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AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the castle, Winchester on Wednesday, 28th September, 2022

Chairman:

* Councillor Alexis McEvoy

* Councillor Tim Davies
Councillor Steven Broomfield
* Councillor Dominic Hiscock
* Councillor Keith House
Councillor Mark Kemp-Gee
* Councillor Derek Mellor
* Councillor Michael Thierry

Councillor Andy Tree
* Councillor Louise Parker-Jones

*Present

64. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Steven Broomfield, Mark Kemp-Gee and Andy Tree. Councillor Louise Parker-Jones was in attendance as the Independent Group substitute.

65. **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.

No declarations were made.

66. **MINUTES OF PREVIOUS MEETING HELD ON 26 MAY 2022**

The minutes of the previous meeting were agreed as a correct record and signed by the Chairman.

67. **DEPUTATIONS**

No deputations were received by the Committee on this occasion.

68. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed Councillor Steven Broomfield, who had been appointed to the Committee since the last meeting.

69. **INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS**

The Committee received a report on the County Council's use of its investigatory powers during the previous financial year.

In response to Members questions it was heard that:

- Automatic number plate recognition (ANPR) technology and closed-circuit television (CCTV) was used by the County Council outside of investigations, with examples including ANPR to support parking enforcement at country parks and CCTV outside of libraries.
- In response to questions regarding how powers could be better used it was suggested that the Head of Trading Standards attend a future meeting of the Committee.
- Powers were used in response to potential criminal activity, only where there was an identifiable need to do so. Use of powers had reduced in line with changes in criminal activity, such as reduction in counterfeit goods being sold at car boot sales.
- Surveillance powers were used more frequently when investigations were undertaken in conjunction with other agencies, such as the police.

RESOLVED:

That the Audit Committee noted the contents of the report and agreed that the County Council's surveillance powers continued to be exercised appropriately and proportionately.

The Audit Committee noted the County Council's use of surveillance powers for the previous financial year and agreed to provide the Executive Member for Policy and Resources with assurance that the County Council was operating its powers in a lawful and proportionate manner. Furthermore, the Audit Committee assures them of the continued use of surveillance powers by the County Council.

70. **ANNUAL GOVERNANCE STATEMENT**

Members received a report of the Head of Law and Governance and Director of Corporate Operations presenting the Annual Governance Statement.

Councillor Keith House proposed an additional recommendation, seconded by Councillor Dominick Hiscock, as follows:

- That representations are made to the Secretary of State to remove the need to produce an annual governance statement under grounds of efficiency

Discussion was held regarding the proposed recommendation, following which Members were asked to vote upon the proposal. The vote was not carried, with three votes for and four against the proposed recommendation.

Members were then asked to vote on the substantive recommendation, as noted within the report, which was agreed.

RESOLVED:

That the Audit Committee approved the 2021-22 Annual Governance Statement.

71. ANNUAL INTERNAL AUDIT REPORT & OPINION 2021/22

The Committee received a report of the Director of Corporate Operations outlining the annual report and opinion of the Chief Internal Auditor regarding the County Council's framework of risk management, internal control and governance.

Members heard that only 24% of reviews had resulted in limited or no assurance. A comprehensive action plan was in place to address these, which was already well progressed, and the Head of Internal Audit would continue to monitor all actions until they reached full completion. It was noted that outcomes would be reported to future meetings.

In response to members questions it was heard that:

- In an organisation the size of Hampshire County Council, it was expected some reviews would result in limited or no assurance and demonstrated that the internal audit function was being used appropriately by the organisation.
- Regular contract management reviews were undertaken, with a random selection of contracts audited to ascertain how well they were performing and being managed by the council. If any concerns were identified this would result in a limited assurance outcome and be reported to the committee.

RESOLVED:

That the Audit Committee approves the Annual Internal Audit Report & Opinion 2021-22

72. EXTERNAL AUDIT REPORTS 2021/22 - HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND

The Committee received the external auditors report presenting the provisional audit conclusion for both Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2022.

The external auditors were invited to introduce the report through which it was heard that:

- The audit was well progressed, with the final report anticipated by 30 November.
- As reported to the previous meeting, the issue relating to highways asset valuation was ongoing, and therefore the final audit would need to be brought to a future meeting for sign off by the Audit Committee. The Chartered Institute of Public Finance and Accountancy (CIPFA) had been expected to issue guidance on the matter by mid-September, which had been delayed, and Hampshire County Council had determined to wait for the CIPFA guidance to be issued before proceeding. It was heard that this issue was affecting most councils with infrastructure assets nationally.
- The basis of materiality had not changed and there was no change to the identified areas of audit risk.
- The change in value of assets, as noted in section four of the report, was not considered material and therefore the auditors were content with the decision not to report this.
- The audit variation for streetlights was just above the reporting threshold, however did not represent a material difference and would not impact upon the audit opinion.
- The final outcome for assessment of pension fund assets was awaited, however since publication of the report the required information for three of the four assets had been received. Otherwise the audit of the Pension Fund was complete with no issues and the auditors expressed confidence that the valuations are appropriate.
- The unadjusted differences on council tax and business rates were as a result of timing variations and this would be corrected in final statement of accounts.

