



NOTICE OF MEETING

Meeting:	Audit Committee
Date and Time:	Tuesday 28 September 2010 at 7.00 pm
Place:	Committee Room 1, Civic Offices, Fleet
Telephone Enquiries to:	(01252) 622122 Ext 774203 (Mrs P Jackson) Email: patricia.jackson@hart.gov.uk
Members:	Bailey (Chairman), Axaam, Barrell, Davies and Healey

G Bonner
Chief Executive

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AGENDA

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1. MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 5 July 2010 are attached to be confirmed and signed as a correct record. **(Paper A)**

2. APOLOGIES FOR ABSENCE

3. CHAIRMAN'S ANNOUNCEMENTS

4. DECLARATIONS OF INTEREST (PERSONAL OR PERSONAL AND PREJUDICIAL)

5. EXTERNAL AUDIT – ANNUAL GOVERNANCE REPORT 2009/10

To advise Members of the Annual Governance Report for 2009/10. The Committee are asked to: **(Paper B)**

- consider the matters raised in the report;
- approve the letter of representation on behalf of the Council before the District Auditor issues his opinion and conclusion (Appendix 2); and
- agree its response to the proposed action plan (Appendix 5).

6. INTERNAL AUDIT PROGRESS REPORT: Q2 JUNE 2010 – SEPTEMBER 2010

A report from the Audit Manager is attached. **(Paper C)**

The purpose of this report is to advise the Committee of work completed by Internal Audit between June 2010 and September 2010.

RECOMMENDATION

That the Committee notes the internal audit work carried out between June 2010 and September 2010.

7. STRATEGIC AND OPERATIONAL RISK REGISTERS UPDATE

A report from the Audit Manager is attached. **(Paper D)**

The purpose of the report is to update the Committee regarding the content of the Council's strategic and operational risk registers and show how risks are being managed.

RECOMMENDATION

That the report be noted.

Date of Despatch: 21 September 2010

AUDIT COMMITTEE

DATE OF MEETING: 28 SEPTEMBER 2010

**TITLE OF REPORT: INTERNAL AUDIT PROGRESS REPORT: Q2
JUNE 2010 - SEPTEMBER 2010**

Report of: Audit Manager

Cabinet Member: Councillor Ken Crookes, Leader of the Council

1 PURPOSE OF REPORT

The purpose of this report is to advise the Committee of work completed by Internal Audit between June 2010 and September 2010.

2 RECOMMENDATION

That the Committee notes the internal audit work carried out between June 2010 and September 2010.

3 BACKGROUND

3.1 Internal Audit prepares a risk based annual plan which identifies each review that is to be carried out. The findings of reviews completed during the above period are attached as **Appendix I**. Audit reports were issued for:

- Vehicle Maintenance
- Development Control
- Risk Management

4. ACTION POINTS FROM PREVIOUS MEETING

4.1 The Committee requested information on the following:

Action Point	Response
Are all services working in a consistent manner that complies with the Corporate Complaints Policy?	The Corporate Complaints Procedure is held on the Intranet. All services should be fully aware of the content. Whilst in general each service does comply with the policy, there are inconsistencies in the way complaints are recorded. Most services use spreadsheets whilst Planning and Env Health use the UNIFORM System.

Who collates information from each service?	In general Admin Officers from each service collate information on complaints.
Are there any checks in place to verify that all complaints are being reported?	The Performance Officer from Corporate Services collates information corporately. There is no check or resource to confirm all complaints are being reported.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

6. MANAGEMENT OF RISK

The Council maybe exposed to a variety of risks if Internal Audit recommendations are not implemented within the time scales agreed by management.

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APPENDICES

Appendix I - Summary of Internal Audit Work

VEHICLE MAINTENANCE

Control Objective:

Determine if programmed repairs and servicing were carried out as per the maintenance contract

Findings:

- The 'Form of Tender' issued by Hart District Council requested that vehicles are serviced at 6 weekly intervals. Upon checking the annual maintenance schedule Audit can confirm that this is the basis upon which the maintenance plan has been prepared.
- The Form of Tender (HDC) and the Tender Submission (Geesink Norba) both give a different pattern for the A, B and C servicing. The annual maintenance schedule for the current year does not match either proposal, however the contractor states that this is because an A service is included within a B service, and a B service is included within a C.
- All C services coincided with MOTs which is not in line with the proposal put forward by Geesink Norba.
- Audit can confirm that all MOTs carried out this year were carried out prior to the previous one expiring. The week commencing dates were adhered to for 4 out of the 6 vehicles, with 1 being a week later and the other being over a month.
- The MOT dates for many of the vehicles are earlier than required, and for several vehicles a month will be lost on the previous certificate. For Hart this has no monetary implications as all MOTs are paid for as part of the contract.
- Audit checked the servicing records for 6 different vehicles against the schedule. 3 vehicles were serviced exactly as per the schedule, giving allowance for the extreme weather conditions experienced in early January. The other 3 have been serviced, however it was outside of the agreed scope.
- The small glass collecting vehicle was due to have had two A services and one B service to date this calendar year. Only one of these services had been completed and the reason given was that the vehicle is only used 6 days a month and therefore the mileage does not warrant the second service. Hart District Council are still paying in excess of £700 per month for a service that is not being received.

