

## NOTICE OF MEETING

**Meeting:** AUDIT COMMITTEE

**Date and Time:** FRIDAY, 26 JUNE 2015, AT 10.00 AM\*

**Place:** COMMITTEE ROOM 1, APPLETREE COURT,  
LYNDHURST

**Telephone enquiries to:** Lyndhurst (023) 8028 5000  
023 8028 5588 - ask for Andy Rogers  
E-mail: andy.rogers@nfdc.gov.uk

### **PUBLIC PARTICIPATION:**

\*Members of the public may speak in accordance with the Council's public participation scheme:

- (a) immediately before the meeting starts, on items within the Cabinet's terms of reference which are not on the public agenda; and/or
  - (b) on individual items on the public agenda, when the Chairman calls that item.
- Speeches may not exceed three minutes. Anyone wishing to speak should contact the name and number shown above.

**Dave Yates**  
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA  
[www.newforest.gov.uk](http://www.newforest.gov.uk)

**This Agenda is also available on audio tape, in Braille, large print and digital format**

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## AGENDA

### **Apologies**

#### **1. MINUTES**

To confirm the minutes of the meetings held on 27 March and 18 May 2015 as correct records.

#### **2. DECLARATIONS OF INTEREST**

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

**3. PUBLIC PARTICIPATION**

To note any issues raised during the public participation period.

**4. AUDIT COMMITTEE - INTRODUCTION AND TERMS OF REFERENCE (Pages 1 - 2)**

To note the terms of reference of the Committee, introductions to key officers, and to receive a brief outline on the Committee's future work.

**5. INSURANCE PROCUREMENT (Pages 3 - 12)**

To receive an update on the outcome of the procurement exercise for new insurance arrangements for the Council.

**6. EXTERNAL AUDIT PLAN FOR 2014/15 (Pages 13 - 32)**

To note the external auditor's audit plan, which sets out the basis of their audit approach and scope for the 2014/15 audit.

**7. ANNUAL AUDIT AND CERTIFICATION FEES 2015/16 (Pages 33 - 36)**

To receive a letter from the external auditor confirming the audit and certification work that they proposed to undertake for the 2015/16 financial year.

**8. TREASURY MANAGEMENT ANNUAL OUT-TURN REPORT 2014/15 (Pages 37 - 48)**

To receive the treasury management annual out-turn report for 2014/15.

**9. FINAL ACCOUNTS 2014/15 - BAD DEBTS WRITE OFF (Pages 49 - 54)**

To receive the final accounts 2014/15 bad debts write-off. To receive a report on the total bad-debts written off during the financial year 2014/15, which was approved in accordance with the Code of Practice for Write-offs approved by the Cabinet.

**10. PROCUREMENT RULES, REGULATIONS AND CONTRACT STANDING ORDERS - WAIVERS 2014/15 (Pages 55 - 60)**

To note the waivers to the Council's procurement rules, regulations and contract standing orders approved during the financial year 2015/16.

**11. REVIEW OF LOCAL CODE OF GOOD GOVERNANCE 2014/15 (Pages 61 - 80)**

To consider the annual report of the Monitoring Officer and Internal Audit Manager for 2014/15.

**12. ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2014/15 (Pages 81 - 94)**

To receive the annual internal auditor's opinion report for 2014/15.

**13. DRAFT ANNUAL FINANCIAL REPORT 2014/15 (STATEMENT OF ACCOUNTS) – TO FOLLOW**

To note the current position on progress with the production of the statutory annual financial report for 2014/15.

**14. DRAFT AUDIT COMMITTEE ANNUAL REPORT 2014/15 (Pages 95 - 102)**

To consider the draft Audit Committee annual report for 2014/15 and to make any amendments prior to submission to the Council.

**15. DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15 (Pages 103 - 112)**

To note the draft annual governance statement for 2014/15.

**16. AUDIT COMMITTEE LETTER OF RESPONSE TO ERNST AND YOUNG (EXTERNAL AUDITORS) (Pages 113 - 118)**

To approve the proposed Audit Committee's letter of response to the external auditor's letter of 9 March 2015.

**17. PROGRESS AGAINST THE 2015/16 INTERNAL AUDIT PLAN (Pages 119 - 124)**

To note progress on the internal audit plan for 2015/16.

**18. ANNUAL WORK PLAN AND TRAINING (Pages 125 - 126)**

To note the Committee's annual work plan and to discuss any training requirements for Committee members.

**19. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

To:

**Councillors:**

**Councillors:**

A D O'Sullivan (Chairman)  
J G Ward (Vice-Chairman)  
W G Andrews  
M R Harris

J D Heron  
Mrs E L Lane  
R A Wappet  
C A Wise

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## AUDIT COMMITTEE – 26 JUNE 2015

### TERMS OF REFERENCE

#### **Accounts**

1. To approve the Authority's statement of accounts and specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council
2. To consider the external auditor's report to those charged with governance on issues from the audit of accounts.
3. To review, during the year, the Council's financial progress, including variances from budget, and bring any relevant findings to the attention of the Council, the Cabinet, the Portfolio Holder or Overview & Scrutiny Panel as appropriate.

#### **Audit Activity**

##### ***External***

4. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
5. To consider specific reports as agreed with the external auditor.
6. To consider the annual programme of work and associated fees for the external auditors and provide challenge as appropriate.

##### ***Internal***

7. To consider the annual report and opinion of Internal Audit, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the Council's governance arrangements.
8. To approve (but not direct) internal audit's strategy, plan and monitor performance.
9. To consider summaries of specific internal audit reports as requested.
10. To consider a report from internal audit on agreed high priority recommendations not implemented within a reasonable timescale.
11. To consider reports dealing with the management and performance of the Council's internal audit service, including the effectiveness of internal audit in accordance with the Accounts and Audit Regulations 2011.

#### **Regulatory Framework**

12. To monitor the effective development and operation of risk management and governance in the council.
13. To approve council policies on Whistleblowing and Anti-Fraud and Corruption and Bribery.
14. To approve the authority's Annual Governance Statement.

15. To consider the Council's compliance with its approved Treasury Management Strategy.
16. To consider the Council's arrangements for governance and to agree necessary actions to ensure compliance with best practice.
17. To consider the Council's compliance with its own and other published standards and controls.

## AUDIT COMMITTEE – 26 JUNE 2015

### **INSURANCE PROCUREMENT (HAMPSHIRE DISTRICT & BOROUGH COUNCILS)**

#### **1. PURPOSE**

- 1.1 The collaborative procurement exercise for insurance services has now concluded with the Hampshire Insurance Forum (HIF) awarding the contract for the insurance of all 11 district and borough councils. This has resulted in an estimated saving of £1.9m across the 11 councils over the next three years and a saving of £42,000 per annum for NFDC.
- 1.2 This report updates the Audit Committee on the outcome of the procurement and new arrangements for the Council.

