

21 MARCH 2014

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held at Appletree Court, Lyndhurst on Friday, 21 March 2014.

- a Cllr A O'Sullivan (Chairman)
- p Cllr Mrs D E Andrews (Vice-Chairman in the Chair)

Councillors:

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

Councillors:

- p R A Wappet
- p C A Wise
- p J G Ward

Also in Attendance:

Mrs H Thompson, Ernst and Young

Officers Attending:

R Jackson, Mrs D Holmes, A Rogers and Mrs L Upton.

37. MINUTES.

RESOLVED:

That the minutes of the meeting held on 10 January 2014 be signed by the Chairman as a correct record.

38. DECLARATIONS OF INTEREST.

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

39. PUBLIC PARTICIPATION.

No issues were raised during the public participation period.

40. CERTIFICATION OF CLAIMS ANNUAL REPORT 2012/13 (REPORT A).

The Committee noted the external auditor's Certification of Claims Annual Report for 2012/13. Local Authorities routinely claimed large sums of public money in grants and subsidies from Central Government and other bodies and those grant-paying bodies required certification from an auditor.

The Committee was pleased to note that no issues had been found in connection with the returns and they were certified without qualification.

RESOLVED:

That the report be noted.

41. AUDIT COMMITTEE PROGRESS REPORT / LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING (REPORT B).

The Committee received the Audit Progress report and Local Government Audit Committee briefing from Ernst and Young, the Council's external auditors. The purpose of the progress report was to provide the Committee with an overview of the completed 2012/13 Audit, together with an outline of plans for 2013/14 Audit. The report was a key mechanism in ensuring that the Audit was aligned with the Committee's service expectations. All of the timetabled work for 2012/13 had been completed and reported to the Committee. Members noted the timetable for 2013/14 Audit.

Members also noted the briefing document which included:

- An outline of the economic outlook
- Enhancements to the Bellwin grant (the Government's support scheme for costs associated with recent severe weather)
- Making best use of the Better Care fund
- A call for stronger Audit Committees
- Business rates valuation consultation
- Technical reforms to Council Tax
- The Local Audit and Accountability Act 2014.

RESOLVED:

That the reports be noted.

42. PROGRESS AGAINST THE 2013/14 AUDIT PLAN (REPORT C).

The Committee noted progress against the 2013/14 Internal Audit Plan, which was approved by the Committee in March 2013. The Plan had been risk assessed in January 2014.

Members noted two areas of limited assurance, with weaknesses identified following a change in management of the Income section, and an issue concerning invoice payments in Accounts Payable. Both were being addressed. A key recommendation concerned IT system control weaknesses, which a team was working to resolve. Members asked a number of detailed questions on these and other issues highlighted in the report.

Members were pleased to note that tenders for a change to the Council's banking arrangements were anticipated by Easter.

Members also noted the resourcing arrangements within the Audit team and that the Audit Manager was satisfied that this represented sufficient coverage to provide a year – end opinion.

RESOLVED:

That the report be noted.

43. FRAUD POLICY REVIEW (REPORT D).

The Committee considered proposed updates to various fraud related policies:

- Anti-fraud, bribery and corruption policy
- Anti-money laundering policy
- Whistleblowing policy
- Fraud Response Plan

Members requested statistics on the usage of the fraud / whistleblowing hotline, including an indication of the number of unfounded or vexatious reports received, officers undertook to provide information on both these matters in the end of year report.

Reference was made to the online training package and the electronic form that enabled officers to report fraud incidents directly to internal audit, and it was suggested that all members be made aware of this, perhaps at a short briefing before a full council meeting.

Lucinda Upton

RESOLVED:

- (a) That the improvement work set out in the report be supported;
- (b) That the updated whistleblowing policy set out in Appendix 1 to the report be approved; and
- (c) That the contents of the Fraud Risk Register, fraud prevention and detection work set out in Appendices 2 and 3 be noted.

44. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2014/15 (REPORT E).

The Committee considered the Internal Audit Plan for 2014/15 together with the 4 Year Work Plan to 2018.

RESOLVED:

That the Internal Audit Plan for 2014/15 and the 4 Year Work Plan to 2018 be approved.

45. OPERATIONAL RISK AUDIT (REPORT F).

The Committee noted the findings of a Risk Audit undertaken by the Council's insurers (Zurich) which covered the 4 risk areas of General Property, Motor, Combined Liability and Housing Property and Public Liability. The Audit had found that the Council had a robust approach to risk management in the areas reviewed, demonstrating good practice in a number of aspects and achieving a good level of compliance across the board.

The Committee was pleased to note that this enabled the Council to be more confident during its own negotiations for the forthcoming Hampshire-wide insurance procurement.

Members asked about the levels of claims paid out by Zurich in comparison with the level of premiums paid by the Council. It was reported that the level of claims was low, and that officers were looking more at self-insurance, or achieving savings through taking higher excess levels. Any proposed change to existing arrangements would be reported to the Committee.

Members congratulated the officers concerned for the excellent results achieved.

RESOLVED:

That the report be noted.

46 TREASURY MANAGEMENT - UPDATE

The Executive Director (Finance – Section 151 Officer), informed the Committee of recent developments with the Council's treasury management arrangements. He reminded members about a Service Level Agreement with Hampshire County Council to enable the County Council to provide support to this Council's treasury management function. The Service Level Agreement (SLA) was finalised and signed on 28 February 2014 with the transfer of specified functions taking effect from 1 March 2014.

One of the objectives from the arrangement was to increase the number of counter-parties and reduce the maximum exposure limit. The Council's agreed strategy involved a new limit of £5 million, down from the previous £6 million.

The Council's Treasury Management strategy for 2014/15 was approved by this Council on 24 February 2014.

On 28 February the Council placed an investment which took the exposure limit to £6 million, which exceeded the recently agreed treasury management strategy limit of £5 million. There was therefore a breach of the limits set by the Council. This would reduce back to the £5 million limit on 2 May 2014, and therefore the limit would only be exceeded for a short time.

The Committee noted this technical breach and were satisfied that no further action was required. Members thanked the Executive Director for his team's recent work in transferring the function to Hampshire County Council and noted the report.

47. AUDIT COMMITTEE – WORK PLAN (REPORT G).

The Committee considered its Work Plan for 2014/15.

RESOLVED:

That the Committee's Work Plan be updated as set out in Appendix 1 to these minutes.

CHAIRMAN

Attachment: Minute 47 – Appendix 1

(AC100114)

Audit Committee Work Plan

DATE	WORK / REPORTS
20 June 2014	External Audit Progress Report External Audit Plan 2013/14 External Audit Fee Letter 2014/15 Annual Report on the Treasury Management service and Actual Prudential Indicators 2013/14 Review of the Local Code of Good Governance Annual Auditors Report 2013/14 Annual Governance Statement Internal Audit Progress report against 14/15 Q1 Training Program Strategic Risk Register - Update Write-Offs
26 September 2014	External Auditor – Audit Results Report 2013/14 External Auditor - Opinion of the Statement of Accounts & Value for Money Statement of Accounts Annual Governance Statement Governance Action Plan Follow up Treasury Management Q2 Financial Monitoring Report Q2 Internal Audit Progress report against the audit plan 14/15 Q2 Outstanding high priority audit recommendations Annual Waivers - Procurement
23 January 2015	Annual Governance Statement External Auditor Grant Claim Certification External Audit Progress Report External Auditor's Annual Audit Letter Treasury Management Report Q3 Internal Audit Progress report against the audit plan 13/14 Q3 Outstanding high priority audit recommendations Risk Update Annual RIPA Report