

20 JUNE 2014

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held at Appletree Court, Lyndhurst on Friday, 20 June 2014.

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

Councillors:

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

Councillors:

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

Also in Attendance:

Mrs H Thompson and Mr M Haines, Ernst and Young, and Mr A Bouflower, Hampshire County Council

Officers Attending:

K Green, Mrs J Hawker, G Miles, A Rogers and Mrs L Upton.

3. MINUTES.

RESOLVED:

That the minutes of the meetings held on 21 March and 19 May 2014 be signed by the Chairman as correct records.

4. DECLARATIONS OF INTEREST.

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

5. PUBLIC PARTICIPATION.

No issues were raised during the public participation period.

6. EXTERNAL AUDIT PROGRESS REPORT 2014 (REPORT A).

The Committee received the External Auditor's overview of their 2013/14 audit and an outline of their plans for the 2014/15 audit.

The interim audit had been completed, and work on the financial statements audit was underway. No significant risks had been identified in respect of the value for money assessment. The overall audit was proceeding as planned, and as usual, much of the work would be undertaken between September and November.

Members noted the timetable for 2014/15.

RESOLVED:

That the report be noted.

7. EXTERNAL AUDIT PLAN 2013/14 (REPORT B).

The Committee noted the External Auditor's Audit Plan for 2013/14, which was intended to provide the Committee with a basis to review the External Auditor's proposed audit approach and scope for the audit in accordance with legislation and guidance.

The report gave an overview and covered the following areas:

- Financial statement risks
- Economy, efficiency and effectiveness
- The audit process and strategy
- A note on the independence of the External Auditor in the process
- Fees
- Required information to be provided to the Audit Committee

RESOLVED:

That the report be noted.

8. ANNUAL AUDIT AND CERTIFICATION FEES LETTER 2014/15 (REPORT C).

The Committee noted that External Auditor's letter of 7 April 2014 confirming the audit and certification work that they proposed to undertake for the 2014/15 financial year and the related fees. These included the Indicative Audit Fee, the certification fee and the overall summary of fees, which totalled £73,076 for 2014/15.

RESOLVED:

That the report be noted.

9. REVIEW OF THE LOCAL CODE OF GOOD GOVERNANCE – ANNUAL REPORT OF THE MONITORING OFFICER AND INTERNAL AUDIT MANAGER 2013/14 (REPORT D).

The Committee considered the actions arising from the new review of compliance with the Council's Code of Good Governance for the financial year 2013/14.

Members noted the Monitoring Officer and Internal Audit's conclusion that the Council was able to have confidence in the effectiveness of its governance arrangements, which was illustrated by the few and relatively minor areas identified in the report.

RESOLVED:

That the actions arising from the review of compliance with the Council's Code of Good Governance for the financial year 2013/14, as set out in Appendix 2 to Report D be approved.

10. ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2013/14 (REPORT E).

The Committee considered the Internal Auditor's opinion on the adequacy and effectiveness of the control environment and reviewed the effectiveness of internal audit.

The key areas of the report were

- The Internal Audit Manager's opinion on the adequacy and effectiveness of the Council's control environment. The control environment is defined by the approved Assurance Framework.
- Matters to be considered for inclusion within the Annual Governance Statement
- The performance and effectiveness of Internal Audit
- Conformance against the Public Sector Internal Audit Standards (PSIAS)

Members noted the Audit Plan timetable and outcomes for 2013/14, together with the assurance framework and PSIAS conformance action plan. Based on the work undertaken by Internal Audit during 2013/14 it was the opinion of the Internal Audit Manager that:

- Arrangements were in place to ensure there was an adequate and effective control environment
- Overall systems for managing risks, complying with governance requirements and having good internal control arrangements continued to be effective. Agreed policies and regulations had been complied with in the majority of cases.

Members sought clarification of the terms "Reasonable" and "Limited" as set out in the Audit Plan timetable and outcomes in Appendix 1. It was explained that the term "Limited" meant deficiencies in the control design or a number of non-compliances with the control mechanisms. Future versions of the report would be adjusted to explain the terms more fully. Similarly, the Internal Audit Manager undertook to adjust the Public Sector Internal Audit Standards (PSIAS) Conformance Action Plan for 2014 (Appendix 5) to explain some of the acronyms and clarify some of the content.

Reference was made to overdue audits and a member queried the timescale for the completion of the parking audit. It was anticipated that this would be completed by the end of July 2014.

Members noted a reference to the poor response rate to post audit questionnaires in paragraph 3.25 of the report and felt that completing these questionnaires should be made mandatory.

RESOLVED:

- (a) That the annual report and opinion and the level of assurance over the adequacy of the Council's internal control, risk management and governance systems as stated in the report be accepted and that the effectiveness of the internal audit function in line with the Account and Audit Regulations 2011 be endorsed.
- (b) That the Committee supports the completion of post audit questionnaires being made mandatory, in view of the need to provide the Internal Audit Manager with more useful feedback on auditor performance.

11. DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14 (REPORT F).

The Committee considered the Draft Annual Governance Statement for the financial year ended 31 March 2014.

The Committee noted that, under the Account and Audit Regulations 2011, the Council is required to produce an annual governance statement (AGS) following an assessment of its governance framework. The Leader of the Council and the Head of the Paid Service (the Chief Executive) were required to sign the AGS and be satisfied that the document was supported by reliable evidence. The AGS would be published with the statement of accounts and would be reviewed by the external auditor.