#### **2. INTRODUCTION AND BACKGROUND**

- 2.1 Following an options appraisal in 2013 the HIF, with the support of the Hampshire Chief Finance Officers, took the decision to procure insurance as a single collaboration of 11 authorities via the Crown Commercial Service Insurance Services Framework. Subsequently Aon were appointed to act as the Broker for the HIF and approach the market to secure insurance for the authorities effective from 1 April 2015.
- 2.2 A procurement team was established to represent the HIF comprising of officers from Fareham Borough Council, Winchester City Council, Basingstoke and Deane Borough Council and New Forest District Council. Fareham Borough Council led and advised on the procurement itself.
- 2.3 In order to provide the market with the best proposition, and achieve the greatest market response, the insurance portfolio's for each authority were aligned, where possible, and excesses and indemnity limits across the HIF were standardised. This was further supported by the ongoing work undertaken since 2009 by each authority to reach a set of minimum risk control and management standards.
- 2.4 Inevitably this background work and the strong commitment to collaborate has contributed to the savings achieved and is set out in more detail in the draft case study at Appendix 1. The case study was prepared by NFDC in March 2015 and although there have since been some minor updates the substance remains unchanged.

#### **3. PROCUREMENT EXERCISE AND OUTCOME FOR NFDC**

- 3.1 To encourage competitive quotes and attract specialist insurers in to the local authority market, the tender specification was split in to 11 Lots, including a package discount Lot. Seven valid tenders were received for the provision of insurance services to Hampshire borough and district councils for a three year long term agreement with the option to extend for a further two years.

- 3.2 Quotes were evaluated to ensure the most economically advantageous outcome for the HIF as a whole with a commitment by the group to place insurance contracts for each Lot or Lots with the same insurer. In a marked change from previous arrangements this resulted in different classes of business being placed with different insurers. This has necessitated the use of Broker Services. Currently these services form part of the award to Aon Risk Solutions to take the proposition to market and provide support to the HIF until December 2015, thereafter the costs per authority are in the region of £2,500 per annum.
- 3.3 The successful insurers are shown in the table below.

Insurance Class		Insurer
Lot 1	Property	Allianz
Lot 2	Right to buy /Leasehold	Ocaso
Lot 3	Property Owners	Allianz
Lot 4	Computer	Allianz
Lot 5	Fidelity/Crime	Zurich
Lot 6	Casualty	RMP
Lot 7	Motor	RMP
Lot 8	Engineering	Zurich
Lot 9	Personal Accident/Travel	Zurich
Lot 10	Terrorism	Catlin

- 3.4 The procurement exercise has resulted in a £42,000 cashable saving per annum for NFDC with an outgoing premium for all classes of £641,543 against a new premium of £599,818. This new premium provides additional cover i.e. for terrorism, and also comprises any growth in the business over the last year including additional fleet and houses that have been added to the Council's insurable risks portfolio. Given this extension of cover the saving on a like for like basis is much greater.
- 3.5 Although previous opportunities were identified in the potential self-insuring of housing properties the winning bid for the Property Lot only offered a small discount for this option, disproportionate to the risk the Council would be retaining, and the option has not been pursued. This opportunity should be revisited when the arrangements are retendered in 2018 (2020 if the two year extension is taken).
- 3.6 The performance of the new arrangements will be monitored and to ensure ongoing savings and avoid premium increases the Council will have to continue focussing its efforts on reducing loss frequency and costs through good risk management.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The reduction in premium of approximately £42,000 per annum represents a saving to the general account.

#### **5. ENVIRONMENTAL MATTERS AND EQUALITY & DIVERSITY IMPLICATIONS**

- 5.1 There are no direct environmental or equality and diversity implications arising from this report.



## 6. RECOMMENDATIONS

### It is recommended that Audit Committee:

- 6.1 Note the outcome of the collaborative insurance procurement and continued commitment to risk management.

#### **For further information**

Rebecca Drummond  
Performance Improvement Manager  
Tel: (023) 8028 5588  
Email: [rebecca.drummond@nfdc.gov.uk](mailto:rebecca.drummond@nfdc.gov.uk)

#### **Background Papers**

Insurance Procurement (Hampshire District & Borough Councils) - Report to EMT/Audit Committee September 2014

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# Innovation in procurement

## Collaborative Procurement

### Hampshire Insurance Forum: The Power of 11

The story of how 11 authorities, with all their differences but a common goal, joined forces to save the taxpayers of Hampshire over £2million.

#### The summary

It's a common enough story in local government for one, two or three councils to come together to procure a service and deliver savings **but** 11 district councils coming together to deliver savings in the deeply complex and volatile insurance world is a very special story of collaboration. This is the achievement of the Hampshire Insurance Forum.

Collaboration in itself or procuring from a framework agreement may not obviously smack of innovation until the scale, commitment and determination of this procurement are considered and then an impressive achievement emerges.

The Hampshire Insurance Forum has demonstrated how three years of working together to manage risk and align and standardise the insurance programmes of all 11 district and boroughs in the County has reaped significant benefits for the taxpayers of Hampshire.

The innovation is not in the use of the Crown Commercial Service (CCS) Insurance Services Framework (CCS framework) but lies in the ambition, collaboration and commitment to presenting the most attractive and competitive proposition to the market resulting in savings of £2.1 million over the next 3 years.

#### The introduction

Within two tier Hampshire there are 11 districts and boroughs all very much different in make-up. In the north of the county along the M3 corridor are the urban economically progressive Basingstoke and Deane and Rushmoor, then as you go south through Hart the countryside develops. At the centre is the historic town of Winchester with the South Downs National Park stretching through East Hampshire

towards the coastal authorities of Havant, Fareham, Gosport and Eastleigh, edging the solent cities, until finally in the south of the county you reach the picturesque Test Valley and New Forest within another National Park. These are very diverse councils and they provide services to 1.32 million residents across an area of over 1,420 square miles.

The Hampshire Insurance Forum (HIF) consists of all 11 district and borough councils who spend in the region of £4 million a year on insurance premiums covering a number of risk areas including: employers and public liability, property damage, motor, professional negligence and personal accident.

The benefits of collaboration were proven when, on behalf of the HIF, Fareham Borough Council established a framework agreement in March 2009 which allowed all 11 district and boroughs to call off insurance contracts with Zurich Municipal. This resulted in significant cashable savings for the early adopters of the framework.

As this agreement neared its end, consideration was given to future procurement opportunities. The HIF established a sub group to explore these opportunities and coordinate the procurement of a new insurance programme. The sub group consisted of representatives from Basingstoke and Deane Borough Council, Fareham Borough Council, New Forest District Council and Winchester City Council. Test Valley Borough Council was also represented in the early stages of the project.

Fareham Borough Council's Finance Strategy and Development Manager, Caroline Hancock undertook the role of Project Manager with Gary Jarvis, Fareham's Procurement Manager leading and advising on the procurement.

## The players

The Hampshire Insurance Forum (HIF) consists of:

**Basingstoke and Deane Borough Council**  
**East Hampshire Borough Council**  
**Eastleigh Borough Council**  
**Fareham Borough Council**  
**Gosport Borough Council**  
**Hart Borough Council**  
**Havant Borough Council**  
**New Forest District Council**  
**Rushmoor Borough Council**  
**Test Valley Borough Council**  
**Winchester City Council**

The HIF was supported by JLT Public Sector Risk Practice in exploring the opportunities available and by Aon Risk Solutions in taking the proposition to market.

