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AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the castle, Winchester on Thursday, 17th December, 2020

Chairman:

* Councillor Keith Evans

* Councillor Alexis McEvoy	Councillor Rob Mocatta
* Councillor Dominic Hiscock	* Councillor Tom Thacker
* Councillor Keith House	* Councillor Zilliah Brooks
Councillor Mark Kemp-Gee	* Councillor Stephen Philpott
* Councillor Derek Mellor	Councillor Bruce Tennent
* Councillor Floss Mitchell	Councillor David Harrison

*Present

193. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Mark Kemp-Gee and Rob Mocatta. Councillors Zilliah Brooks and Stephen Philpott were in attendance as the Conservative substitutes.

194. 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 at this point in the meeting.

195. MINUTES OF PREVIOUS MEETING HELD ON 30 SEPTEMBER 2020

The minutes of the meeting held on 30 September 2020 were agreed as a correct record.

An update was heard from the Deputy Chief Executive and Director of Corporate Resources regarding the external audit of the Statement of Accounts for the year ending March 2020. It was heard that the audit sign off had been delayed beyond November 2020, to allow for the production of a detailed cash-flow forecast to March 2022. It was heard from the external auditor that the cash-flow forecast had been received during December and the accounts were expected to be signed off early in the new year.

In response to Members questions it was heard that the requirement for a cash-flow forecast was introduced this year as a result of the impact of the Covid-19 pandemic, and consideration was being undertaken by the external auditors as to whether this would become an ongoing element of the annual audit.

196. DEPUTATIONS

No questions or deputations were received by the Committee on this occasion.

197. CHAIRMAN'S ANNOUNCEMENTS

There were no announcements.

198. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS

The Committee considered the report of the Director of Transformation and Governance regarding the County Council's use of regulated investigatory powers.

It was heard that surveillance powers had been used once during the first two quarters of the year. It was noted that this related to 18 individual queries under one application, and that the application, linked to rogue trading, had been seeking the identity of the user of multiple websites and or email accounts

RESOLVED:

That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers as attached at Appendix 1 to the report.

199. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report of the Deputy Chief Executive and the Director of Corporate Resources with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan.

Members heard that:

- The Covid-19 pandemic had an impact on closing the 2019/20 internal audit work, however significant progress had been made during Q2/3 to bring these actions up to date.
- 72% of reviews within the 2020/21 plan were either completed or in progress, with confidence that all actions would be completed by the end of the year.
- The External Quality Assessment provided a credible benchmark against both public and private sector providers of internal audit, with the County Council being assessed as excellent in three areas and good in a further two. Potential improvement opportunities were identified through the report to support the Council to achieve an excellent rating across all areas. An action plan had been presented to the key stakeholder board who would monitor progress.

In response to Members questions it was heard that:

- Reasonable had been used in replacement of the former qualification of adequate, in line with the updated CIPFA narrative, which had allowed assurance levels to be standardised across organisations. It was suggested by Members that a narrative for all qualifications be included within the report.
- There had been a positive direction in respect of overdue actions with significantly fewer than had been seen in previous years and that they had remained at a very low level despite the challenges faced this year, as a result of the pandemic.
- There was not anticipated to be an impact on the delivery of the internal audit resulting from any future peaks in the pandemic, due to the size of the audit function providing sufficient resilience and the success of the remote working procedures adopted since the outbreak.

The Chairman observed that the report provided assurance that the County Council were following procedures well.

RESOLVED

That the Audit Committee notes the Internal Progress Report (November 2020) and the External Quality Assessment Report – September 2020.

200. **TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2020/21**

The Committee considered a report of the Deputy Chief Executive and Director of Corporate Resources on the Treasury Management mid-year monitoring for 2020/21.

Members heard that:

- Interest rates had remained low, impacted by both uncertainty around the Brexit transition as well as the global pandemic. As a result of additional risks identified in the market, Arlingclose had recommended that the County Council reduced the number of counterparties it would offer to lend to and investment durations on some types of investments.
- Upon advice from Arlingclose, fixed bonds from the higher yielding strategy had been sold at a gain of about £3m and the proceeds were being reinvested in pooled funds to increase diversification.
- The County Council's governance allowed it to invest at negative interest rates if necessary.
- Pooled investments were showing a capital loss of about £10m on paper, which was an improvement of about £8m since year end. Members heard that potential losses would only be realised if investments were sold and the Council did not intend to sell these investments.
- Asset values had continued to be volatile but in aggregate the Council had seen an improvement since year end. The investments were providing an income return much greater than cash and continued to be recommended by Arlingclose.

- Whilst it was recognised that the County Council was operating in a challenging environment, the benchmarking demonstrated that the approach taken in managing cash during the period had been positive.

In response to Members questions it was heard that the weighted average maturity days for the County Council's internally managed investments was 608 days, compared with 18 days across all local authorities. This resulted from the size of the Council's investment balances, allowing the County Council to invest for longer durations. It was heard this was regarded as a positive measure, but needed to be balanced to ensure that funds were accessible if needed.

RESOLVED

The Audit Committee note the recommendation being reported to Cabinet to approve the mid-year report on treasury management activity and note the action to be taken should we encounter negative interest rates.

201. **POLICY UPDATES: ANTI-BRIBERY POLICY; ANTI-FRAUD AND CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY**

Members received a report of the Deputy Chief Executive and Director of Corporate Resources outlining updates to the Anti-Bribery Policy; Anti-Fraud and Corruption Strategy and Whistle-Blowing Policy.

Members were advised that the policies were normally reviewed and reported to the Audit Committee bi-annually, with additional updates during that period when required. It was heard that no changes were required at this review, other than to assign ownership of the anti-bribery and anti-fraud and corruption policies to finance from internal audit, which was deemed more appropriate, with the whistle-blowing policy remaining with human resources.

In response to Members questions it was heard that under the whistle-blowing policy, individuals were encouraged to report concerns, with their details kept confidential where appropriate, and kept informed of the outcomes of investigations, which would include a note of lessons learned to be adopted across the organisation.

The Committee suggested that an overview of the whistle-blowing policy and practice be provided at a future session of the Members Briefing programme.

RESOLVED

That the Audit Committee note the refreshed policy documents, which will be subject to a two-year review cycle.

202. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETINGS - 24 JULY 2020, 25 SEPTEMBER 2020 AND 20 NOVEMBER 2020 (LESS EXEMPT)**

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 24 July 2020, 25 September 2020 and 20 November 2020.

203. **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.

204. **MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETINGS - 24 JULY 2020, 25 SEPTEMBER 2020 AND 20 NOVEMBER 2020 (EXEMPT)**

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 24 July 2020, 25 September 2020 and 20 November 2020.

Chairman,

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