs 9, 10, 11 and 12 of the County Council's Code of Conduct, consider whether to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with paragraph 12 of the Code. The declaration should be made at the time of the relevant debate.

Councillors F. Allgood and B. Dash declared personal, non-prejudicial interests in respect of agenda items 9 and 12 (Pension Fund Panel Minutes) as Members of the HCC Pension Fund Panel.

**59 MINUTES**

The Minutes of the meeting held on 30 June 2010 were agreed and signed by the Chairman as a correct record.

**60 AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2009/10**

Kate Handy and Hassan Rohimun from the Audit Commission presented the Commission's draft annual Governance report for 2009/10. This included the audit plan progress report, the Hampshire Pension Fund Opinion Plan and supplementary papers which accompanied a presentation given on the Annual Governance Report (Items 5(a), 5(b) and 5(c) in the Minute Book).

Kate Handy highlighted for Members the main areas of work carried out by the Audit Commission during its audit of the County Council and

Pension Fund accounts. Among the issues identified by the Commission had been that derivative contract assets had been overstated by £24m resulting in a net understatement of £9m in the Pension Fund's net assets. Whilst the accounts had since been amended accordingly, the Committee supported a suggestion that the County Treasurer brief in more detail the respective Chairman of this and the Pension Fund Panel on this issue. Detailed training is planned for the Pensions Panel and it was agreed to determine if attendance at this could be offered to the Audit Committee members. During a full discussion the Committee agreed the proposed action plan, the adjustments to the financial statements and the draft letter of representation on behalf of the Council, subject to a few minor adjustments as explained by the District Auditor. The Committee welcomed the news that the Audit Commission proposed to issue an unqualified opinion on the County Council's accounts. This reflected the Audit Commission's conclusion that the Council had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Accordingly, it was

RESOLVED:

- (a) That the matters raised in the Audit Commission's reports be noted and the proposed action plan, along with its three recommendations be approved (Supplement 5 refers).
- (b) That the letter of representation on behalf of the Council be approved (Supplement 3 refers), subject to a few minor adjustments as reported by the District Auditor.
- (c) That the value for money conclusion for the year ended 31 March 2010 be noted.

## 61 **AMENDMENTS TO 2009/10 STATEMENT OF ACCOUNTS**

The Committee considered the report of the County Treasurer (Item 6 in the Minute Book) on proposed amendments to the earlier draft unaudited Statement of Accounts for 2009/10 approved by Members at their last meeting. In addition, a supplementary paper showing a further amended balance sheet, as a result of a revised analysis of Government grants received, was tabled at the meeting (Item 6(a) in the Minute Book).

In supporting the proposed amendments to the earlier draft Statement of Accounts and the further amended balance sheet, the Committee wished to receive at their next meeting a note of any further minor amendments.

Accordingly, it was

RESOLVED:

- (a) That the amendments to the draft Statement of Accounts for 2009/10, as set out in Appendix 1 to the report and, as referred to in the supplementary paper tabled at the meeting, be approved.
- (b) That the County Treasurer be given delegated authority to approve any further minor adjustments to the Statement of Accounts for 2009/10 with any such amendments being reported to the next meeting of the Committee.

## 62 REVISION OF CONTRACT STANDING ORDERS

The Committee considered the report of the Chief Executive and County Treasurer (Item 7 in the Minute Book) on a proposed set out of revised Contract Standings Orders (CSO's), prior to the item being reported to Cabinet and full Council for adoption.

In introducing the report, Members were advised that this was a new format and not new procedures and that the proposed new format was intended to make CSO's more accessible by staff involved in procurement, and to promote greater understanding of how the rules apply in practice. Among the proposed changes noted by Members was greater clarity as to how Framework Agreements are to be used in respect of individual purchases. Whilst recognising the value of this, the Committee felt that in some cases, small locally based companies may miss out on being selected. They asked that a reference to this should be included in the guidelines to accompany the new CSO's, and that a new appropriately worded Standing Order 2 should be added to the report.

Accordingly, it was

RESOLVED:

That, subject to Members' comments about Framework Agreements being reflected in the guidelines to accompany the CSO's and to a new Contract Standing Order 2.10 being added to the report i.e. "These CSO's shall always be interpreted and applied in a way that supports the achievement of the Council's identified business objectives, within relevant legal frameworks", the revised Contract Standing Orders be commended to Cabinet, and Council for adoption.

**63 INTERNATIONAL FINANCIAL REPORTING STANDARDS - IMPLEMENTATION - PROJECT UPDATE**

The Committee considered the report of the County Treasurer (Item 8 in the Minute Book) providing an update regarding the required implementation of International Financial Reporting Standards for the financial year 2010/11. It highlighted the developments that have taken place in terms of standards and guidance as well as outlining progress made to date with the project.

RESOLVED:

- (a) That the Audit Committee note the progress made and the work still required for the successful implementation of the International Financial Reporting Standards (IFRS) Code of Practice.
- (b) That a further report on IFRS implementation be considered by the Audit Committee in March 2011.

**64 PENSION FUND PANEL - MINUTES OF 30 APRIL AND 28 MAY 2010**

The Committee received the Minutes of the Pension Fund Panel meetings held on 30 April and 28 May 2010 (Items 9 and 9 (a) in the Minute Book).

**65 EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED:

That, in relation to the following items, 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 the items 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 reports.

**66 SHARED APPROACH TO INTERNAL AUDIT**

The Committee considered the exempt report of the County Treasurer (Item 11 in the Minute Book) about a proposal to develop a shared service approach for the provision of the Internal Audit Services to the Council. Members fully supported this initiative and the opportunity to deliver financial savings through developing a more modern and risk focused approach.

## RESOLVED:

- (a) That the Committee note that a shared Internal Audit Service is to be entered into with Southampton City Council for a period of two years.
- (b) That this will commence with a shared approach to fulfilling the Chief Internal Auditor responsibility. The opportunity for further embedding a shared approach across the two teams being further developed over the coming year. During this period, consideration will also be given to facilitating a shared approach which allows other Councils to be accommodated.

67 **MINUTES OF PENSION FUND PANEL MEETINGS - 30 APRIL AND 28 MAY 2010 (EXEMPT APPENDICES)**

The Committee received the exempt appendices accompanying the Minutes of the Pension Fund Panel meetings held on 30 April and 28 May 2010 (Item 12 in the Minute Book).

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