## The process

### Stage 1: Exploring the opportunities

The HIF sub group quickly concluded that it couldn't progress without fully understanding the opportunities available. Accepting its knowledge limitations it appointed JLT Public Sector Risk Practice to undertake an options appraisal. The appraisal concluded that the best option open to the HIF, given the appetite to collaborate but not to share risk, was to approach the market as a single collaboration of 11 authorities via the CCS framework.

Individual procurement, procurement as a consortium and the establishment of a mutual or Protected Cell Captive were also explored. Consideration was given to the various 'route to market' options including the establishment of a new Hampshire Framework, approaching the market directly or the use of another existing framework agreement.

Under the collaborative arrangement the authorities were able to procure as a group with each member authority maintaining an insurance portfolio most suited to their individual needs and this was the option pursued.

### Stage 2: Preparation and standardisation

In spite of the borough and districts having many areas of insurance in common there are also some significant differences in that:

- Four of the eleven authorities have housing stock;
- Some authorities have primarily in-house services with a large vehicle fleet, others have outsourced activities such as waste collection;
- There is a mix of rural and urban areas and in some cases coastal responsibilities.

The collaborative approach allowed for these different arrangements but more fundamentally the authorities had varying approaches to risk management with different risk appetites, reflected in the numerous levels of deductibles.

To achieve the best possible market response it was paramount that there was an element of standardisation in these differing insurance portfolios.

Since 2009, the HIF has worked together with Zurich Municipal to set and reach a set of minimum risk control and management standards for operational risks relating to housing and general properties, liability and motor. This has involved sharing best practice across the HIF and shared learning in areas such as inspection and maintenance regimes and fraud prevention.

Preparation for the tender exercise provided further opportunity to review the existing insurance arrangements of each authority, confirm their fitness for purpose and consider alternative programme design options to improve cost efficiency and provide greater risk mitigation. This resulted in standardising excesses and indemnity limits across the HIF.

### Stage 3: Approaching the market

At the outset it was imperative to the success of the project that it had clear and robust leadership. This was sought from the Hampshire & Isle of Wight Chief Finance Officers (CFO) Group who agreed to sponsor the project. In doing so the CFO's committed to:

- Collaborate as a single group of the 11 Borough and Districts.
- Align renewal dates to 1 April 2015 to facilitate joint working and fully approach the market as a collective.
- Adopt similar insurance programmes balanced between insured and self-insured risks.
- Procure insurance cover from 1st April 2015 via the CCS framework (Lot 1).
- Appoint a broker to support insurance programme design and placement via CCS Framework (Lot 2).
- Place, for all 11 authorities, insurance contracts for each Lot or Lots with the same insurer(s).

Consequently the HIF used the CCS framework to firstly procure a broker (This was awarded to Aon Risk Solutions under a separate mini-competition in January 2014) and then tender the insurance arrangements of its 11 members.

The CCS framework has a total of 29 insurers in Lot 1 but of those a large number are specialist in areas such as marine, nuclear risks and Health Trusts, so the relevant numbers reduce to around 8 or 9.

This number includes the major public sector insurers such as Zurich Municipal, QBE and AIG via Risk Management Partners, and Travellers insurance. Other insurers who joined the Framework in 2011 have only had occasional involvement and often decide that their appetite for risk does not stretch as far as districts and boroughs. However this particular tender was of greater interest to some of these insurers because of the size of the premium opportunity and the fact that all eleven authorities are working together to raise risk management standards.

Aon and HIF organised an Insurer Day to explain how the procurement would work and to emphasise the improvements in the management of risk that have already been seen and the commitment to continue this work. As a result there was an increase in the number of interested insurers and competition was opened up. It is fair to say that one or two who expressed an initial interest later decided that their appetite would not stretch to 11 authorities in one procurement exercise; equally there were still some insurers involved who had not been bidding for the main lines of business on a regular basis.

One such insurer has been successful with its bid for the property insurance lots. This development is good for the public sector insurance market in general as it has identified another major competitor for property insurance. The competition in premium terms has always been very good, now the number of large insurers involved has increased as well. This reflects well on the approach and on the use of the CCS framework.

The market presentation included profiles for each authority, along with their separate insurance programme requirements, with the tender package split, ironically, in to 11 lots covering different lines of business.

### Stage 4: Results

Seven valid tenders were received for the provision of insurance services to Hampshire borough and district councils for a three year long term agreement with the option to extend for a further two years. The CFO's maintained their commitment to place insurance contracts for each Lot or Lots with the same insurer and accepted the most economically advantageous tender for the group, with one exception.

The increased competition and the provision of good and standardised data resulted in an annual saving of £700,000 compared to the previous year's premiums for the taxpayers of Hampshire.

## The benefits

The obvious and overriding benefit is the substantial financial saving. The contract is for three years with an optional two year extension. The value of the contract over these periods is £10m (3 years) £16.8m (5 years) with savings against outgoing premiums of £2.1m (3 years) and £3.5m (5 years).

The scale of the procurement and strong commitment to improved risk management resulted in a more attractive proposition than would have been the case individually, and consequently introduced new insurers to the local government market.

Aon's Public Sector Director, Bill Sullman confirms that whilst some savings may have been possible in some areas, the extent of the savings achieved is as the result of the collaborative approach and the fact that the authorities are working together to improve insurable risk, a sign that claims experiences might improve even further in the future.

## The success criteria

- Clear objectives;
- Strong leadership;
- Regular communication;
- Forging and maintaining good relationships within the HIF;
- Good project management; and
- Support and understanding of the objectives by Aon.

## The honest truth

It wasn't easy. There will always be winners and losers in collaborative procurement, at the very least winners and those that don't fare quite so well. Factor that by 11 authorities and there's a lot of diplomacy to wade through. A classic prisoner's dilemma game, with the temptation to revert to the parochial state of self-interest against the best collective outcome.

There's no denying that this happened and each authority's resolve was no doubt tested when it came to the crunch. In this regard credit has to go to the CFO's whose determination and strategic nature

navigated through some of the more challenging conversations.

One authority did decide to opt out of 2 lots in favour of approaching the market as a single entity and although this necessitated confirmation that insurers would hold their quotes it only really amounted to a minor hiccup.

It was clear from the outset that this was not about sharing or pooling risk, that each authority would be judged and rated alone, a single procurement with 11 individual arrangements. With this as the backdrop it's difficult to see how it could have been approached differently but in hindsight some of the trip hazards could have been avoided by agreeing up front how savings and losses could have been more evenly apportioned or inconsistencies ironed out. This in itself gives rise to a number of other issues of fairness and equality.

Whilst some authorities fared relatively better than others, the overall result is excellent and is a testament to collaboration in the greater good.

## The advice to others

- Be clear on what it is you want to achieve as a group;
- Get senior level buy in and sponsorship;
- Get commitment to common outcomes;
- Empower those involved from each authority to make decisions as to content and direction;
- Formalise and have clarity over the decision making structure;
- Have a clear project timeline working back from commencement date and sound project management;
- Be flexible enough for people to pull out; and
- Be prepared for it to be a bit bumpy.

## The bottom line

We couldn't have done it alone but together we achieved £2.1m saving on a £10m contract and plans are in place to improve on the result next time around!



