

26 JUNE 2015

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held in the Committee Room 1, Appletree Court, Lyndhurst on Friday, 26 June 2015

* Cllr A D O'Sullivan (Chairman)
Cllr J G Ward (Vice-Chairman)

Councillors:

* W G Andrews
* M R Harris
* J D Heron

Councillors:

* Mrs E L Lane
R A Wappet
* C A Wise

*Present

Also In Attendance

Ms J Thorpe and Mrs H Thompson (Ernst and Young)
Mr A Bouflower (Hampshire County Council)

Officers Attending:

R Jackson, Mrs G Chambers, Mrs R Drummond, K Green, Miss G O'Rourke,
A Rogers and Ms L Upton

Apologies:

Cllrs R A Wappet and J G Ward

4 MINUTES

RESOLVED:

That the minutes of the meetings held on 27 March and 18 May 2015 be signed by the Chairman as correct records.

5 DECLARATIONS OF INTEREST

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

6 PUBLIC PARTICIPATION

No issues were raised during the public participation period.

7 AUDIT COMMITTEE - INTRODUCTION AND TERMS OF REFERENCE

The Committee noted its terms of reference and was introduced to key officers, and received a brief outline on the Committee's future work.

8 INSURANCE PROCUREMENT

The Committee received an update on the outcome of the procurement exercise for new insurance arrangements for the Council.

New Forest District Council had collaborated with the other 10 district and borough councils in Hampshire to achieve procurement savings in insurance of approximately £1.9 million over the next three years, saving £42,000 per annum for NFDC. The performance of the new arrangements would be monitored to ensure ongoing savings, as well as minimising insurance losses and continued good risk management.

The arrangement was for 3 years with an option for a 2 year extension. Self-insurance had been considered, with housing being the safest option. However, this would have yielded only a £10,000 saving whilst the Council would hold a significant risk. On balance it had been decided to retain insurance for housing.

RESOLVED:

That the outcome of the collaborative insurance procurement and continued commitment to risk management be noted.

9 EXTERNAL AUDIT PLAN FOR 2014/15

The External Auditor drew the Committee's attention to the financial statement risks, particularly the risk of management override. A summary of findings would be submitted to the September meeting.

10 ANNUAL AUDIT AND CERTIFICATION FEES 2015/16

The Committee received and noted a letter from the External Auditor confirming the audit and certification work that they proposed to undertake for the 2015/16 financial year.

11 TREASURY MANAGEMENT ANNUAL OUT-TURN REPORT 2014/15

The Committee received the treasury management annual outturn report for 2014/15.

The report dealt with the management of the organisation's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. Although the function was operated by Hampshire County Council, overall responsibility for treasury management remained with the Council. All treasury activity had complied with the Council's Treasury Management Strategy and Investment Strategy as well as the prudential indicators for 2014/15. The report covered the economic background, the local context, borrowing strategy, investment activity and outturn, as well as the treasury management indicators.

Hampshire County Council had undertaken the treasury management function since 2014 and also provided the service to Winchester City Council, the Police Service and Hampshire Fire & Rescue. Each individual authority's investments were separate.

Members noted the improved outturn, while acknowledging that this was in part due to the increased cash holdings.

There had been no new borrowing in the last financial year. Reference was made to the £144.5m loan and it was queried whether more favourable rates could be obtained. In reply, it was reported that this was not possible at present and that it would not be advantageous to change the current arrangements. The position would, however, be kept under review.

12 FINAL ACCOUNTS 2014/15 - BAD DEBTS WRITE OFF

The Committee received a report, detailing total bad debts written off during the financial year 2014/15, in accordance with the Code of Practice for write offs approved by the Cabinet.

Members queried whether any improvements could be made to the collection rates. It was explained that officers were attempting year on year improvements through the continuous promotion of direct debit, as well as other measures.

It was noted that the current economic climate with welfare reforms, including Universal Credit, was likely to make collections more difficult, but this would be kept under review.

The total bad debt write off for 2014/15 was £769,749 (a slight reduction on 2013/14), which represented 0.3% of the total income collected by the Council.

RESOLVED:

That the report be noted.

13 PROCUREMENT RULES, REGULATIONS AND CONTRACT STANDING ORDERS - WAIVERS 2014/15

The Committee noted the waivers to the Council's procurement rules, regulations and contract standing orders approved during the financial year 2014/15.

There were 46 applications for waivers against the procurement rules during the year, the total value of which was £1,513,303. This compared with 24 applications submitted during 2013/14 totalling £543,713. The value of waivers had increased significantly along with the number of applications made. It was believed this may be partly due to improved collation of applications through a new electronic process as well as improved officer awareness following extensive training sessions.

Members asked whether the new arrangements would still give an opportunity for local suppliers to tender for contracts. It was explained that the South East Business portal was used to achieve this aim. NFDC were in the final stages of developing a minor works framework that was open to local businesses to join.

RESOLVED:

That the waivers to the Council's procurement rules, regulations and contract standing orders approved during the financial year 2014/15 be noted.

14 REVIEW OF LOCAL CODE OF GOOD GOVERNANCE 2014/15

The Committee considered the annual report of the Monitoring Officer and the Internal Audit Manager for 2014/15.