- The servicing of a further vehicle was not completed as per the schedule because the 'Freight Transport Association' carried out a spot check on the vehicle the same week that the service was due. Whilst this would have highlighted any defects, the FTA would not have carried out the lubrications and top ups required as per the format of an A service. The charge for the vehicle was not reduced to reflect the reduction in services.

Risk:

Servicing is not always carried out as per the schedule, therefore without regular checks Hart District Council cannot guarantee the serviceability of all its vehicles

Being charged for servicing which is not being carried out (glass vehicle and reliance placed on FTA)

Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Ensure any adjustments to the contract where there is a reduction in servicing is reflected accordingly within the contract price.	Medium	Agreed	Waste and Recycling Manager	30 th Sept 2010
Both parties are to agree in writing the pattern on servicing expected to take place.	Medium	Agreed	Waste and Recycling Manager	30 th Sept 2010
A written record is to be maintained of any future adjustments to contract whether it takes the form of an email or verbal conversation.	Medium	Agreed	Waste and Recycling Manager	30 th Sept 2010

Control Objective:				
That the work was carried out within agreed timescales to minimise disruption to services provided by Hart District Council				
Findings:				
<ul style="list-style-type: none"> • Within the Tender Document there are clauses for damages for the failure to provide either the whole service or the work scheduled for that day. Failure to commence the scheduled work will result in a damages payment of £500 per day, whilst failure to complete the scheduled work would result in payment of £150 per day. • The Tender Document also states that the contractor must pay any costs and charges incurred by the Council to perform a task where the contractor has defaulted. These costs would include the hire of replacement vehicles. • During the past calendar year Hart District Council have invoiced Geesink Norba for costs incurred for replacement vehicles, however no charges for damages have been necessary. • The Tender Document provides details of where it would be deemed unfair to charge such damages giving examples of extenuating circumstances which could reasonably be considered by Hart District Council as beyond the control of the contractor –the extreme weather conditions suffered in January would be an example of this. 				
Risk:				
All costs incurred are not passed on to the contractor as per the contract				
Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
No recommendations made				

Control Objective:

That the work carried out was of a sufficient standard

Findings:

- On a daily basis the driver of each vehicle is required to complete a 'Vehicle Defect Report'. These reports contain information such as the drivers name, the vehicle mileage and any defects that are noted.
- These reports will be logged on a spreadsheet, even if there are no defects to report, thus giving a day by day history of the standard of the vehicle. This gives the depot the ability to monitor the defects against each vehicle, and if any are re-occurring.
- Historically the information held on the spreadsheet has not been 100% accurate, with the wrong drivers details shown etc, however, management have recognised the need for improvement and have already taken measures to rectify this.
- The new processes at the Depot relating to the administration of Vehicle Maintenance are working well and as a result audit trails and records maintained have improved.
- When defects are highlighted a copy is passed to the contractor, who then completes the return with details of the rectification action taken.
- The daily defect sheets will pick up any vehicle faults obvious to the eye, or those which obstruct driving, however it is impossible to give a complete guarantee over the standard of the work as there is no one qualified to do this. Ultimately confidence and trust is being placed with the contractor.
- Annually each vehicle has 2 spot inspections for vehicle roadworthiness which is carried by the Freight Transport Association (FTA). A copy of the report is passed to Hart District Council and Geesink Norba and any failings identified are rectified. Using the services of the FTA does to some extent mitigate the risk of not knowing whether or not the vehicles are complying with government standards, however, it is only good on the day the vehicle is checked. Audit is happy to see that some form of independent check exists.

Risk:

Incorrect payments are made to the contractor.

Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Reconcile the daily defects spreadsheet to ensure invoices are received within a timely manner and that outstanding invoices can be readily identified if required, for example year end accruals	Medium	Agreed new procedure will be set up.	Waste and Recycling Manager	30 th Sept 2010
Add extra columns in the daily defects spreadsheet to contain the job number and the invoice number. This would assist the officer in highlighting outstanding costs.	Low	Agreed	Waste and Recycling Manager	30 th Sept 2010
Other findings				
<p>Findings:</p> <ul style="list-style-type: none"> • The contract is reviewed annually and the cost is either increased or decreased based upon the Retail Price Index (RPI). Audit was able to confirm the annual changes in price by vehicle. • Geesink Norba have also taken on servicing vehicles belonging to SITA in the garage facilities provided by Hart District Council at the depot. To accommodate the additional work Geesink Norba now have 3 mechanics based at the depot, and Audit have been assured that Hart repairs are always given priority. The contract clearly states that premises will be provided free of charge at the depot for the performance of the contract only. Whilst Audit appreciates there are benefits to both parties, it is hoped that all aspects, including Health and Safety and Insurance have been taken into account. • There is currently a review taking place of how the waste service will be provided in future years. Any decisions made about joint working need to take in to account that Hart District Council are tied in to the contract with Geesink Norba until September 2013 and there is no clause written in for early termination except for poor performance. 				