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# New Forest District Council

Year ending 31 March 2015

Audit Plan

26 June 2015

Ernst & Young LLP



Members of the Audit Committee  
New Forest District Council  
Appletree Court  
Beaulieu Road  
Lyndhurst  
Hampshire  
SO43 7PA

26 June 2015

Dear Committee Members

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 26 June 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

Director

*For and behalf of Ernst & Young LLP*  
*Enc*

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In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission’s website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Overview

## Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of New Forest District Council give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended; and
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

There has been no change to our assessment of risk since last year.

In parts three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

## **Our process and strategy**

### **Financial statement audit**

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We will look at the outcome of the work of internal audit in informing our view of how the Council has performed during 2014/15 and in assessing the adequacy of the Council's internal control environment. We are taking a fully substantive approach to the audit and therefore will be carrying out less controls testing this year and supplementing this with more substantive work on the figures in the financial statements.

Further detail is included in section three of this Audit Plan.

### **Arrangements for securing economy, efficiency and effectiveness**

Our approach to the value for money (VFM) conclusion for New Forest District Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ securing financial resilience; and
- ▶ challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section four of this Audit Plan.

## **2. The Local Audit and Accountability Act 2014**

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

### 3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
<p>As identified in International Standard of Auditing (ISA) (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>▶ Reviewing accounting estimates for evidence of management bias.</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul>
<b>Other financial statement risks</b>	
<b>New NNDR system in year</b>	
<p>The Council changed its NNDR system from Civica to Northgate in January 2015. This is a fundamental system which collects some £64 million in business rates in the year. We will test whether the system migration has been successful.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the work of internal audit on the change of NNDR system in year.</li> <li>▶ Testing that the data migration from the old system to the new system was complete and accurate.</li> </ul>
<b>Change of bank account</b>	
<p>The Council changed its bank account provider in December 2014 from the Co-operative Bank to Lloyds. Subsequently some payments were received in another Lloyds client bank account. The February 2015 bank reconciliation had outstanding items which needed to be corrected before the year end.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the work of internal audit on the change of bank account in year.</li> <li>▶ Testing the year-end bank reconciliation to ensure all the issues from the change of bank accounts have been resolved.</li> </ul>

#### Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.



## 4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for New Forest District Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at the Council for securing:

1. financial resilience, and
2. economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014/15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work. We have identified no significant risks to the VFM Conclusion for New Forest District Council.

The table below provides a high-level summary of our risk assessment on other risks, and our proposed response to those risks.

Other risks	Impacts arrangements for securing	Our audit approach
<b>Delivery of a sustainable medium term financial plan</b>		
<p>Financial challenges continue for the Council with further reductions in the level of central government funding.</p> <p>To meet these challenges, the Council must continue to improve its efficiency and productivity, reduce its costs, and have sustainable financial plans to ensure they are financially resilient.</p>	Financial resilience	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Assessment of whether the Council has good systems and processes in place to manage its financial risks and opportunities effectively.</li> <li>▶ Assessing the robustness of financial plans, including the assumptions made in the Medium Term Financial Plan.</li> </ul>
<b>Arrangements for securing economy, efficiency and effectiveness</b>		
<p>The Council is addressing the significant strategic, financial and operational challenges facing them both now and in the medium term.</p> <p>We need to understand how the Council is planning to meet the expectations for continuous service improvements with fewer resources.</p>	Economy, efficiency and effectiveness	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the Audit Commission's VFM profile data to understand how well the Council continues to deliver services in the context of reduced funding.</li> <li>▶ Reviewing the effectiveness of the Council's risk management arrangements, including a review of risk registers and the potential impact of assessed risks.</li> </ul>

We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

## 5. Our audit process and strategy

### 5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the 'Code') our principal objectives are to review and report on, the Council's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue a two-part audit report covering both of these objectives.

#### i Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

#### ii Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### 5.2 Audit process overview

#### Processes

Our initial assessment of the key processes across the Council has identified the following key processes which we will walkthrough, during the interim audit, to obtain our understanding of their design and operation:

- ▶ accounts receivable
- ▶ accounts payable/procure to pay
- ▶ business rates
- ▶ council tax
- ▶ cash and bank/cash receipting

- ▶ housing benefits
- ▶ housing rents
- ▶ payroll.

We have also identified the following key processes that we will test substantively post year-end:

- ▶ property, plant and equipment
- ▶ pensions
- ▶ treasury management
- ▶ financial statements close process.

### **Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

### **Internal audit**

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our final reporting, where we raise issues that could have an impact on the year-end financial statements.

### **Use of experts**

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions and valuations..

### **Mandatory procedures required by auditing standards**

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### ***Procedures required by standards***

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.

- ▶ Auditor independence.

#### ***Procedures required by the Code***

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

### **5.3 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We have initially determined that overall materiality for the Council's financial statements is £1,995,000 based on 2% of gross expenditure.

We will communicate uncorrected audit misstatements greater than £100,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

### **5.4 Fees**

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £73,076.

### **5.5 Your audit team**

The engagement team is led by Helen Thompson (Audit Director), who has significant experience on New Forest District Council. Helen is supported by Justine Thorpe (Audit Manager) who is responsible for the day-to-day direction of audit work and is the key point of contact for the Accountancy Manager.

### **5.6 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>January</b>	23 January 2015	Audit Fee letter Progress Report
Risk assessment and setting of scopes	<b>February</b>	27 March 2015	Progress Report
Testing routine processes and controls	<b>March</b>	26 June 2015	Audit Plan
Year end audit	<b>September</b>	25 September 2015	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and overall value for money conclusion).
Completion of audit			Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>October</b>	22 January 2016	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 6. Independence

### 6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY have charged to you for the provision of services during the reporting period are disclosed and analysed in appropriate categories.

### 6.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### **Self-interest threats**

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

At the time of writing, there are no non-audit fees. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

#### ***Self-review threats***

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

#### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

#### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

#### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, the Audit Engagement Director and the audit engagement team have not been compromised.

### **6.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>



## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15 £	Out-turn 2013/14 £	Published fee 2013/14 £	Explanation
Opinion Audit and VFM Conclusion	73,976	73,976	73,076	The 2013/14 outturn includes £900 billed for additional work on NNDR following removal of the NNDR grant claim from the programme of grant claim work under the Audit Commission regime. This is now treated as a permanent variation to the scale fee.
<b>Total Audit Fee – Code work</b>	<b>73,976</b>	<b>73,976</b>	<b>73,076</b>	
Certification of claims and returns	5,670	8,101	8,101	Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.
Non-audit work	0	0	0	

*All fees exclude VAT.*

The agreed fee presented above is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ we can rely on the work of internal audit as planned;
- ▶ the Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ our accounts opinion and use of resources conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Report to those charged with governance
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	▶ Report to those charged with governance
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	▶ Report to those charged with governance
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Report to those charged with governance
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Report to those charged with governance
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	▶ Report to those charged with governance

Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement director’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

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27 April 2015

Ref: NFDC Fee Ltr 2015-16

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Dave

## Annual Audit and Certification Fees 2015-16

We are writing to confirm the audit and certification work that we propose to undertake for the 2015-16 financial year at New Forest District Council.

