

AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the castle, Winchester on Thursday, 7th March, 2024

Chairman:

* Councillor Derek Mellor

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| * Councillor Tim Davies | * Councillor Mark Kemp-Gee |
| * Councillor Ryan Brent | Councillor Michael Thierry |
| * Councillor Steven Broomfield | * Councillor Stephen Reid |
| * Councillor Juliet Henderson | * Councillor David Harrison |
| * Councillor Dominic Hiscock | |
| Councillor Keith House | |

*Present

151. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Keith House and Micheal Thierry. Councillor David Harrison was in attendance as the Liberal Democrat Substitute and Councillor Stephen Reid as the Conservative substitute.

152. 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.

153. MINUTES OF PREVIOUS MEETING HELD ON 14 DECEMBER 2023 (PUBLIC)

The minutes of the meeting held on 14 December 2023 were agreed as a correct record and signed by the Chairman.

Councillor Kemp-Gee joined the meeting at this point.

154. DEPUTATIONS

No deputations were received by the Committee on this occasion.

155. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman noted his attendance at a recent briefing, hosted by the Department for Levelling Up, Housing and Communities (DLUHC), to discuss the national audit delays, with over 100 organisations represented at the event.

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

The Committee received a quarterly update on the County Council's use of regulated investigatory powers.

It was noted that a further application had been made during quarter three, requesting communications data, relating to the rogue trading investigation reported at the previous meeting. It was heard that the request had sought event or entity data from telecoms providers and that the value of the data had been measured and was quantifiable for the purpose of the investigation.

In response to Members questions it was heard that several investigations were currently underway in relation to the sale of illegal vapes or sales to those underage. One of the individuals who had allegedly sold vapes to an underage volunteer, applied for an alcohol licence and Trading Standards had submitted evidence which had contributed to the application being withdrawn.

RESOLVED:

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

157. **EXTERNAL AUDIT 2022/23 - VALUE FOR MONEY REPORT**

The Committee received a report from the External Auditors presenting the interim Value for Money Report for the year ending 31 March 2023.

Members heard that, as a result of the national backlog in external audit, commentary had been provided not only on Value for Money for 2022/23, but also around budget and financial planning arrangements for 2023/24 and beyond.

The Auditor's overall conclusion that the Council had suitable arrangements in place to provide value for money was noted, with the Deputy Chief Executive and Director of Corporate Operations commenting that it was a positive report and outcome.

RESOLVED:

That the Audit Committee receives and notes the interim Hampshire County Council Value for Money Report for year ending 31 March 2023.

158. **EXTERNAL AUDIT PLAN 2023/24**

The Committee received a report from the External Auditors presenting the outline external audit plan for Hampshire County Council (HCC) for the year ending 31 March 2024. Through discussion it was heard that:

- As the DLUHC consultation on addressing the audit backlog in England was still open at the time of the report, it was possible that the Auditors may have to revisit some of the considerations outlined in plan once the outcomes of consultation were published, and any changes would be reported back to the Committee.
- The risk of fraud or error was a mandated element of the audit and not particular to HCC, and their work would consider whether any capital expenditure was properly undertaken.
- The audit would look at data migration within HCC's social care systems to ensure that data had been properly migrated to the two new systems introduced for adults and children's services.

In response to Members Questions it was heard that:

- The Auditors were required to ensure the County Council followed the rules laid out within the CIPFA code regarding the valuation of land and buildings.
- Information relating to the valuation of the Pension Fund was received from the actuary with a set of assumptions. The external audit would challenge and verify these assumptions and ensure that any data provided to the actuaries in making their assumptions was accurate.
- The external auditors had a range of statutory powers which could be used if they identify a concern in any audit, including the ability to raise recommendations to be responded to by full council within 30 days, publishing public impact reports and requesting judicial review if required.
- The scale fee for 2023/24 had increased significantly as it was now under the new contracting cycle from Public Sector Audit Appointments (PSAA), who increased the scale fee to meet the level of work required nationally to meet the public sector audit requirements.

RESOLVED:

That the Audit Committee receives and notes the interim Hampshire County Council outline external audit plan for the year ending 31 March 2024.

159. **INTERNAL AUDIT PROGRESS REPORT**

The Committee received a report from the Deputy Chief Executive and Director of Corporate Operations providing an overview of internal audit activity against the assurance work completed in accordance with the approved audit plan 2023-24 and an overview of the outstanding management actions.

It was heard that the RAG ratings provided an indication of whether the overdue actions were high, medium or low priority to mitigate the risks identified.

RESOLVED:

That the Audit Committee are invited to note the Internal Audit Progress Report (January 2024) as attached.

160. INTERNAL AUDIT CHARTER

The Committee received a report from the Deputy Chief Executive and Director of Corporate Operations presenting the Internal Audit Charter 2024 – 2025, in accordance with the requirements of the Public Sector Internal Audit Standards.

It was heard that the standards had remained consistent over the course of the year, with no changes since the document was approved by the Audit Committee in the previous year, but that new standards would come into force from January 2025.

In response to Members questions it was heard that there was a requirement for HCC to be externally assessed against the standards every five years, with the last assessment completed in 2020 and which demonstrated that HCC were compliant against all standards. In reply to Members suggestions, the Head of Internal Audit offered to incorporate a more detailed explanation of this within the next update to the Charter, when the new standards came into force in January 2025.

RESOLVED:

That the Audit Committee are invited to comment on and approve the Internal Audit Charter 2024-25 as attached.

161. TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25 TO 2026/27

The Committee received a report of the Deputy Chief Executive and Director of Corporate Operations presenting the Treasury Management Strategy Statement for 2024/25 to 2026/27, as required under the CIPFA code.

It was noted that the Audit Committee received a draft of the statement at its last meeting in December, and that in future years meetings of Audit Committee had been changed to introduce a January meeting to allow the Committee to review the draft statement before it was presented to Cabinet for approval.

It was noted that there were no significant changes since the draft was presented to the Audit Committee in December, and the only significant change in comparison to the 2023/24 Treasury Management Strategy Statement was the reduction in the investment limit in any single organisation, except the UK Central Government, from £90m to £80m.

RESOLVED:

That the Audit Committee notes the following recommendations that have been made to Cabinet:

- That the Treasury Management Strategy for 2024/25 (and the remainder of 2023/24) be approved.
- That authority is delegated to the Deputy Chief Executive and Director of Corporate Operations to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

162. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 29 SEPTEMBER 2023 (PUBLIC)

The Committee received and noted the public minutes of the Hampshire Pension Fund and Board meeting held on 29 September 2023.

163. AUDIT COMMITTEE REVIEW

The Committee received a report from the Deputy Chief Executive and Director of Corporate Operations advising on the results of a review of the Audit Committee's working practices in the light of recent guidance issued by CIPFA and the commitment in the Annual Governance Statement 2022-2023 to review the Audit Committee's Terms of Reference.

The Chairman noted that he was invited to meet with the Monitoring Officer and Chief Internal Auditor on 31 January to review the proposed changes. Whilst supportive of the training proposals outlined, based on the Chairman's feedback about the wider changes it was agreed to postpone the date of the introduction of any update to the Committee's Terms of Reference until after the County Council Elections in May 2025.

It was noted that the report presented didn't seek approval for any specific changes to the membership of the Committee, but outlined a proposal to commence consideration of the changes.

Through discussion and in response to Member's questions it was heard that:

- CIPFA guidance recommended that an Audit Committee should consist of no more than eight members, with the current Committee size being nine. If two independent co-opted member roles were introduced, as recommended in the guidance, then there would be a need to reduce the number of elected members on the Committee to six. Whilst following the guidance was strongly recommended by CIPFA, it was noted that it was not legislative requirement.
- The report made suggestion that the Audit Committee produce an annual report to Full Council, to be introduced from September 2024, to demonstrate how the Committee engaged with the Full Council, as suggested in the guidance. The Chairman proposed that the date of the first report be changed to November 2024, to allow external audit to be concluded before reporting to Full Council. This was agreed unanimously by all those present.
- In addition to the annual report, the Audit Committee had the ability to raise any significant matters of concern to Full Council through a report from the Committee, and it was agreed that this would be made clear

within the revised Terms of Reference when brought in front of the Committee for consideration.

- Debate was held around the proposed introduction of independent co-opted members of the Committee, with comments both in support and against. Noted was the positive contribution of independent co-opted members on other HCC and external committees, but with concern raised over the ability to recruit and retain suitably skilled co-optees, given the level of allowance available and the training requirement, as well as recognising the variety of skills and experience that elected Members already brought to the Committee and the need to meet proportionality. Members confirmed that they were supportive of the principle of adding independent Members to the Committee. The Chairman noted that the training demands and Member experience could influence the selection of the elected Membership, adding that this would be discussed with the Leaders of the political groups.
- There was no defined term for any independent co-opted membership, however to provide consistency it was suggested consideration be given to appointing for a four year term to run across administration cycles.
- Members discussed the rationale given by CIPFA in suggesting eight Members, with their view being that a smaller committee would be easier to train and that it would allow Members to become subject experts in audit matters. However, Members were not persuaded by CIPFA's arguments and expressed the view that there should remain 9 elected Members on the Audit Committee.
- The proposed training would not require significant time commitment, but was intended to be informative and support the Committee to better fulfil its role. It was suggested that a skills need assessment would be undertaken, with a view to potentially commencing the training within the current year. The Committee noted their keenness to start the training as soon as possible.
- It was heard that revised Terms of Reference would be drafted and brought back to the Committee at a future date, with the Committee to then be invited to recommend the Terms of Reference to Cabinet for, consideration for recommendation to Full Council.

RESOLVED:

- That the Audit Committee notes and considers the guidance issued by CIPFA in relation to revised Terms of Reference for the audit committees discussed in Paragraphs 10-19.
- Notes and considers CIPFA's guidance on appointing two co-opted independent members to the Audit Committee and on the ideal size of audit committees.
- That the presentation of an Annual Report from the Audit Committee to the County Council is approved with the first Report to be submitted to the County Council in November 2024.
- That the new approach to training and development set out in paragraphs 23-29 is approved.

- That the arrangements for the Chairman and Vice Chairman to meet in private with the Chief Internal Auditor and the external auditor as set out in Paragraphs 30-32 are approved.

164. 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 Paragraph 3 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.

165. AUDIT COMMITTEE REVIEW - EXEMPT APPENDIX

The exempt appendix was noted.

166. MINUTES OF PREVIOUS MEETING HELD ON 14 DECEMBER 2023 (EXEMPT)

The exempt minutes of the meeting held on 14 December 2023 were agreed as a correct record and signed by the Chairman.

167. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 29 SEPTEMBER 2023 (EXEMPT)

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 29 September 2023.

Chairman, 24 May 2024