The Committee noted the report's conclusion that the view of the Monitoring Officer and Internal Audit that the Council was able to have confidence in the effectiveness of its governance arrangements. This was illustrated by the few and relatively minor areas identified for review in Appendix 3 of the report.

Members noted the follow-up actions arising from the review of the code for 2013/14 and 2014/15.

RESOLVED:

That the actions arising from the review of compliance with the Council's Code of Good Governance for the financial year 2014/15, as recorded in Appendix 3 of the report, be approved.

15 ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2014/15

The Committee considered the annual report of the Internal Audit Manager for 2014/15. The Committee considered her opinion on the adequacy and effectiveness of the control environment, and reviewed the effectiveness of internal audit.

The Committee noted the audit plan timetable and outcomes for 2013/14 as well as other audit work, details of the insurance framework and the conformance action plan for 2015.

Based on the work undertaken during 2014/15, 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 noted that the payroll audit had not yet been completed, although there were no matters which appeared to warrant a change of opinion.

Members referred to the post-audit questionnaires and reinforced the need for these to be undertaken.

RESOLVED:

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.

16 DRAFT ANNUAL FINANCIAL REPORT 2014/15 (STATEMENT OF ACCOUNTS)

The Committee noted that the Council's statutory annual financial report, which includes six Statements of Account, would be presented to the Committee in September, after completion of the external audit. The Committee noted progress to achieve the required timetable, to advise members of key issues in the planned report and to seek members' approval to any changes to accounting policies.

The Council was required to include the following accounting statements within the annual financial report:

- (a) Comprehensive income and expenditure statement
- (b) Movement in reserves
- (c) Balance sheet
- (d) Housing Revenue Account
- (e) Collection fund (two separate accounts)
- (f) Cash flow statement

These draft accounting statements for 2014/15, prior to external audit, were set out in the report.

The comprehensive income and expenditure statement and balance sheet showed the Council's net worth to have increased by £28.1 million during 2014/15. The principal reasons for this were summarised in the report but were largely due to an increase in valuation of housing assets.

The report also gave details of the general fund budget, capital programme reserve, net receipts from business rates and identified savings.

There were no significant changes to be reported.

RESOLVED:

That the draft accounting statement set out in Appendices 1-7 in the report, which were a summary of the annual financial report to be certified by the Responsible Financial (s151) Officer for submission to the External Auditor by the deadline of 30 June 2015, be noted.

17 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2014/15

The Committee considered a draft annual report for 2014/15 prior to its submission to Council.

The report summarised the work carried out by the Audit Committee during the 2014/15 municipal year. The Chartered Institute of Public Finance and Accountancy (CIPFA) considered it good practice for local authorities to produce an annual report setting out the work of the Committee and for that to be submitted to the Council.

The report covered the responsibilities of the Committee; involvement with internal and external audit; activities over the past year; and the various assurances it relied on in support of the Council's corporate governance arrangements.

The Committee was pleased to note a number of significant improvements over recent years which underlined the Council's commitment to improving financial governance arrangements. There were a number of recommended actions within the annual governance statement which the Committee would continue to monitor.

Members felt that the draft report was a fair reflection of the Committee's work for the year and was in a useful format. Some minor amendments would be made including the membership of the Committee in the previous year and amendments from External Audit.

RESOLVED:

That subject to the minor amendments set out above, the Committee's annual report 2014/15 be submitted to the Council.

18 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2014/15

The Committee noted the draft Annual Governance Statement for 2014/15.

The Leader of the Council and the Head of Paid Service (the Chief Executive) were required to sign the AGS and be satisfied that the document was supported by reliable evidence. It would be published with the statement of accounts and be provided to the external auditor for review.

Members requested that the weblinks to the Annual Governance Statement be made more prominent on the Council's website so that it was easier to access by the public.

The action plan would be amended to incorporate the necessary actions arising under the new elements within the new Administration's manifesto.

RESOLVED:

That the draft Annual Governance Statement for the financial year ending 31 March 2015, as set out in Appendix 1 to the report, be approved.

19 AUDIT COMMITTEE LETTER OF RESPONSE TO ERNST AND YOUNG (EXTERNAL AUDITORS)

The Committee considered the proposed response to the external auditors' letter of 9 March 2015.

RESOLVED:

That the draft response from the Chairman of the Audit Committee to the external auditor be approved.

20 PROGRESS AGAINST THE 2015/16 INTERNAL AUDIT PLAN

The Committee noted progress made against the 2015/16 audit plan approved in March 2015, in particular progress on high priority recommendations.

The Committee did not request any further areas of assurance coverage.

RESOLVED:

That the report be noted.

21 ANNUAL WORK PLAN AND TRAINING

The Committee noted its annual work plan for the year.

Members requested a general training session which would give the opportunity for questions and answers on the Committee's work, especially for new members.

Lucinda Upton, Internal Audit Manager

The Committee were advised that Lucinda Upton would be leaving the Authority for another post in the private sector. Members thanked Lucinda for her work and wished her well for the future. Her energy and enthusiasm were very much appreciated and the Committee had been very reassured by the excellent work she had done in her time as Internal Audit Manager. In addition, the External Auditor wished to thank Lucinda for what had been a very good relationship helping audit work go smoothly within the Authority.

RESOLVED:

That the Committee's annual work plan be noted.

Chairman