Our 2015-16 audit is the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

## Indicative audit fee

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies, applying from 2015-16 audits.

The audit fee covers the:

- ▶ audit of the financial statements;
- ▶ value for money conclusion; and
- ▶ whole of government accounts.

For the 2015-16 financial year the Audit Commission has set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014. It is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015-16 scale fee is based on certain assumptions, including:

- ▶ the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;

- ▶ we are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ the financial statements will be available to us in line with the agreed timetable;
- ▶ working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

We have set the Council's planned fee at the scale fee level as the overall level of audit risk is not significantly different from that of the prior year.

As we have not yet completed our audit for 2014-15, our audit planning process for 2015-16 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

#### Certification fee

The Audit Commission has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on the actual 2013-14 benefit certification fee and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2015-16 relates to work on the housing benefit subsidy claim for the year ended 31 March 2016. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2014-15 benefit certification work, and to reflect any further changes in the certification arrangements.

#### Summary of fees

	Indicative fee 2015-16 £	Planned fee 2014-15 £
Total Code audit fee	55,482	73,976
Certification of housing benefit subsidy claim	5,492	5,671
<b>Total</b>	<b>60,974</b>	<b>79,647</b>

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

## Billing

The indicative audit fee will be billed in 4 quarterly instalments of £15,243.50.

## Audit plan

We aim to issue our 2015-16 audit plan early in 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Executive Director (Finance) and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

## Audit team

The key members of the audit team for the 2015-16 financial year are:

Helen Thompson  
Director

[HThompson2@uk.ey.com](mailto:HThompson2@uk.ey.com)

Tel: 023 8038 2099

Justine Thorpe  
Manager

[JThorpe@uk.ey.com](mailto:JThorpe@uk.ey.com)

Tel: 07774 855246

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully

Helen Thompson  
Director  
For and on behalf of Ernst & Young LLP  
United Kingdom

cc Bob Jackson Executive Director (Finance)  
Cllr Alan O'Sullivan Chairman of the Audit Committee

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**AUDIT COMMITTEE 26 JUNE 2015**

**COUNCIL 13 JULY 2015**

## **TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2014/15**

### **1. PURPOSE**

- 1.1. New Forest District Council adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice, which includes an annual report on the treasury management strategy after the end of each financial year.

### **2. SUMMARY**

- 2.1. Treasury management in the context of this report is defined as:

“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.”

- 2.2. This annual report sets out the performance of the treasury management function during 2014/15, to include the effects of the decisions taken and the transactions executed in the past year.
- 2.3. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council’s treasury management objectives.
- 2.4. All treasury activity has complied with the Council’s Treasury Management Strategy and Investment Strategy for 2014/15, and all relevant statute, guidance and accounting standards. In addition the Council’s treasury advisers, Arlingclose, provide support in undertaking treasury management activities.
- 2.5. The Council has complied with all of the prudential indicators set in its Treasury Management Strategy; these are detailed fully in Appendix 1.

### **3. ECONOMIC BACKGROUND**

#### **Growth and Inflation**

- 3.1. The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

- 3.2. Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

### **Labour Market**

- 3.3. The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

### **UK Monetary Policy**

- 3.4. The Bank of England's Monetary Policy Committee (MPC) maintained interest rates at 0.5% and asset purchases (Quantitative Easing) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into responding to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.
- 3.5. Arlingclose's expectation for the first rise in official interest rates remains quarter 2 of 2016. The risks to this forecast remain weighted to the downside; in particular, signs of more widespread deflation or political uncertainty could prompt a further downward revision to the forecast. Arlingclose projects a slow rise in the Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited.
- 3.6. A continuation of Base Rates being held at record lows has limited the return that can be made for investment balances. Despite positive economic indicators there remain risks for investors due to the UK banks 'bail-in' legislation. The credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Council. Whilst the likelihood of suffering a loss from the default of a bank remains relatively unchanged, the 'bail-in' regime has significantly increased the impact a default would have in terms of the scale of loss the Council could be exposed to.

#### **4. LOCAL CONTEXT**

- 4.1. At 31/03/2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £148.3m, while usable reserves and working capital which are the underlying resources available for investment were £50.3m.
- 4.2. At 31/03/2015, the Council had £144.5m of borrowing and £50.0m of principal investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.
- 4.3. The Council's CFR is forecast to remain relatively stable over the coming years but is currently planned to reduce in 2017/18 as the first instalment of the HRA settlement is due for repayment, and its capital expenditure plans do not currently imply any need to borrow over the forecast period.

#### **5. BORROWING STRATEGY**

- 5.1. At 31/03/2015 the Council held £144.5m of loans, (a decrease of £0.2m on 31/03/2014) as part of its strategy for funding previous years' capital programmes.
- 5.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 5.3. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.
- 5.4. The Council's portfolio of long-term debt is in the form of loans from the Public Works Loan Board (PWLb). A cautious approach has been applied in terms of take-up of new borrowing to minimise debt interest payments without compromising the long-term stability of the portfolio. No new borrowing took place during 2014/15. Internal resources in lieu of external borrowing have been used to lower overall treasury risk by reducing both external debt and temporary investments.

Table 1: Borrowing Activity in 2014/15

	Balance on 31/03/2014 £m	Maturing Debt £m	Balance on 31/03/2015 £m	Avg Rate %
CFR	147.7		148.3	
Short Term Borrowing <sup>1</sup>	0.2	0.0	0.2	2.58%
Long Term Borrowing	144.5	(0.2)	144.3	3.12%
<b>TOTAL BORROWING</b>	144.7	(0.2)	144.5	3.12%
Other Long Term Liabilities	0.0	0.0	0.0	
<b>TOTAL EXTERNAL DEBT</b>	144.7	(0.2)	144.5	3.12%
Increase/ (Decrease) in Borrowing £m			(0.2)	

### Debt Rescheduling

- 5.5. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

### Abolition of the PWLB

- 5.6. In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the PWLB. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The Council intends to use the PWLB's replacement as a potential source of borrowing if required.

## 6. INVESTMENT ACTIVITY

- 6.1. The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.
- 6.2. The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities, means that the risks of making unsecured deposits rose relative to other investment options. The Council therefore has attempted to diversify

<sup>1</sup> Loans with maturities less than 1 year.

through investing in secured covered bonds, non-bank investments and pooled funds.

- 6.3. The Council has held invested funds representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Council's investment balances have ranged between £45.5 and £73.8 million.
- 6.4. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Table 2: Investment Activity in 2014/15

<b>Investments</b>	Balance on 31/03/2014 £m	Balance on 30/03/2015 £m	Average Rate on 31/03/2015	Average Life on 31/03/2015 (years)
Short term Investments (call accounts, deposits, covered bonds) - Banks & Building Societies - Local Authorities	30.11	26.64	0.69%	0.35
Long term Investments - Banks & Building Societies - Local Authorities	0.00	4.02	1.50%	2.48
Money Market Funds	10.95	14.48	0.46%	0.00
Other Pooled Funds	0.00	2.04	6.70% <sup>2</sup>	n/a
Corporate Bonds (unsecured)	0.00	3.07	0.84%	0.73
<b>TOTAL INVESTMENTS</b>	41.06	50.25	0.94%	0.67
Increase/ (Decrease) in Investments £m		9.19		

- 6.5. During 2014/15, the Council diversified its investments by investing in certificates of deposits with approved counterparty banks, bonds including fixed bonds and covered floating rate notes, long-term pooled property funds, fixed deposits with local authorities, and by opening two further new money market funds. During 2014/15 the Council also committed to investing £1.05m in to a second pooled property fund, however the funds for this were not called until April 2015.
- 6.6. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.
- 6.7. Counterparty credit quality was assessed and monitored with reference to credit ratings, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

<sup>2</sup> Rate of return based on 8 months of monthly returns.