In response to Members questions it was heard that:

- Recording the infrastructure asset base on a 'one line' basis had previously been determined to be reasonable, as it allowed capital expenditure to be audited. The information was not otherwise utilised for making decisions related to spend. It did not, however, differentiate between new and replacement spend, which was the core of the issue being raised nationally. It was heard that a significant amount of additional work would be required each year to maintain more detailed records for a county the size of Hampshire. It was recognised that the CIPFA code represented good practice, however difficulties were being met in determining a reasonable approach to capture the required information. It was heard that should CIPFA's recommended approach not be achievable then a statutory instrument may be required and should neither result in a resolution there was a risk that the accounts may be qualified with a limitation of scope.
- One risk had been identified in respect of value for money, triggered by the Chief Finance Officer's (CFO) recent statement regarding medium term financial stability. Members heard the auditors had undertaken work in response, as outlined within the report, and had engaged with the CFO on the matter. With the actions already taken by the Council, including financial resilience meetings, the auditors considered monitoring of pressures was appropriate, with officers maintaining open dialogue regarding any identified issues. The auditors, at the time of the meeting, could not recommend any further actions to be undertaken and noted that

arrangements were in place to offer value for money. Whilst, in the auditor's opinion, the approach being taken by Hampshire County Council was appropriate, they were unable to guarantee that this would resolve the issues without significant decisions being necessary on the future level of services

RESOLVED:

That the Audit Committee received and noted the Hampshire County Council and Hampshire Pension Fund Audit Reports for year ending 31 March 2022

73. STATEMENT OF ACCOUNTS 2021/22

Members received a report of the Director of Corporate Operations presenting the Annual Statement of Accounts.

Members received a detailed briefing on the statement of accounts in advance of the meeting. It was recommended that the Accounts be approved subject to a further report coming back to the Committee confirming resolution of the infrastructure issue. The second recommendation would allow delegation to officers, to make minor changes to the Statement of Accounts but this did not include resolution of the issue regarding infrastructure assets.

The Chairman adjourned the meeting from 11:00am to 11:15am for a short comfort break.

The recommendations as noted within the amended report, were agreed.

RESOLVED:

- That the Statement of Accounts for 2021/22 for Hampshire County Council and the Hampshire Pension Fund be approved (Appendix 3), subject to a further report coming back to the committee indicating a resolution to the national issue relating to infrastructure assets outlined in this report.
- That delegated authority be given to the Director of Corporate Operations to approve changes agreed between the County Council and Ernst and Young (including those summarised in paragraph 27 of the report and any reported verbally to the Audit Committee at this meeting) and any other further minor amendments to the Statement of Accounts presented at Appendix 3 prior to the issue of the final audit opinion and publication of the Statement of Accounts.

74. TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2022/23

Members considered a report of the Director of Corporate Operations, which provided an update on the performance of the treasury management function.

It was heard that monthly savings were still being made as a result of Hampshire County Council's pre-payment of employer pension contributions in April 2020

and the option to make pre-payments of pension contributions would commence again from April 2023.

It was further noted that returns had improved for liquid investments, however most investment income continued to be realised from pooled funds, with pooled property and equity funds recovering well post-covid.

In response to Members questions it was heard that Hampshire County Council were benchmarking favourably in comparison with other similar sized councils.

RESOLVED:

That the Audit Committee noted the following recommendation would be reported to Cabinet:

- That the mid-year review of treasury management activities be noted.

75. ANNUAL INTERNAL AUDIT PLAN 2022/23

The Committee considered a report of the Director of Corporate Operations providing an overview of the County Council's Internal Audit Plan.

It was heard that the plan provided an overview of where resource would be focussed across the year, with a risk-based approach which had been developed in liaison with officers. It was noted that the plan was flexible, to meet need and demand across the year, with internal audit continuing to liaise with officers to monitor and stay abreast of new and emerging risks. The Head of Internal Audit confirmed that progress reports would be brought to the Committee across the coming year, with transparent explanation of any changes from the initial plan.

RESOLVED:

That the Audit Committee approve the Internal Audit Plan 2022-23.

76. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 25 MARCH 2022 (LESS EXEMPT)

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 25 March 2022.

77. 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.

78. **ANNUAL INTERNAL AUDIT REPORT & OPINION 2021/22 - EXEMPT APPENDIX**

The Committee noted an exempt appendix to the Annual Internal Audit Report and Opinion 2021/22.

79. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 25 MARCH 2022 (EXEMPT)**

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 25 March 2022.

Chairman,

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