RISK MANAGEMENT
Control Objective: Ensure that risks are identified, evaluated and controlled
Findings: <ul style="list-style-type: none">• Hart District Council has a Risk Management Policy and Strategy which is available on the share drive.• The Policy is dated June 2008, however, there is no version control on the body of the report. The contact name is also missing.• Audit viewed the current insurance policy and can confirm it is reviewed annually by the Section 151 Officer to ensure it is current and up to date for any known risks.• Audit viewed 10 random reports which were submitted to Cabinet between October 2009 and April 2010 to ensure that risk implications are identified before key decisions are made. 5 reports did not have any risk assessment, 2 reports had 'not applicable' under the heading of risk and the remaining 3 detailed risks associated with the decisions.• Audit saw sight of Operational and Strategic risk registers which are presented to Audit Committee on a quarterly basis. The report provides details of all strategic risks and red or high amber operational risks.• The last formal training on risk management was a workshop provided by Zurich Insurance in November 2006.
Risk: <ul style="list-style-type: none">• The Policy is not available to all.• It is unsure to the user whether the report is the current version.• Decisions are being made at Cabinet without the risks being identified and documented

Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Upload the Risk Management Policy to the intranet	Low	Agreed	Audit and Performance Manager	August 2010
Ensure evidence of a review, and by whom, appears on the body of the report	Low	Agreed. Will be shown as part of the next review of the policy.	Audit and Performance Manager	December 2010
That the risk implications for key decisions are clearly stated by the author within Cabinet and other committee reports.	Medium	Agreed	Management Team	September 2010
Control Objective:				
Ensure the risks on the register are reviewed regularly to ensure they are current				
Findings:				
<ul style="list-style-type: none"> • There are 5 strategic risks. Upon reviewing the register Audit is able to confirm they are reviewed on a quarterly cycle with the next review due 31st August 2010. • There are 66 operational risks detailed within the Risk Register. They are classified by service, and all but one set had evidence of a recent review. • Ownership of Operational Risks generally had the Head of Service appointed as the responsible officer. • Audit viewed 9 low scoring Operational Risks to determine whether they remain current. 4 risks were currently scoring lower than the target risk score, 4 were scoring the same as the target score with the remaining 1 scoring higher. • Even if as much mitigating action as possible has been taken, many risks will remain on the registers as they still exist. This could be because they are seasonal, such as providing services during periods of bad weather, or just down to the nature of the risk, like losing key election staff. 				

Risk:				
<ul style="list-style-type: none"> Updates and scoring is inconsistent 				
Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Encourage Heads of Service to update their own risks to ensure all knowledge is included	Medium	Heads of Service have been encouraged to update their own Risk Registers and some are very comfortable with this, however some prefer to review their register jointly with the Audit Manager. During the review updates on how each risk is being managed is requested by the Audit Manager.	Heads of Service	N/A
Ensure the target score reflects all known information, and that this also forms part of the quarterly review.	Medium	Not agreed. Risk scores are system generated and are not used for any real purpose. A more simplified approach is used of using red, amber and green assessments.	Heads of Service	N/A
Control Objective:				
That mitigating plans are acted upon within agreed timescales, and evidence is available of the action taken.				
Findings:				
<ul style="list-style-type: none"> Audit was able to identify risks where it was felt sufficient mitigating action had been taken that they could be moved from the register by interruptions in the sequential numbering against the records held by service. 				

- Audit was unable to retrieve data on these risks through Covalent as they had been deleted. The other option available would have been to make them in-active.
- It was attempted to retrieve the deleted data through the Audit Trail facility on Covalent for those risks which had been deleted. Covalent would only report back data from February 2010 and it would appear that history prior to this date is no longer visible for those deleted risks. Audit is therefore unaware from Covalent records of the mitigating action taken. Access to the full database is available upon request, however just for a short period of time, through the Covalent helpdesk

Risk:

- Evidence of mitigation is unavailable
- Audit trails are incomplete

Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Ensure mitigated risks are made inactive for a period of time, rather than deleted immediately.	Medium	Agreed	Audit and Performance Manager	August 2010

DEVELOPMENT CONTROL

Control Objective:

To establish whether controls are in place to protect the data entry fields in uniform.

Findings:

- It was demonstrated that the date entry field for applications could not be changed by the administrator. The only way to change the application date would be to delete the application and re-enter the application again.
- The 'validation date' entry field could be amended, however if a change was made then the person amending the date would be directed to add a reason for the change and an audit trail created. A report can be produced to review date changes however this is currently not utilised as part of any quality control checking.
- There are around 18 officers around the building who have administrator rights. This enables them to set up new users, delete cases and generally administrate the system. Whilst it is not good practise to have one person responsible for administering the system 18 is considered to be far too many leaves the system open misuse.
- Password changes can be undertaken by administrators when requested to do so. There is no alert sent to Uniform users, forcing them to change their passwords on a regular basis.
- There are several levels of access to Uniform; a list of users was reviewed by audit. It was found that there were many administrators and some who no longer work in departments that use Uniform. There were also a number of officers who no longer work at Hart still registered as users.
- There were some procedures in place relating to completion of data entry fields, these procedures were found to be out of date and don't reflect current working practices.