## 7. INVESTMENT OUTTURN

- 7.1. The Council maintained a sufficient level of liquidity through the use of call accounts and money market funds. The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate has been maintained at 0.5% since March 2009 and short-term money market rates have remained at relatively low levels which continued to have a significant impact on cash investment income.
- 7.2. The Council's average cash balances were £58.5m during the year and interest earned for the year was £425,000, giving a yield of 0.73%.

## 8. COMPLIANCE WITH PRUDENTIAL INDICATORS

- 8.1. The Council confirms compliance with its Prudential Indicators for 2014/15, which were set in February 2014 as part of the Council's Medium Term Financial Plan 2013 to 2017, and Budget & Council Tax Report 2014-2015.

## 9. TREASURY MANAGEMENT INDICATORS

- 9.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

### Interest Rate Exposures

- 9.2. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

Table 4 – Interest Rate Exposures

	Approved Limits for 2014/15	Maximum during 2014/15	Compliance with Limits:
Upper limit on fixed interest rate investment exposure	£10.0m	£7.0m	Yes
Upper limit on variable interest rate investment exposure	£67.0m	£71.8m	No
Upper limit on fixed interest rate borrowing exposure	£180.0m	£144.7m	Yes
Upper limit on variable interest rate borrowing exposure	£90.0m	£1.0m	Yes

- 9.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

- 9.4. During 2014/15 the upper limit on variable interest rate investment exposure was breached as £71.8m was invested against a limit of £67m. This was due to the fact that cash balances for the Council were much greater than forecast. In the 2015/16 Treasury Management Strategy this limit has been increased to £80m.

### **Maturity Structure of Borrowing**

- 9.5. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 5 – Maturity Structure of Borrowing

	<b>Upper</b>	<b>Lower</b>	<b>Actual</b>
Under 12 months	25%	0%	0.1%
12 months and within 24 months	25%	0%	0.1%
24 months and within 5 years	25%	0%	8.9%
5 years and within 10 years	25%	0%	14.7%
10 years and above	100%	0%	76.2%

### **Principal Sums Invested for Periods Longer than 364 days**

- 9.6. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Table 6 – Principal Sums Invested for Periods Longer than 364 days

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Limit on principal invested beyond year end	£10m	£20m	£20m
Actual	£6m		

## **10. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS**

- 10.1. None arising directly from this report.

## 11. RECOMMENDATIONS

Members are recommended to:

11.1. consider the performance of the treasury function detailed in this report.

Further information	Background papers
Please contact Andrew Boutflower (HCC), or Bob Jackson (Executive Director)	The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance
	Local Government Act 2003
email: andrew.boutflower@hants.gov.uk bob.jackson@nfdc.gov.uk	SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
	Council 24 February 2014 – Audit Committee -Treasury Management Strategy Report 2014/15 Council 23 January 2015 – Audit Committee Council 14 July 2014 – Audit Committee - Treasury Management Annual Outturn Report 2013/14 - Treasury Management Strategy Report 2015/16
	Published Papers



## Appendix 1

### PRUDENTIAL INDICATORS 2014/15

The Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

#### Estimates of Capital Expenditure

The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2014/15 Approved £'000	2014/15 Revised £'000	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General Fund	7,238	6,415	<b>4,303</b>	8,526	5,949
HRA	13,920	14,090	<b>13,670</b>	12,718	12,250
<b>Total Expenditure</b>	<b>21,158</b>	<b>20,505</b>	<b>17,973</b>	<b>21,244</b>	<b>18,199</b>
Capital Receipts	1,074	1,074	<b>2,797</b>	326	276
Grants	868	1,248	<b>1,069</b>	2,269	1,165
Reserves	956	549	-	973	575
Revenue	12,433	13,445	<b>11,134</b>	12,668	12,250
Developers Contributions	1,231	2,190	<b>1,269</b>	3,786	2,492
Borrowing	4,596	1,999	<b>1,704</b>	1,222	1,441
<b>Total Financing</b>	<b>21,158</b>	<b>20,505</b>	<b>17,973</b>	<b>21,244</b>	<b>18,199</b>

## Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Approved £'000	31.03.15 Revised £'000	31.03.15 Actual £'000	31.03.16 Estimate £'000	31.03.17 Estimate £'000
General Fund	7,174	4,008	<b>3,687</b>	3,857	4,157
HRA	144,601	144,601	<b>144,601</b>	144,601	144,601
<b>Total CFR</b>	<b>151,775</b>	<b>148,609</b>	<b>148,288</b>	<b>148,458</b>	<b>148,758</b>

The CFR is forecast to rise by £470,000 over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

## Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.15 Approved £m	31.03.15 Revised £m	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
Borrowing	145.9	144.5	<b>144.5</b>	144.3	144.1

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

## Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2014/15 Approved £m	2014/15 Revised £m	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m
Borrowing	146.0	163.6	<b>144.5</b>	163.4	163.7

### Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 Approved £m	2014/15 Revised £m	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m
Borrowing	179	178.6	144.5	178.4	178.7

### Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Approved %	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %
General Fund	0.7%	0.1%	0.2%	0.2%
HRA	0.0%	0.0%	0.0%	0.0%

### **Incremental Impact of Capital Investment Decisions**

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2014/15 Approved £</b>	<b>2014/15 Actual £</b>	<b>2015/16 Estimate £</b>	<b>2016/17 Estimate £</b>
General Fund - increase in annual Band D Council Tax	£1.16	£0.81	£1.61	£1.99
HRA - increase in average weekly rents	£2.72	£13.30	£0.19	(£0.89)

### **Adoption of the CIPFA Treasury Management Code**

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice on 25 February 2002 and complies with all revisions to the Code.

## AUDIT COMMITTEE – 26 JUNE 2015

### FINAL ACCOUNTS 2014/15 BAD DEBTS WRITE OFF

#### 1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2014/15.
- 1.2 It is Council policy to take all practical steps to recover debts. The Council's accounting systems provide automated recovery procedures for the collection of the debts, followed where applicable, by court action.
- 1.3 This report is prepared in accordance with the Code of Practice for write offs approved by Cabinet.

