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AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the castle, Winchester on Wednesday, 27th September, 2023

Chairman:

* Councillor Derek Mellor

* Councillor Tim Davies
* Councillor Ryan Brent
* Councillor Steven Broomfield
* Councillor Juliet Henderson
* Councillor Dominic Hiscock
* Councillor Keith House
Councillor Mark Kemp-Gee

Councillor Michael Thierry

*Present

114. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Mark Kemp-Gee.

115. 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 Personal Interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 5 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.

Councillors Davies, Hiscock, House and Mellor declared a non-pecuniary interest as a Member, or Substitute Member, of the Hampshire Pension Fund Panel and Board.

Councillor House declared a non-pecuniary interest as a Board member of the Public Sector Audit Appointments (PSAA).

116. MINUTES OF PREVIOUS MEETING HELD ON 25 MAY 2023

The minutes of the meeting held on 25 May 2023 were agreed as a correct record and signed by the Chairman.

117. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Councillor Henderson to her first meeting of the Committee as a full Member.

The Chairman further noted a recent briefing held by the Department for Levelling Up, Housing & Communities (HLUHC) which was attended by a number of Members from the Committee, and had provided guidance regarding documentation which should be provided to authorities by external auditors as part of the audit process.

118. DEPUTATIONS

No deputations were received by the Committee on this occasion.

119. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS

The Committee considered the report of the Director of Universal Services, regarding the County Council's use of regulated investigatory powers.

It was observed that there had been no use of powers during the previous quarter.

RESOLVED:

That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers as attached.

120. EXTERNAL AUDIT REPORT 2021/22 - HAMPSHIRE COUNTY COUNCIL

The Committee received a report from the external auditors, Ernst and Young, presenting the preliminary audit conclusion in relation to the audit of Hampshire County Council for the year ending 31 March 2022.

It was heard that, in addition to the conclusion of outstanding items discussed at previous meetings, the position regarding historical information in the reported gross property, plant and equipment figures by incorrectly including academies had been corrected and resolved, as this had represented a material difference to the statement of accounts, although not the net asset position.

The Committee were advised that the audit was expected to be signed off by the end of the week of the meeting. The Chairman thanked the external auditors for their work, noting Hampshire County Council was one of only a few authorities who were in a position to complete their audit for 2021/22, following the national delays resulting from the changes to the valuation of infrastructure assets.

RESOLVED:

That the Audit Committee receives and notes the Hampshire County Council Audit Reports for year ending 31 March 2022.

121. EXTERNAL AUDIT - DRAFT AUDIT RESULTS 2021/22 - HAMPSHIRE PENSION FUND

The Committee received a report from the external auditors, Ernst and Young, presenting the preliminary audit conclusion in relation to the audit of Hampshire Pension Fund for the year ending 31 March 2022.

The external auditor noted that the report presented was the final report, no longer a draft, with the valuation of individual items within the accounts satisfied.

RESOLVED:

That the Audit Committee receives and notes the update against the audit of the Hampshire Pension Fund for the year ending 31 March 2022.

122. STATEMENT OF ACCOUNTS 2021/22

The Committee received a report of the Deputy Chief Executive and Director of Corporate Operations, seeking approval for the Statement of Accounts for Hampshire County Council and the Hampshire Pension Fund for the period ending 31 March 2022

Members heard that the report, which followed from the external audit results, presented the up to date Statement of Accounts, which had previously been brought before the Committee in September 2022 and December 2022.

RESOLVED:

- That the updated Statement of Accounts for 2021/22 for Hampshire County Council and the Hampshire Pension Fund be approved (Appendix 2).
- That delegated authority be given to the Deputy Chief Executive and Director of Corporate Operations to approve minor changes to the accounts agreed between the County Council and Ernst and Young (EY) prior to the issue of the final audit opinion and publication of the audited Statement of Accounts.
- That the Audit Committee notes the Letters of Representations will be signed by the Chairman of the Audit Committee and Chief Financial Officer (the Deputy Chief Executive and Director of Corporate Operations) as required by the external auditor.
- That the Audit Committee approves the decision not to amend the unadjusted differences set out in paragraph 26 on the basis of materiality.

123. EXTERNAL AUDIT PLAN 2022/23 - HAMPSHIRE PENSION FUND

The external auditors presented the Committee with the Audit planning report for the Hampshire Pension Fund for the year ending 31 March 2023.

Members heard that a new risk had been identified for the audit of all Pension Funds resulting from IAS 26. Members heard that the triannual valuation had been completed and the disclosure would be updated based on the valuation.