Risk: <ul style="list-style-type: none"> • Uncontrolled access to Uniform • Potential for files to be deleted and dates amended • Out of date procedures 				
Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
A quality checking system should be considered. This would help identify areas where potential issues could arise. E.g. date changes, fees etc	Low	Only system administrators have access rights to change dates and fees etc. The Uniform system contains a note record filed whereby such changes can be recorded against each case.	Planning Support Manager	Immediate
Uniform users are requested to change their passwords on a regular basis.	Low	Uniform system has programme that can accommodate that requirement – passwords to be changes every 6 months.	Planning Support Manager	Will take a little while to set up – proposed implementation date 1 October 2010.
A complete review of users who have access to Uniform should be conducted and user numbers limited.	Medium	Officer access to Uniform is already restricted to specific modules but audit to be carried out within Planning services – overall access rights to be reviewed corporately	Planning Support Manager	Completed.
The starters and leavers process should be reviewed and ensure that administrators of IT systems are alerted to staff changes.	Medium	This is a wider corporate issue but with respect to Planning Services a process is in place to notify IT	Planning Support Manager	Completed

Update procedure notes relating to data entry fields in uniform.	Low	Significant piece of work that would duplicate existing module instruction sheets. Desirable outcome but resource intensive – unlikely to be a priority.	Head of Planning	No date set.
That the number of System Administrators is reduced from 18 to a maximum of 4.	Medium	Disagree. Not a Planning Service issue as 18 Systems Administrators accounts for all Uniform modules used across the Council. Therefore this is a corporate issue. However, need to reduce the number of System Administrators recognised but 4 is considered too low and impractical. To be discussed further with other module users.	Head of Planning	No date set but intention to raise issue with other Heads of Service in September 2010
<p>Control Objective:</p> <p>To verify that paper records correspond with the records held on Uniform</p>				
<p>Findings:</p> <ul style="list-style-type: none"> • A sample of files was reviewed to ensure application dates on uniform corresponded with the dates held on paper files. The dates checked in the sample were found to correspond albeit the test highlighted some inconsistencies with the completion of checklists. • Some checklists were completed fully and gave a full audit trail of work completed, others were only partially completed. Audit questioned the use of the current checklist and although it is considered to be a useful training tool for more junior members of staff if not completed correctly it adds little value. Audit were advised that officers were looking at the development of an electronic checklist. There were a few examples of where decision dates had been entered on Uniform as the same day as the target date where in fact an earlier date could have been entered. This has no bearing on the targets but would be a good gauge to see how long the actual decision making process takes. 				

Risk: <ul style="list-style-type: none"> • Poor audit trail • Inconsistent working • Incorrect records • Incorrect management information 				
Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Review the need for the checklist and understand why the form is not consistently used.	Low	Currently being undertaken and likely to be superseded by new Planning Checklist.	Head of Planning	Local Planning Checklist currently subject to public consultation with Parishes, Members and planning agents/applicants. Consultation closes end of September 2010. Revised Local list to be considered by Planning Committee in October 2010.
Continue to develop the electronic checklist	Low	In process	Head of Planning	Will be completed by end of October 2010
Control Objective: To ensure that the process of handling applications once received is controlled and secure.				
Findings: <ul style="list-style-type: none"> • Testing looked at the process from when an application is received to when it is validated. A sample of 34 applications were reviewed – this was the number of application received between 4th and 10th May 2010. • From the sample it was found that 53% had been validated within the 5 day target the remaining 47% were deemed to be ‘invalid’ and letters had been sent to applicants to request further information. 				

- The number of applications which are deemed to be invalid suggests that there should be some work undertaken to try and ensure that applicants fully understand what information is required. If applicants can provide all the information in the first instance the process can be started much quicker and reduces the amount of administration work that is required.
- The website was reviewed to establish guidance is provided to applicants prior to submitting the application. There was found to be no clarity in what information was 'free' and what is a 'paid for' service. The cost of the pre application service was noted in the fees section but maybe a 'headline' marketing the pre-application service could encourage applicants to take up the service and reduce the number of rejected applications could be considered.
- A report is produced on a monthly basis which gives information on the amount of time is taken to validate planning applications. The May report noted that 100% had been validated within the 5 day target period, however the report did not pick up the number of 'invalids' within that period – In the sample period alone 24% we found to be invalid.
- Audit are satisfied that controls are in place when allocating planning files ensuring a consistent and fair approach.
- Application progress is monitored by the Development Control Manager, review meetings are held and progress reports used to ensure applications are kept on track.
- There has been an improvement in the progress of applications since the scheme of delegation changed in March 2010. It was noted that in February only 36% of minor applications were decided within the 8 week timescale whereas in May 94.4% were decided in the 8 week deadline. The results are being monitored on a monthly basis but appears that significant improvements are being made.

Risk:

- Incomplete monitoring of applications received
- Inadequate information given to applicants
- Low take up of pre application advice

Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Ensure that correct date information is entered on to uniform to ensure that management information is correct.	Low	Officers reminded of requirements.	Development Control Manager	Complete

Look at ways in reducing the number of applications that are received and are invalid thus reducing administration and improving customer service.	Medium	More simply Local List being prepared	Head of Planning	Local Planning Checklist currently subject to public consultation with Parishes, Members and planning agents/applicants. Consultation closes end of September 2010. Revised Local list to be considered by Planning Committee in October 2010.
Look at reporting the number of 'invalid applications received' to gauge performance	Low	No positive value at this stage but will be monitored once new Local Checklist adopted.	Development Control Manager/Planning Support Manager	No date set.