#### 2. WRITE OFFS

- 2.1 Debts have been written off in the following services;
  - Council Tax
  - National Non Domestic Rates (NNDR)
  - Overpaid Council Tax Benefit and Housing Benefit
  - Accounts Receivable
  - Housing and Garage Rents
  - Parking Penalty Charges
  - Stores
- 2.2 Criteria for write off included:
  - Abscond
  - Liquidations and bankruptcies
  - Deceased
  - Small balances
  - Bailiff unable to collect/levy
  - Foreign Vehicles
  - Obsolete items
- 2.3 The total bad debt write off for 2014/15 was £769,749 (2013/14 £781,232). This represents 0.3% of the total income collected.
- # 2.4 The total written off by service is detailed in Appendix 1 (A comparison for values  
# written off during 2013/14 is detailed in Appendix 2). The appendix also includes the average value of accounts written off, the write off as a percentage of annual income collected and examples of write offs criteria.

- 2.5 The table below details the service and the value of write ons i.e. write back of credit balances made during the 2014/15 year, together with comparative figures for 2013/14.

<b>CATEGORY OF DEBT</b>	<b>2014/15 £</b>	<b>2013/14 £</b>
COUNCIL TAX	18,286	15,484
NNDR	12,439	6,583
HOUSING BENEFIT incl. OVERPAID INVOICES	2,103	5,689
ACCOUNTS RECEIVABLE	1,265	55
HOUSING AND GARAGE RENTS	2,964	Nil
PARKING PENALTY CHARGES	Nil	Nil
STORES	Nil	Nil

- 2.6 Write ons are credited back where debtors have overpaid and they cannot be traced. All reasonable avenues are explored prior to the credit being written back on.

### **3. BAD DEBT PROVISION**

- 3.1 Bad Debt Provision is made in the Council's annual accounts. This is calculated in accordance with Audit Commission Guidelines.

- # 3.2 The provision made in the Council's annual accounts for each type of bad debt write off and the total arrears as at 31 March 2015 is also shown in Appendix 1.

### **4. AUTHORITY TO APPROVE**

- # 4.1 Heads of Service have authority to approve write offs up to certain limits and the Council's statutory financial officer has authority to approve all write offs without any limit, in accordance with the Code of Practice approved by Cabinet. Details of the approval limits are shown in Appendix 3.

### **5. RECOMMENDATIONS**

- 5.1 That this report be noted.

#### **For Further Information Please Contact:**

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Email: [glynne.miles@nfdc.gov.uk](mailto:glynne.miles@nfdc.gov.uk)

#### **Background Papers;**

Accountancy Working Papers

Bob Jackson – Executive Director  
Tel: (023) 8028 5588  
Email: [bob.jackson@nfdc.gov.uk](mailto:bob.jackson@nfdc.gov.uk)

APPENDIX 1 CATEGORIES OF WRITE OFFS 2014/15								
Category of Debt	Total Write Off £	No of Accounts	Average value of Account Written £	Annual Income / Turnover £	Provision Made 31/3/2015 £	Arrears Balance as at 31/3/2015 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	158,205	1,113	142	102,829,000	1,230,760	2,931,000	0.2	Abscond, bankruptcy, bailiff unable to collect, deceased, remitted by magistrates, year end, uneconomic.
NNDR	394,563	835	473	64,904,000	361,430	1,225,000	0.6	Abscond, deceased, bankruptcy/insolvency, other, returned from bailiff, small balance.
Housing Benefit incl Overpaid Invoices	77,745	213	365	43,295,000	564,180	878,000	0.2	Abscond, bankruptcy, collection, deceased, small balance.
Accounts Receivable	86,919	351	248	6,384,000	534,540	1,668,000	1.4	Abscond, bankruptcy, deceased, over 6 years old, small balance, uneconomical to pursue.
Housing and Garage Rents	30,867	80	386	28,557,000	458,000	668,000	0.1	Abandoned property, bankruptcy/debt relief order, deceased and no funds in estate, small balance/under £50, over 6 years old.
Parking Penalty Charges	19,767	337	59	2,830,000	-	-	0.7	Abscond, bailiff unable to collect/ no goods on which to levy, deceased, foreign vehicle.
Stores	1,683							Out of date/not used (i.e. obsolete items).
<b>Total</b>	<b>769,749</b>	<b>2,929</b>		<b>248,799,000</b>				

APPENDIX 2 CATEGORIES OF WRITE OFFS 2013/14								
Category of Debt	Total Write Off	No of Accounts	Average value of Account Written	Annual Income / Turnover	Provision Made 31/3/2014	Arrears Balance as at 31/3/2014	Write Off as % of Turnover	Reason for Write Off
	£		£	£	£	£		
Council Tax	181,938	1067	171	102,797,000	1,151,480	2,852,000	0.2	Abscond, bankruptcy, bailiff unable to collect, deceased, LA error, small balances.
NNDR	276,854	531	521	62,121,000	503,430	1,571,000	0.4	Abscond, deceased, insolvency, other.
Housing Benefit incl Overpaid Invoices	72,235	303	238	43,356,000	543,030	862,000	0.2	Abscond, bankruptcy, collection, deceased, LA/DWP error, small balance.
Accounts Receivable	145,449	364	400	6,574,000	596,210	1,021,000	2.2	Abscond, bankruptcy, deceased, over £1500, over 6 years old, small balance, uneconomical to pursue.
Housing and Garage Rents	71,798	212	339	25,709,000	408,000	607,000	0.3	Abandoned property, deceased, moved to nursing home, small balance, special circumstances, over 6 years old.
Parking Penalty Charges	14,254	232	61	2,731,000	-	-	0.5	Abscond, bailiff unable to collect/ no goods on which to levy, deceased, foreign vehicle.
Stores	18,704							Out of date/obsolete items, Agresso operating issues on stock takes, reline of fuel tanks.
<b>Total</b>	<b>781,232</b>	<b>2,709</b>		<b>243,288,000</b>				



Category of Debt	2014/15	2013/14
	£	£
Council Tax	18,286	15,484
NNDR	12,439	6,583
Housing Benefit incl Overpaid Invoices	2,103	5,689
Accounts Receivable	1,265	55
Housing and Garage Rents	2,964	Nil
Parking Penalty Charges	Nil	Nil
Stores	Nil	Nil

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EMT – 2 JUNE 2015  
AUDIT COMMITTEE – 26 JUNE 2015

## PROCUREMENT RULES, REGULATIONS & CONTRACT STANDING ORDERS – WAIVERS 2014/15

### 1. INTRODUCTION

- 1.1 The Procurement Rules, Regulations Contract Standing Orders provide the rules to be followed for the procurement of goods, services and works and ensure that the Council complies with Procurement Legislation whilst obtaining Value for Money in Purchasing.
- 1.2 Procurement Rules, Regulations Contract Standing Orders must be followed by all individuals responsible for Procurement for, or on behalf of the Council.
- 1.3 The Regulations provide for limited exceptions to the prescribed rules which include the following:
- Procurement through a Consortium or Agency arrangement that the Council is a member of
  - Purchase of Proprietary items
  - Insolvency of Supplier or Contractor
  - Appointment of specialist experts for legal matters and legal proceedings
  - Appointment of Counsel by Legal Services.
- 1.5 Where the above exceptions do not apply and a Procuring Officer has a valid reason for not complying with the Regulations, an application for a waiver may be submitted for approval. The following table shows the level of Approval Required for Waivers:

Table 1 – Delegated Authority to Approve Waivers

Value of Contract	Approval Required
£0 - £10,000	Head of Service
£10,000 – EU Procurement Levels	Head of Service and any member of EMT

- 1.6 All applications for a waiver against the Regulations are reported annually to the Audit Committee.