In response to Members questions it was heard that potential provisions for the McCloud judgment had been factored into the valuations to ensure audit plan was future proof.

RESOLVED:

That the Audit Committee receives and notes the provisional audit plan for the Hampshire Pension Fund for year ending 31 March 2023.

124. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23

The Committee received a report of the Deputy Chief Executive and Director of Corporate Operations, providing the Chief Internal Auditors opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2023.

Members heard that only one review had concluded with a no assurance opinion, with 16 resulting in a limited opinion, which represented 18% of the overall audit activity for the year. It was noted that a number of these outcomes had been reported to the Committee during the previous year. It was explained that, in an organisation the size and complexity of the County Council, it would be expected to see some limited assurance reviews, and demonstrated assurance that the internal audit process was adding value to the organisation. It was further noted that officers across the Council had genuinely engaged with the internal audit process, appreciating its importance in the effective governance of the County Council.

The Committee heard that update against the no and limited opinion reviews, including how management actions were being addressed, would be reported to the Audit Committee through the year ahead.

The Committee were advised that the report had been presented to the Corporate Management Team (CMT), where the number of limited assurance opinions were noted. CMT had suggested further detail be presented to the Audit Committee to provide assurance around the management actions being taken on the limited and no assurance reviews, and it was heard that this would be brought before the next meeting of the Committee. In response to Members questions it was suggested that bringing forth this report at the next meeting would better enable the Committee to hold individual directors to account for delivery of the agreed management actions, which it was heard were sense checked by internal audit to ensure that the proposed actions would be robust enough to mitigate the issues identified.

The Chairman noted that care charging was an issue of significant concern and that it was expected that the appropriate select committee would review and maintain oversight in this area. Members raised concerns regarding potential lost

income and Cllr House proposed that an additional recommendation be made that a report be brought back to the Committee to provide greater clarity.

A five minute adjournment was called at this point, to enable the wording for the recommendation to be finalised.

Councillor House, seconded by Councillor Hiscock, proposed an additional recommendation:

That the Audit Committee receives a separate report on Care Charges given no assurance could be given on process by internal audit including the total lost income to the County Council, the period for which due charges may not have been levied, and the actions taken by management to rectify the position. A vote was held, with the inclusion of the additional recommendation agreed unanimously by the Committee.

RESOLVED:

That the Audit Committee receives and considers the Annual Internal Audit Report & Opinion 2022-23 as attached.

That the Audit Committee receives a separate report on Care Charges given no assurance could be given on process by internal audit including the total lost income to the County Council, the period for which due charges may not have been levied, and the actions taken by management to rectify the position.

125. GOVERNANCE STATEMENT 2022/23

The Committee considered a report of the Director of People and Organisation and Director of Corporate Operations presenting the Annual Governance Statement for 2022/23.

Members heard that the statement had been assessed against the same framework as used in the previous year, and that a refresh of the framework for the report in 2023/24, which would take into account the latest CIPFA guidance, would shortly be presented to the Committee.

RESOLVED:

- That the Audit Committee approve the 2022-23 Annual Governance Statement.
- That the Audit Committee notes the progress that has been made against the actions set out in the 2022-23 Action Plan, as set out in Annex 2 of this report.

126. STATEMENT OF ACCOUNTS 2022/23

The Committee received a report of the Deputy Chief Executive and Director of Corporate Operations, seeking approval for the Statement of Accounts for

Hampshire County Council and the Hampshire Pension Fund for the period ending 31 March 2023.

The Chairman thanked officers for providing a briefing to the Committee on the detail of the Statement of Accounts ahead of the meeting. The Chairman noted it would be helpful, if the proposed recommendations were agreed, for the Committee to see a note of any changes made under the delegated authority.

Members heard that it was anticipated that the audit process for 2022/23 would be completed in a more timely manner than the previous year's audit as a temporary resolution was in place for the issues relating to the valuation of infrastructure assets and the tri-annual valuation of the pension fund would not impact upon the 2022/23 audit.

It was further advised that proposals were being considered by the DLUHC to implement a back stop date for completion of 2022/23 local authority audits, to bring timeframes back in line with those in place before the impact of the national infrastructure valuation issues. It was anticipated that any audits not completed by the backstop date, would receive a qualified opinion, as a result of the auditors being unable to complete the audit. Whilst the position relating to the backstop date was being considered nationally, Ernst and Young had paused the 2022/23 audit planning for local authority audits, aside from Pension Fund audit plans. Officers were clear that, should this be the case for the audit of Hampshire County Council, the narrative would reflect that a qualified opinion would not have derived from any fault on behalf of the local authority, and therefore the County Council proposed to proceed with publishing the Statement of Accounts within the usual timeframes.