Objective:
To ensure that the accounting process for planning applications is secure

Findings:

- There are some basic procedures available to staff. However, they do not reflect current working practice and require updating.
- The 'daily list' of payments was reviewed, this contained cheque payments received, it did not show any telephone payments received.
- Information contained on the website indicates that applicants can pay on the planning portal. I was advised that this facility has not been available for sometime.
- The telephone banking procedure is out of date. Currently credit card refunds made after the day of the transaction have to be made by cheque. This is not recommended practice as refunds should be made on the originating credit card. This issue is not specific to planning and will be raised with Capita.
- No reconciliation is made between the amount of fees collected and the amount actually banked. This needs to be resolved to ensure that what is being collected can be verified.
- There are no checks made on planning applications to ensure that correct fees are collected. Uniform does not have a facility that links the planning codes with the cost of the application therefore the input in all cases is manual.

<ul style="list-style-type: none"> • There are no clear guidelines with the process for dealing with bounced cheques – Liaison is required by Planning and Capita • The process followed for returning a cheque to a customer in the case of an overpayment is longwinded and costly and should be reviewed. 				
Risk: <ul style="list-style-type: none"> • Procedures do not reflect current working practices • Potential for non payment of fees and fraud • Reputation • Customer dissatisfaction 				
Recommendation	Risk Category	Management Response	Officer Responsible	Action Date
Update the website to reflect that payments cannot currently be collected via the planning portal	Low	Agreed	Head of Planning	End of August 2010
Look at re-introducing payments via the portal.	Low	Outside HDC control but contact already made with Planning Portal	Head of Planning	End of December 2010
Start reconciling the fees income with the banking and liaison with Finance	Medium	Agreed. To be reconciled with Monthly budget monitoring.	Head of Planning/Planning Support Manager/Development Control Manager	Immediately
Look at introducing quality control checks to ensure correct fees have been collected on an application	Low	Agreed	Planning Support Manager/Development Control Manager	Immediate
Arrange meetings with Capita to discuss accounting processes such as	Medium	Agreed but need to recognise that this is a corporate issue.	Head of Planning/Capita	September 2010

bounced cheques and credit card refunds		<i>A copy of this audit report has been sent to Corporate Business and Improvement Client Officer for information.</i>		
Amend and simplify the duplicate payment process	Low	Agreed but need to recognise that this is a corporate issue. <i>A copy of this audit report has been sent to Corporate Business and Improvement Client Officer for information.</i>	Head of Planning/Capita	September 2010

Annual Governance Report

Hart District Council

Audit 2009/10

September 2010

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Chief Executive and Chief Finance Officer and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2); and
- agree your response to the proposed action plan (Appendix 4).

Yours faithfully

Patrick Jarvis
District Auditor

28th September 2010

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	14
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	7
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	15

Audit opinion

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements.

Financial statements

- 2 The draft financial statements and supporting notes submitted for audit were free from material error. They did contain a small number of errors which management has adjusted. These errors all related to disclosure and additions, and there were no material or non-trivial adjustments to the figures in the accounts that need reporting in this document.
- 3 The Finance team provided good quality and accurate working papers to support the financial statements. There was a delay in finishing our work because of problems surrounding controls within the main financial system. However, these were resolved before the mandatory reporting deadline and we now plan to issue an unqualified opinion on the financial statements being presented at this meeting.

Value for money

- 4 I am satisfied that, in all significant respects, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010. As such, I plan to issue an unqualified value for money (VFM) conclusion.

Key messages

Audit fees

- 5 In my original audit plan, the fee for the opinion audit was based on my best estimate at the time and agreed at £123,000. This was agreed by the Council in my letter dated 27th April 2009.
- 6 The weakness in the IT control environment, identified during the planning stage of the audit (and detailed at paragraph 11), resulted in extra work at the pre-statements stage of the audit. Despite this extra work, we could not gain sufficient assurance that figures derived from the main accounting system at year end were materially correct. As such, an IT specialist was procured to carry out extra interrogative testing on the general ledger. The work is still ongoing and the cost has yet to be calculated, however, I propose to raise the audit fee by that amount. Any revisions to the audit fee will be discussed with management first and then brought before those charged with governance for approval.

Independence

- 7 I can confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

8 I ask the Audit Committee to:

- consider the matters raised in the report;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2); and
- agree your response to the proposed action plan (Appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 9** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
-

Errors in the financial statements

- 10** The draft financial statements and supporting notes submitted for audit were free from material error. They contained a small number of other errors which management has adjusted. These all related to disclosure and additions, and there were no material or non-trivial adjustments to the accounts that need recording in this report.
-

Important weaknesses in internal control

- 11** While the overall internal control environment is adequate, I found one important weakness relating to controls in the main accounting system. This was relevant to the first half of 2009/10 and the transitional period when the finance service was first outsourced to Capita. It relates to the number of staff that had full access rights to the material financial systems and the processes put in place to maintain segregation controls during the period.
- 12** A significant number of finance staff had full access privileges and those who left the Council during the year (approximately 40 people) did not have their privileges reviewed or removed upon their departure. This is a risk because staff with these access levels had the rights to set up accounts, raise invoices and make payments without independent review or authorisation. While there is absolutely no suggestion that this has occurred (which is supported by audit testing), it constitutes a significant audit risk over the figures in the financial statements.
- 13** The following factors were also taken into account when assessing the risk:
- When the Council outsourced its finance function to Capita, it did not seek independent assurance on the control environment of Capita's processes, services and systems;
 - The council cannot evidence how segregation of duties was maintained during the change management period;
-

- The Council did not commission any specific IT assurance work during the year to address the risk; and
- As part of its financial systems work, internal audit recommended an urgent review of access levels for all users of the financial systems.