It was noted that the AGS stated that the Council had sound levels of internal control and good governance arrangements. Some areas were identified for improvement and these would be managed by the Council's Executive Management Team.

Members felt that further consideration should be given to making the Annual Governance Statement more accessible to the public on the Council's website, and the Internal Audit Manager undertook to pursue this.

Members asked that the 'Background Papers' listed at the end of the reports be made available as web links. Whilst this was already done whenever practical, it was explained that background papers sometimes consisted of very lengthy paper documents or working files, and digitisation was a labour-intensive activity. The documents would be made available on the Council's website where it was reasonable and proportionate to do so, and within available resources. Hard copies of background papers were always available for inspection at the Council's Offices.

RESOLVED:

That the Draft Annual Governance Statement for the financial year ended 31 March 2014 be approved as set out in Appendix 1 to Report F.

[Note: Cllr C Harrison abstained from voting on this item]

12. PROGRESS REPORT AGAINST THE 2014/15 AUDIT PLAN (REPORT G).

The Committee noted progress made against the 2014/15 Audit Plan, which was approved in March 2014.

Good progress had been made and there had been no request to amend the Audit Plan following the latest risk assessment and no significant issues of fraud that needed to be brought to members' attention. It was noted that, where high priority recommendations were overdue, they were reported to EMT and the Audit Committee, and these were detailed in the report. Progress on these would be monitored and measures put in place where required.

RESOLVED:

That the report be noted.

13. DRAFT ANNUAL FINANCIAL REPORT 2013/14 (REPORT H).

The Committee noted the current position on progress with the production of the statutory Annual Financial Report for 2013/14, which included the following provisional financial statements:

- Comprehensive Income and Expenditure Statement
- Movement and Reserves
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account
- Collection Fund

The report also sought approval to changes in accounting policies for post employment benefits, in the light of updated international accounting standards.

Members noted that whilst some issues had yet to be resolved in the production of the Annual Financial Report, these would not change the financial statements significantly and work was on track to be completed within the statutory deadline. The Committee would receive the final report in September 2014.

RESOLVED:

- (a) That the draft accounting statements set out in Appendix A to the report be noted; and,
- (b) That the change in accounting policies for post - employment benefits be approved.

14. TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2013/14 (REPORT I).

The Committee considered the Treasury Management Annual Outturn Report for 2013/14, including the performance of the treasury function and recommended updates to the 2014/15 investment strategy.

It was noted that whilst overall responsibility for treasury management remained with the Authority, the delivery of the treasury management function for NFDC transferred to the Finance Service of Hampshire County Council from March 2014.

It was explained that Mr Andrew Boutflower, Hampshire County Council, would be attending future meetings to present the treasury management reports to the Committee. Mr Boutflower explained that the transition of the function from NFDC to HCC had been well planned and had happened smoothly. He amplified the report, particularly on the investment activity, and gave updates to the investment strategy. The overall report covered the economic background, the borrowing requirement and debt management, investment activity, compliance with prudential indicators and detail of the delivery of treasury management services by HCC.

The Chairman, on behalf of the Committee, thanked Jan Hawker, Treasury Manager Accountant, for all her work for the Committee and after 28 years' service with the Council. Members wished her all the very best for her retirement.

RECOMMENDED:

That it be a recommendation to the Cabinet and the Council that the proposed change in the treasury strategy outlined in paragraph 8 of Report I be approved.

RESOLVED:

That the performance of the treasury function detailed in the report be noted.

15. FINAL ACCOUNTS 2013/14 BAD DEBTS WRITE OFF (REPORT J).

The Committee received a report on the total bad debts written off during the financial year 2013/14, which was approved in accordance with the Code of Practice for Write-Offs approved by the Cabinet.

The total bad debt write-off for 2013/14 was £781,232, compared with £780,304 in 2012/13. This represented 0.3% of the total income collected. Members noted the total written-off broken down by service for 2013/14 and 2012/13 for comparison.

It was noted that the write-offs in any financial year often referred to debts incurred over a number of previous years.

There appeared to have been a rise in Council Tax and NNDR write-offs, though the overall total had not changed greatly due to reductions in other areas.

It was explained that "accounts receivable" covered all sundry income (including charges for moorings, non-housing rentals, lifelines and over-paid benefits).

RESOLVED:

That the report be noted.

16. BANKING CONTRACT UPDATE (REPORT K).

The Committee received an update on a change to the Council's banking arrangements, following a joint procurement exercise with five other councils. As a result, the Council was to change from the Co-Operative Bank to Lloyds Bank over the next year, with an anticipated saving to be made in relation to acquiring facilities. Project progress would be made to the Committee in September as required.

RESOLVED:

That the report be noted.

17. AUDIT COMMITTEE – WORK PLAN (REPORT L)

The Committee reviewed its Work Plan for the forthcoming year.

RESOLVED:

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

CHAIRMAN

Attachment: Minute 17 – Appendix 1

(AC200614)

Audit Committee Work Plan

DATE WORK / REPORTS

26 September 2014	External Auditor - Draft Findings 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 Strategic Risk Register - Update
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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
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21 March 2015	Treasury Management Administration Update Internal Audit Progress report against the audit plan 14/15 Q4 (provisional) Outstanding high priority audit recommendations Internal Audit Charter & Internal Audit Plan 15/16 Review of Policies including Whistleblowing, Anti-Fraud, Bribery and Corruption Response to the external auditor on the management and controls in the organisation Review of any other relevant policies as required Risk Update
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