RESOLVED:

- That the Statement of Accounts for 2022/23 for Hampshire County Council and the Hampshire Pension Fund be approved (Appendix 3)
- That delegated authority be given to the Deputy Chief Executive and Director of Corporate Operations to approve minor changes to the accounts agreed between the County Council and Ernst and Young (EY) prior to the issue of the final audit opinion and publication of the audited Statement of Accounts. Should any non-minor changes be required as a result of the audit of the accounts, the Statement of Accounts for 2022/23 would be brought back to the Audit Committee for review and re-approval.
- That it is noted that the 2022/23 accounts have not yet been audited due to issues outside of the County Council's control that have resulted in a backlog of local audit opinions across the country.
- That it is noted that the County Council will publish the unaudited accounts on its website together with a notice in accordance with regulation 10(2)(a) of the Accounts and Audit Regulations 2015 stating that it has not been able to publish the audited statement of accounts and the reasons for this.

- That it is noted that the Letters of Representations will be signed by the Chairman of the Audit Committee and Chief Financial Officer (the Deputy Chief Executive and Director of Corporate Operations) as required by the external auditor at the conclusion of the audit.

127. TREASURY MANAGEMENT OUTTURN REPORT 2022/23

The Committee received a report of the Deputy Chief Executive and Director of Corporate Operations providing an update on the performance of the treasury management function during 2022/23.

Members heard that all activity across the year complied with the approved strategy, as well as meeting with any statutory guidance. The report highlighted that there had been no borrowing undertaken during the year, with no plans at the time of the meeting for future borrowing. Investment returns and risk exposure across the period of investment had remained favourable in comparison to benchmarking for other local authorities.

That the Audit Committee notes the report that has been presented to Cabinet.

128. TREASURY MANAGEMENT REPORT Q1 2023/24

The Committee received a report from the Deputy Chief Executive and Director of Corporate Operations, providing a quarterly update of the treasury management prudential indicators.

Members heard that this new report would now be presented quarterly to the Audit Committee, in accordance with CIPFA's treasury management code.

The report highlighted no changes to the borrowing strategy, but noted £20m of PWLB loans had been repaid earlier in the year to take advantage of preferable repayment rates.

In response to Members questions regarding the lending of monies to other authorities it was heard that none of those authorities had, to date, issued a S114 notice, under the Local Government Finance Act 1988. It was further noted that, the investment strategy, including investment with other local authorities, continued to be supported by the advice of Arlingclose.

RESOLVED:

Audit Committee are asked to note the review of treasury management activities in Q1 2023/24.

129. INTERNAL AUDIT PLAN 2023/24

The Committee received a report from the Deputy Chief Executive and Director of Corporate Operations, providing the Audit Committee with an overview of the Internal Audit Plan 2023 – 2024.

Members heard that the plan provided a mechanism to ensure resources were well used and focused. The plan was a live document, which enabled flexibility to respond to any new or emerging threats across the year.

The Chairman noted that the majority of reviews undertaken during the previous year received reasonable and substantial ratings and it was noted that the plan looked to address, and where possible eliminate, the key risks identified within the plan.

RESOLVED:

That the Audit Committee are invited to comment on and approve the Internal Audit Plan 2023-24 as attached.

130. INTERNAL AUDIT CHARTER 2023/24

The Committee received a report of the Deputy Chief Executive and Director of Corporate Operations, presenting the Internal Audit Charter 2023 – 2024, in accordance with the requirements of the Public Sector Internal Audit Standards.

It was noted that the Audit Committee were required to review and approve the Internal Audit Charter on an annual basis. Members heard that there had been no significant changes since the previous report.

RESOLVED:

That the Audit Committee are invited to comment on and approve the Internal Audit Charter 2023-24 as attached.

131. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 24 MARCH 2023 (PUBLIC)

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 24 March 2023.

132. EXCLUSION OF THE PRESS AND PUBLIC

The press and public were excluded from the meeting during the following items of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would have been disclosure to them of exempt information within Paragraphs 3 and 5 of Part I Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons set out in the minutes.

133. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 24 MARCH 2023 (EXEMPT)**

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 24 March 2023.

Chairman, 14 December 2023

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