14 This position was inherited by Capita, which has worked well with the Council to address the weaknesses and put in place new arrangements. It also endeavoured to embed them by the end of the 2009/10 financial year in time for its first reporting period. Our work on the final accounts suggests that by the end of the financial year, the problems identified had been substantially addressed and access controls were much improved.

Recommendation	
R1	The Council needs to ensure that access rights to the financial systems are appropriate to user position and responsibilities
R2	The Council should implement a formal IT governance and risk management framework to clearly delineate responsibilities
R3	Access rights to the financial systems should be regularly reviewed and staff leaving the Council or Capita should have their rights removed promptly
R4	All manual journals need to show evidence of review and authorisation, and be accompanied by adequate supporting documentation

Key areas of judgement and audit risk

15 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

Issue or risk at planning stage	Outcome on completion of opinion audit
Capita was preparing the accounts for the first time so there were specific risks identified around arrangements and compliance with the 2009 SoRP	There was clear improvement over previous years with no significant disclosure issues identified
IT control environment - financial systems operated at different sites lead to risks around the IT controls environment i.e. payroll and HR are operated by different providers which	Reliance could not be placed on the IT controls environment and extra work was carried out to gain assurance over year end balances in the financial statements. A number of recommendations have been made in response

Financial statements

Issue or risk at planning stage	Outcome on completion of opinion audit
leads to risks around access, verification, reconciliations, etc	to the extra work
International Financial Reporting Standards (IFRSs) - restatement of 2009/10 closing balances and preparedness for full introduction in 2010/11	The Council is on track to meet and comply with the introduction of IFRSs
Wider financial environment - there is an inherent risk, specific to all public sector bodies, regarding pressure on finances and ever tighter budgets	We carried out substantive year end procedures on balances affecting the revenue position, for example, cash, provisions, debtors, etc and found them to be materially correct
Redundancy costs - these are politically and publically sensitive	We will carried out audit procedures and found redundancy costs to be fairly stated

Letter of representation

- 16** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 17** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my scores against each criterion in Appendix 3.
- 18** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Glossary

Annual governance statement

- 19** Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 20** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 21** The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
-

Audit closure certificate

- 22** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.
-

Audit opinion

- 23** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

- 24** The auditor has some reservations or concerns.
-

Unqualified

- 25** The auditor does not have any reservations.
-

Value for money conclusion

- 26** The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent auditor’s report to Members of Hart District Council

Independent auditor’s report to the Members of Hart District Council

Opinion on the financial statements

I have audited the accounting statements and related notes of Hart District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Hart District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, of the financial position and financial performance of Hart District Council and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information

Appendix 1 – Independent auditor’s report to Members of Hart District Council

I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion Hart District Council's financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, of the financial position and financial performance of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Hart District Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Appendix 1 – Independent auditor’s report to Members of Hart District Council

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hart District Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Patrick Jarvis

District Auditor

Appendix 2 – Letter of representation

To:

Patrick Jarvis
District Auditor

Audit Commission
Second Floor, Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

Hart District Council

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other members and officers of Hart District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2010. All representations cover the Council's accounts and Pension Fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice, which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and

Appendix 2 – Letter of representation

recorded in the accounting records. All other records and related information, including minutes of all Council, Cabinet and Committee meetings, have been made available to you.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

Service concessions

I have reviewed the Council's contracts with the private sector and confirm that, other than those disclosed in the financial statement, there are no public to private service concession arrangements.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control, or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has

been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For each assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework; and
- the completeness and appropriateness under the financial reporting framework.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events - FRS17 Pension Liabilities

Since the date of approval of the financial statements, the Government has announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a material reduction in the pension liabilities and therefore the pension deficit on the Council's balance sheet.

The actuaries have estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10%.

Appendix 2 – Letter of representation

Specific representations:

I acknowledge my responsibility for the design and implementation of internal control systems. This includes the operation of segregation and authorisation controls within the Council's main accounting system. I can confirm:

- appropriate segregation controls exist within the Council and these have operated over the full accounting period;
- there has been no unauthorised use of the main accounting system during the accounting period; and
- the control framework in place between the Council and Capita is adequate to ensure that managing the main accounting system from remote locations does not constitute a risk to the Council's business.

