

**21 SEPTEMBER 2012**  
**NEW FOREST DISTRICT COUNCIL**  
**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held at Appletree Court, Lyndhurst on Friday, 21 September 2012.

p Cllr A O'Sullivan (Chairman)  
p Cllr Mrs D E Andrews (Vice-Chairman)

**Councillors:**

p M R Harris  
p C J Harrison  
p D B Tipp

**Councillors:**

p R A Wappet  
p C A Wise  
p Mrs B M Woodifield

**Officers Attending:** K Green, Mrs J Hawker, R Jackson, A Rogers, Mrs L Upton

**Also in Attendance:** R Proudfoot and D Wilson (Sector), (for Minute 20), Mrs K Lee and K Suter (Audit Commission), (for Minutes 21 and 22).

**17. MINUTES.**

**RESOLVED:**

That the minutes of the meeting held on 6 July 2012, be signed by the Chairman as a correct record.

**18. DECLARATIONS OF INTEREST.**

No declarations of interest were made by any members in connection with any agenda items.

**19. PUBLIC PARTICIPATION.**

No issues were raised during the public participation period.

**20. TREASURY MANAGEMENT PERFORMANCE REPORT 1 APRIL 2012 – 31 AUGUST 2012 (REPORT A).**

The Committee considered the Treasury Management Performance Report for the period 1 April to 31 August 2012.

Mr Proudfoot and Mr Wilson of Sector (the Council's independent treasury management consultants), were present to give background on the investment advice given to the Council and to answer Members' questions.

They provided a handout giving detailed information on their counterparty security assessments, with which they assessed the risks of investing with particular organisations. In summary, the information assessed included credit ratings and market information (prices).

Officers, together with the Portfolio Holder, worked with Sector on investment decisions concerning Council funds totalling £36m, within the Treasury Management Strategy agreed annually by the Council. To date, the return had been comparatively good when benchmarked against other authorities and organisations.

Sector had 330 public sector clients, including councils, hospitals and universities. They gave independent and unbiased advice, offering tailored solutions within the context of a fluid financial environment to help the Council arrive at informed investment decisions.

Mr Proudfoot and Mr Wilson described the financial climate and the various influencing factors within it, both nationally and internationally. They answered a number of questions from members. It was noted that Sector's fixed fee for their services was £12,500 per annum. It was confirmed that Sector had been referred to the Competition Commission, but the FSA had ruled that there had been no conflict and the referral had been dismissed.

It was noted that the investment strategy had been a low risk one and broadly entailed placing funds with a small number of largely government backed organisations, for short periods of time, varying between 3 and 12 months.

Although the Treasury Management Strategy agreed by this Council allowed for investment in organisations and banks in the Eurozone, current operational restrictions imposed by the Portfolio Holder and Chief Financial Officer excluded investment in these institutions, given the current market uncertainties in the region. A member expressed concern that the Strategy still allowed for the possibility of such investments. It was explained that the Council had no assets in Eurozone banks or other organisations, and that restrictions were in place, but the option was available for reasons of operational flexibility, given the changeable financial environment. Whilst no amendments were required to the overall Strategy to reflect this, the on-going problems in the banking world had meant the Council was operating with a much more restricted working investment strategy than the one approved by the Council in February 2012.

Monthly meetings were held between officers and the Portfolio Holder, with advice from Sector, to review the investment policy in the light of latest market trends and risks. Members were pleased with the current performance and the more restrictive operational strategy currently imposed. In February 2013, the Council would review the Treasury Management Strategy and the Audit Committee would have the opportunity prior to this to make any recommendations.

**RESOLVED:**

- (a) That the performance of the treasury management function for the period 1 April - 31 August 2012 be noted.
- (b) That the Committee undertake a review of the investment strategy prior to its approval by the Council in February 2013.

Action: Jan Hawker / Bob Jackson

**21. DRAFT ANNUAL GOVERNANCE REPORT (REPORT B).**

The Committee received the draft Annual Governance Report. Mr Suter (District Auditor) and Mrs Lee, (Audit Manager, Audit Commission), presented the report and answered members' questions. The report summarised the findings from the 2011/12 audit, including comments on the Council's financial statements, and arrangements to secure value for money in its use of resources.

The District Auditor was pleased to issue an unqualified opinion on the Council's statement of accounts, indicating that the accounts were in good order and there had been very few adjustments, there were no uncorrected errors, and any issues raised had been resolved.

Reference was made to the Audit Commission's fees as set out on page 13 of the report. The Committee was pleased to note that the fees were comparatively lower than other councils, which reflected the work being undertaken by NFDC staff instead of District Audit.

**RESOLVED:**

- (a) That the corrected adjustments to the financial statements included in the report be noted as set out in Appendix 2 to the report.
- (b) That the letter of representation set out in Appendix 3, be approved.
- (c) That the Council's response to the proposed action plan at Appendix 5 be agreed.

Action: Kevin Green / Bob Jackson / Lucinda Upton

**22. ANNUAL FINANCIAL REPORT (STATEMENT OF ACCOUNTS) 2011/12 (REPORT C).**

The Committee considered the Annual Financial Report (Statement of Accounts) for 2011/12. Officers answered Members' detailed questions.

**RESOLVED:**

That the Statement of Accounts for 2011/12 as set out in Report C be approved.

Action: Kevin Green

**23. ANNUAL GOVERNANCE STATEMENT 2011/12 (REPORT D).**

The Committee considered the Annual Governance Statement for 2011/12. The Committee had previously received a draft of the document at its July meeting. Some minor areas requiring action were identified in pages 6 and 7 of the report.

**RESOLVED:**

That the Annual Governance Statement for the financial year ended 31 March 2012 as set out in Appendix 1 to the report be approved.

Action: Lucinda Upton

**24. ANNUAL GOVERNANCE STATEMENT 2011/12 – ACTION PLAN PROGRESS (REPORT E).**

The Committee considered the Annual Governance Statement 2011/12 Action Plan progress.

It was noted that the work on Partnerships would be considered by one of the Council's Overview and Scrutiny Panels.

It was agreed that future reports should include external and internal actions.

**RESOLVED:**

That the progress detailed against each of the governance issues identified for 2011/12 in Appendix 1 to the report be noted.

Action: Lucinda Upton

**25. PROGRESS AGAINST THE 2012/13 AUDIT PLAN (REPORT F).**

The Committee considered the progress against the 2012/13 Audit Plan.

**RESOLVED:**

That the report be noted.

Action: Lucinda Upton

**26. AUDIT COMMITTEE – WORK PLAN 2012/13 (REPORT G).**

The Committee reviewed its Work Plan for 2012/13.

**27. MEETING DATES FOR THE 2013/14 MUNICIPAL YEAR.**

**RESOLVED:**

That the meeting dates of the Committee for 2012/13 be as follows:-  
(Fridays, 10.00 a.m.)

21 June 2013  
20 September 2013  
10 January 2014  
21 March 2014

CHAIRMAN