

23 JANUARY 2015

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held at Appletree Court, Lyndhurst on Friday, 23 January 2015.

- 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:

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

Officers Attending:

R Jackson, Mrs G Chambers, Miss G O'Rourke (for item 12), A Rogers and Mrs L Upton

Also in Attendance:

Mrs H Thompson and Ms Justine Thorpe, (Ernst and Young)
A Boutflower and Ms G Deadman (Hampshire County Council (HCC))

31. MINUTES.

RESOLVED:

That the minutes of the meeting held on 26 September 2014 be signed by the Chairman as a correct record.

32. DECLARATIONS OF INTEREST.

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

33. PUBLIC PARTICIPATION.

No issues were raised during the public participation period.

34. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER (REPORT A).

The Committee received and noted the Annual External Auditor's Audit Letter, which set out findings on financial statements, the Annual Governance Statement, and conclusions on the economy, efficiency and effectiveness of the Council and its use of resources. There were no major issues of concern.

35. EXTERNAL AUDITOR – SCALE FEE VARIATION (REPORT B).

The Committee noted a copy of the External Auditor's letter to the Section 151 Officer of 10 December 2014, concerning a £900 supplement to the 2013/14 audit scale fees.

36. EXTERNAL AUDITOR – PROGRESS AGAINST THE 2014/15 ACTION PLAN (REPORT C).

The Committee received the External Auditor's progress report, which summarises the planned work undertaken to date. Its purpose was to provide the Committee with an overview of the key stages 2014/15 audit, and to ensure the audit was aligned with the Committee's service expectations.

It was explained that Justine Thorpe would replace Malcolm Haines for the management and day to day running of the Council's external audit arrangements.

It was also noted that the Audit Commission would finally wind up later in the year and remaining staff would transfer elsewhere.

RESOLVED:

That the report be noted.

37. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING (REPORT D).

The Committee received and noted the Local Government Audit Committee Briefing, which contained government and economic news, accounting, auditing and governance, and an update on regulation.

38. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2013/14 (REPORT E).

The Committee received and noted the external auditor's Certification of Claims Annual Report for 2013/14. 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. In common with many other authorities, the Council had received a qualification letter. The number of changes in circumstances meant there was always a high risk of human error, but NFDC had a good track record compared to other authorities in this regard.

39. GOVERNANCE ACTION PLAN PROGRESS (REPORT F).

The Committee received an update on progress made against the recommendations made in the internal Annual Governance review for 2013/14. The report included a list of detailed actions and progress points.

Members queried the issue relating to Payment Card Industry Data Security Standard (PCI DSS) which was a proprietary information security standard for organizations that handle debit and credit cards. This issue had been outstanding for some time, the Council had not complied with these standards in a small number of areas. A new software upgrade had now been developed and was in the final stages of testing, to go live in February or March 2015.

Reference was made to the section on strategic risk, relating to the current levels of affordable housing not meeting the needs of the District. The difficulties in providing affordable housing within a National Park were acknowledged. It was emphasised that new housing was a high priority for the Council and it would continue to pursue this goal.

RESOLVED:

That progress be noted.

40. INTERNAL AUDIT PROGRESS REPORT AGAINST THE AUDIT PLAN 2014/15 Q3 (REPORT G).

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

There were no significant frauds to report although there was still some fraud work being identified by NFDC that was being passed on to the Department for Work and Pensions.

There was also a continued need to look at other non-benefit fraud. Officers would be exploring partnership approaches with other Councils to address such fraud using latest techniques.

Members referred to the purchase of a GPS tracking system for council vehicles and asked for the effectiveness of this system to be reviewed in due course. Members felt that projects involving significant sums of money should be subject to the Value For Money (VFM) test. It was explained that technology-based projects were routinely submitted to the ICT Investment Panel ("Dragon's Den") before implementation and on completion.

RESOLVED:

That the report be noted.

41. TREASURY MANAGEMENT STRATEGY REPORT Q3 (REPORT H).

The Committee received a short presentation from Andrew Bouflower on the progress since HCC had taken over the management of the NFDC Treasury Management Function. Members were pleased to note that the funds had seen a significant growth over the past year.

The presentation included details of banking reform legislation and its impact, and the investment strategy. Three pieces of legislation had been introduced, primarily to establish a mechanism to deal with failing banks in the future. The measures included a 'Bail – In' provision where the burden fell on certain investors in the

event of failure, notably public bodies including local authorities, rather than the government (national tax payers) when investors would have to take a 'haircut', i.e. lose a percentage of their investments or deposits.

Depending on the type of situation, Local Authorities would be liable for greater losses in this way, although it was stressed that the risk of failure was low and had not increased over the last 2 years.

Given that the interest returns currently did not reflect this enhanced "liability", the emphasis was now on achieving a diversity of investments and reducing exposure to bank and building societies, by moving to other non-banking investments including money markets, corporate bonds, and pooled investments.

The Committee noted the related Investment Strategy set out in paragraph 5 of the report.

The Executive Director felt the working relationship developed with County Council partners over the last 12 months was a good one and was already producing improved results.

RECOMMENDED:

That the Treasury Management Strategy for 2015/16 to 2016/17 together with the Treasury Indicators contained within Annex A of report H to the Committee be approved.

42. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) – ANNUAL REPORT (REPORT I).

The Committee received an annual report on the Regulation of Investigatory Powers Act 2000. Details were given of the constraints of the legislation and procedures. It was confirmed that no RIPA authorisations had been sought within the Council since 2011.

RESOLVED:

That the use made by the Council of its powers under RIPA be noted.

43. INSURANCE PROCUREMENT UPDATE.

The Committee received a verbal update on progress in developing an arrangement to procure insurance in partnership with the 11 other Hampshire districts. The overall premiums for these authorities amounted to approximately £4m per annum, with NFDC's share in the order of £500k.

Early indications were extremely positive and a good outcome in terms of potential financial savings in premiums was anticipated for New Forest District. An update would be submitted in March.

44. AUDIT COMMITTEE WORK PLAN (REPORT J).

RESOLVED:

That the Work Plan be agreed as set out in Appendix 1 to these minutes.

45. CHANGE OF DATE OF MARCH 2015 MEETING.

RESOLVED:

That the date of the next meeting be changed from Friday, 20 March to Friday, 27 March at 10.00 a.m.

CHAIRMAN

Attachment: Minute 44 – Appendix 1

(AC230115

APPENDIX 1

DATE	WORK / REPORTS
27 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 External Audit Progress Report on 2014/15 Audit External Audit fees for 2015/16
19 June 2015	External Audit Progress Report Annual Work Programme Annual Report on the Treasury Management service and Actual Prudential Indicators 2014/15 Review of the Local Code of Good Governance Internal Audit Annual Report 2014/15 Annual Governance Statement 14/15 Internal Audit Annual Report 15/16 Q1 Write-Offs External Audit Annual Plan for 2014/15 Audit
25 September 2015	External Auditor – Audit Results Report 2014/15 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 Q2 Outstanding high priority audit recommendations Annual Waivers - Procurement Strategic Risk Register - Update
22 January 2016	External Auditor's Annual Audit Letter Treasury Management Report Internal Audit Progress Report against the Audit Plan Outstanding high priority audit recommendations Governance Actions Follow Up Annual RIPA Report
18 March 2016	External Audit Progress Report External Audit fees for 16/17 Treasury Management Administration Update Internal Audit Progress report against the audit plan Outstanding high priority audit recommendations Internal Audit Charter and Internal Audit Plan 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