Signed on behalf of Hart District Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 28th September 2010

Signed

Geoff Bonner
Chief Executive

Appendix 3 – Value for money criteria

KLOE (Key Line of Enquiry)	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes
Strategic asset management	Yes
Workforce	Yes

Appendix 4 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations September 2010						
8	R1 The Council needs to ensure that access rights to the financial systems are appropriate to user position and responsibilities	3				
8	R2 The Council should implement a formal IT governance and risk management framework to clearly delineate responsibilities	2				
8	R3 Access rights to the financial systems should be regularly reviewed and staff leaving the Council or Capita should have their rights removed promptly	3				
8	R4 All manual journals need to show evidence of review and authorisation, and be accompanied by adequate supporting documentation	2				

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

AUDIT COMMITTEE**DATE OF MEETING: 28 SEPTEMBER 2010****TITLE OF REPORT: STRATEGIC AND OPERATIONAL RISK REGISTERS
UPDATE (SEPTEMBER 2010)****Report of: Audit Manager****Cabinet member: Councillor Crookes, Leader of the Council****1 PURPOSE OF REPORT**

The purpose of this report is to update the committee regarding the content of the council's strategic and operational risk registers and show how risks are being managed.

2 OFFICER RECOMMENDATION

That the Audit Committee notes the report.

3 BACKGROUND

The Council has risk registers in place at both strategic and operational levels. As part of the council's governance arrangements the committee should be informed how as to how risks are being managed.

3.2 All risks are categorised at one of three levels of alert:

Red: Where the impact of risk is high as is the likelihood of the risk occurring

Amber: Where the impact of a risk is marginal and the likelihood of the risk occurring is unlikely

Green: Where the impact of the risk is low as is the likelihood of the risk occurring

3.3 Trend Analysis

Strategic Risk Register			
Number of Risks	Quarter 4 6	Quarter 1 6	Quarter 2 5
Alert Status	Red: 1 Amber: 2 Green; 3	Red: 1 Amber: 3 Green: 2	Red: 0 Amber: 4 Green: 1

Operational Risks			
Number of Risks	Quarter 4 78	Quarter 1 76	Quarter 2 67
Alert Status	Red: 2% Amber: 62% Green: 38%	Red: 0% Amber: 60% Green: 40%	Red: 0% Amber: 55% Green: 45%

3.4 This report provides further detail on those risks that are categorised as being red or those that are top end of an amber alert, this is shown in Appendix I.

4 FINANCIAL IMPLICATIONS

There are no financial implications that arise directly from this report.

5 MANAGEMENT OF RISK

The risk implications are clearly stated in Appendix I.

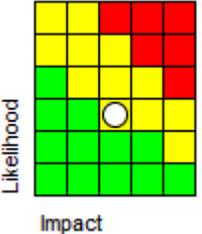
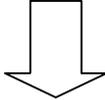
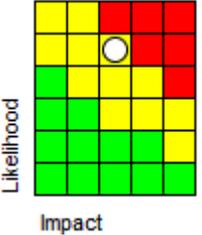
Contact Details: **Officer:** **Audit Manager**
Extension: **4140**
E-mail: **neil.carpenter@hart.gov.uk**

APPENDIX I: Risk Register Update

Appendix I

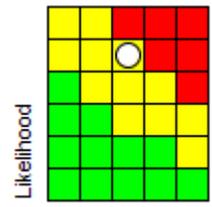
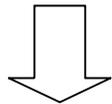
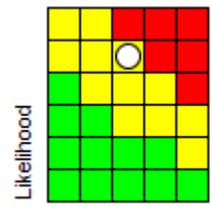
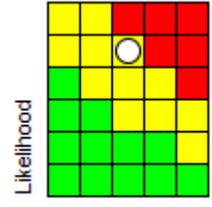
RISK REGISTER UPDATE (July 2010 – September 2010)

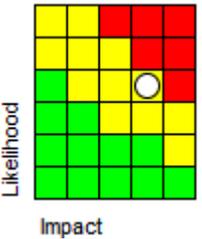
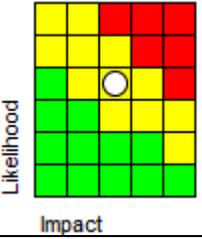
Strategic Risk Register

Risk	Potential Effect	Next Review Date	Internal Controls/ Mitigation	Alert Level	Movement
Provision of Affordable Homes	Unable to deliver target for the provision of affordable homes	December 2010	<ul style="list-style-type: none"> • Close liaison with Planning • Assess impact on Housing Register • Identify alternative means of supply • Hitches Lane Development now started • Working with Parish Councils to identify new sites • Work on Campbell Close now started • 80 affordable homes likely to be delivered during 2010/11 		
Lack of Financial Resources	Impact on delivery of services	December 2010	<ul style="list-style-type: none"> • Corporate Plan to prioritise resources • Service Plans • Robust Budget Process for revenue and capital • MTFS linked to Corporate Plan • Budget Monitoring • 2010/11 Budget approved which includes risk assessment from Section 151 Officer 		

<p>Business Continuity</p>	<p>Service disruption Main issue now around interruption to provision of IT and the need for a Disaster Recovery Plan</p>	<p>December 2010</p>	<ul style="list-style-type: none"> • Business Continuity Plan • Business Continuity Plan part tested • Disaster Recovery Plan being prepared target date April 2010 • Business Continuity Plan to be updated to reflect outsourcing and recent restructure. • Snow Plan being developed 	<p>Likelihood</p> <p>Impact</p>	<p>_____</p>
<p>Local Development Framework</p>	<p>Inability to progress Local Development Framework</p>	<p>December 2010</p>	<ul style="list-style-type: none"> • Revised LDF Programme now agreed and being implemented. • Progress will be monitored by LDF Steering Group. 	<p>Likelihood</p> <p>Impact</p>	<p>_____</p>
<p>Public Sector Deficit</p>	<p>Impact on council services due to reductions in public sector spending.</p>	<p>December 2010</p>	<ul style="list-style-type: none"> • Unable to assess until spending review completed in the Autumn 	<p>Likelihood</p> <p>Impact</p>	<p>_____</p>

Operational Risks (Red and High Amber Only)

Risk	Potential Effect	Next Review Date	Internal Controls/ Mitigation	Alert Level	Movement
Unable to meet increased housing needs	Failure to meet housing targets resulting from green field releases of land for housing.	December 2010	<ul style="list-style-type: none"> Close liaison with Planning Assess impact on Housing Register Identify alternative means of supply Hitches Lane Development now started Campbell Close development now started Working with Parish Councils to identify new sites 	 <p>Likelihood</p> <p>Impact</p>	
Funding and Sustainability for Community and Partnership projects.	Unable to deliver planned projects due to funding cuts from partners	December 2010	<ul style="list-style-type: none"> Input into budgets Discussions with partners Potential sponsorship of projects 	 <p>Likelihood</p> <p>Impact</p>	<hr/>
Closure of one of the Gypsy Sites due to lease running out.	Unable to identify an alternative site.	December 2010	<ul style="list-style-type: none"> Working with HCC to resolve Meeting with Elvetham Estates to discuss lease position arranged for 26.11.09. Letter sent to Elvetham Estates to clarify position Site now identified, Bramshott Lane, Fleet. Risk remains high as the landowner may wish to change the use of land. 	 <p>Likelihood</p> <p>Impact</p>	<hr/>

<p>Investment Income</p>	<p>Reduced interest rates during credit crunch. Potential adverse impact on investment income target</p>	<p>December 2010</p>	<ul style="list-style-type: none"> • Spread investments • Adhere to Treasury Management Policy • Interest rates outside of the council's control are likely to remain low • Daily monitoring of interest rates • Section 151 Officer to discuss investment strategy with Sector in Sept 2010. 		<hr/>
<p>Disruption of IT Services due to reliability of servers.</p>	<p>Uninterruptible power supply in place. Regular backups Offsite storage for backups Disaster Recovery Agreement in place with Adam.</p>	<p>December 2010</p>	<ul style="list-style-type: none"> • Business case to replace a number of servers has been prepared and will be presented to the Capital Board in October 2010. 		<hr/>

AUDIT COMMITTEE

Date and Time: Tuesday, 28th September 2010 at 7.00 pm

Place: Committee Room 1, Civic Offices, Fleet

Present:

COUNCILLORS –

Bailey - (Chairman)

Barrell

Davies

Healey

In Attendance - Councillor Crookes

Officers Present:

Geoff Bonner - Chief Executive

Sue Reekie - Section 151 Officer

Neil Carpenter - Audit Manager

In Attendance - Patrick Jarvis - Audit Commission
Malcolm Haines – Audit Commission

12. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 5th July 2010 were confirmed and signed as a correct record.

13. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Axam.

14. CHAIRMAN'S ANNOUNCEMENTS

Councillor Davies reported that he had requested the Democratic Services Working Group (DSWG) to agree an increase in the number of members of the Audit Committee from five to seven. This was to reduce the risk of meetings not being quorate when Members could not attend. DSWG had agreed to the increase which would now need to be approved by Cabinet and Council.

15. DECLARATIONS OF INTEREST (PERSONAL OR PERSONAL AND PREJUDICIAL)

None declared.

16. EXTERNAL AUDIT – ANNUAL GOVERNANCE REPORT 2009/10

The Annual Governance Report and Letter of Representation for 2009/10 were reviewed. The District Auditor drew the Committee's attention to the progress made on value for money and the weaknesses in the IT control environment that existed during the transition period of services being transferred to Capita.

The Committee was informed that weaknesses in the IT control environment had been resolved.

It was also noted that there was an objection to the accounts relating to income obtained from parking enforcement in Fleet Road. Members asked the Audit Commission for an estimate of the cost of the objection and were informed that it may cost up to £10,000.

The District Auditor stated that he would be issuing an unqualified opinion on the Statements of Accounts for 2009/10 and on the Council's value for money arrangements.

The Committee thanked the Finance Team for their work on the Statements of Accounts.

RESOLVED

That The Committee notes the Annual Governance Report and approves the content of the Letter of Representation.

(Note: Councillor Barrell entered the meeting at 7.30 pm).

17. INTERNALAUDIT PROGRESS REPORT Q2 JUNE 2010 – SEPTEMBER 2010

The Audit Progress Report for the period June 2010 and September 2010 was reviewed by the Committee.

Members commented on the inconsistent approach taken by the Council when dealing with complaints. The Chairman of the Committee would ask a question on complaints at the next Full Council meeting.

RESOLVED

That the Audit Progress for the period between June 2010 and September 2010 report be noted.

18. STRATEGIC AND OPERATIONAL RISK REGISTERS UPDATE

The Strategic and Operational Risk Registers Update report was discussed.

RESOLVED

That the report be noted.

The meeting closed at 8.15 pm.