### 2. WAIVERS GRANTED 2014/15

- 2.1 There were 46 applications for a waiver against the Procurement Rules, Regulations and Contract Standing Orders between 1 April 2014 and 31 March 2015. The total value of all approved waivers was £1,513,303. These waiver applications, together with the values are detailed in Appendix 1. A summary of the total number and value by waived standing order is details in Table 2.

Table 2 – All applications by standing order waived

<b>Standing Order Number and Detail</b>	<b>Number of approved applications</b>	<b>Total value £'000</b>	<b>Number of Applications under £25,000</b>
19 Minimum required numbers for invitation to quote or tender and receipt of quotation or tender".	33	1,141	24
81 Maximum value of variations on individual contract	7	226	3
7 The goods, materials or services are proprietary items or their prices are sold at a fixed price only provided that in each of these cases there is no reasonable satisfactory alternative product	5	126	3
30 Minimum levels of public liability, employers liability and professional indemnity insurance required	1	20	1
<b>All</b>	<b>46</b>	<b>1,513</b>	<b>31</b>

- 2.2 Three approved waivers were over £100,000 in value.
- 2.3 There were 9 waivers that were rejected during the year by either the Head of Service or EMT. The reason for the majority of rejections was due to a lack of detailed information provided to make a decision.
- 2.4 This compares with 24 applications submitted during 2013/14 totalling £543,713.
- 2.5 The value of waivers has increased significantly along with the number of applications made. Internal Audit believes 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.
- 2.6 There have been significant changes to procurement processes effective from 1<sup>st</sup> April 2015 following the Parliamentary approval of the Public Contract Regulations 2015. These changes require the Council to advertise all contracts with a value over £25,000. It is therefore considered that the number of waiver applications for contracts over £25,000 will reduce. Table 2 shows the number of approved waivers under £25,000 for future comparisons.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 Procurement Rules, Regulations and Contract Standing Orders ensure that the most economically advantageous price is obtained in Procurement. Waivers sought need to demonstrate that where tenders or quotations are not obtained, that Value for Money can still be demonstrated.

#### **4. ENVIRONMENTAL IMPLICATIONS**

- 4.1 Procurement Rules, Regulations and Contract Standing Orders provide for tender evaluation models to include environmental and sustainability policies.

#### **5. CRIME AND DISORDER IMPLICATIONS**

- 5.1 Procurement Rules, Regulations and Contract Standing Orders provides procedures to limit the risk of collusive tendering (bid rigging).

#### **6. EQUALITY & DIVERSITY IMPLICATIONS**

- 6.1 None directly arising from this report.

#### **7. RECOMMENDATION**

- 7.1 That the Audit Committee notes the Waivers to the Council's Procurement Rules, Regulations and Contract Standing Orders approved during the financial year 2014/15.

#### **For further information please contact:**

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Ref	Standing order to be waived	Description of Contract	Value	Date	Status
1/14/15	SO19	Printing and Mailing Service for Individual Electoral Registration	10500	10/06/2014	Approved by EMT
2/14/15	SO81	Sediment Transport Study	5000	25/06/2014	Approved by Head Of Service
3/14/15	SO19	Beach hut concept design	19500	26/06/2014	Approved by EMT
5/14/15	SO19	Internal damp remedial works Lymington Town Hall	16000	01/07/2014	Approved by EMT
6/14/15	SO7	Crucial Accountability	49700	07/07/2014	Approved by EMT
7/14/15	SO19	Procurement of Schedule of Rates software for B Wks Contractor System	14685	21/07/2014	Approved by EMT
9/14/15	SO7	100003542	51350	04/08/2014	Approved by EMT
10/14/15	SO19	Flood defence works to Council Houses in Bartley	9732.5	05/08/2014	Approved by Head Of Service
11/14/15	SO19	Fire Related Works	6681	07/08/2014	Approved by Head Of Service
12/14/15	SO7	Annual Subscription with HouseMark	5336.9	15/08/2014	Approved by Head Of Service
14/14/15	SO81	Lymington: Bath Road Car Park Refurbish Gas Lamp	9316.8	19/08/2014	Approved by Head Of Service
15/14/15	SO19	Contract for the supply of swimwear stock for resale in Leisure Centres	14400	20/08/2014	Approved by EMT
16/14/15	SO19	Carpeting	14000	20/08/2014	Approved by EMT
17/14/15	SO19	NNDR System Migration	78750	21/08/2014	Approved by EMT
18/14/15	SO19	Beaulieu Cemetery Extension	25000	17/09/2014	Approved by EMT
19/14/15	SO19	Consultancy commission for Eling Tide Mill	72400	30/09/2014	Approved by EMT

20/14/15	SO19	Supply of Narrow Access Glass Collection Vehicle	44700	20/10/2014	Approved by Head Of Service
21/14/15	SO19	Direct Work Order B11769 - Housing Services to Building Works - Part Sub Let	19380	21/10/2014	Approved by EMT
22/14/15	SO19	Supply and installation of audio visual aids and sound recording equipment in Council Chamber, Appletree Court	45180.9	28/10/2014	Approved by EMT
23/14/15	SO19	RINGWOOD - Christchurch Rd	194349.2	29/10/2014	Approved by EMT
25/14/15	SO81	HS 08/14	14182.4	30/10/2014	Approved by EMT
27/14/15	SO19	Committee Management System	12500	03/11/2014	Approved by EMT
28/14/15	SO81	Package F West TOTTON Cycle Route Junctions & FAWLEY Fawley Rd/Blackfield Rd Footways Stage 2	47082.37	04/11/2014	Approved by EMT
30/14/15	SO19	Consultancy services for the Design of New Depot to Support Application for an HGV Goods Vehicle Licence	20000	01/12/2014	Approved by EMT
31/14/15	SO19	PACKAGE G - LYMINGTON Priestlands Rd & Highfield	59375.4	02/12/2014	Approved by EMT
33/14/15	SO19	Ranger Services	120000	17/12/2014	Approved by EMT
34/14/15	SO19	Schuco Door Quotation Hythe Public Toilets	5285.44	07/01/2015	Approved by Head Of Service
35/14/15	SO19	Refurbishment of Barton on Sea Public Conveniences	199999	07/01/2015	Approved by EMT
36/14/15	SO19	Schuco Door Fitting - Hythe Public Toilets	5700.84	09/01/2015	Approved by Head Of Service
37/14/15	SO81	PACKAGE E RINGWOOD Hightown Rd to Castleman Way//Burgate	64026.32	20/01/2015	Approved by EMT
40/14/15	SO19	New Milton Skatepark - Plant supply	10509.5	27/01/2015	Approved by EMT
41/14/15	SO81	Fire Risk Assessments	27000	28/01/2015	Approved by EMT
42/14/15	SO7	Consultancy advice on transportation modelling	13250	09/02/2015	Approved by EMT
44/14/15	SO19	Structural Repairs to 43 Elm Crescent, Netley View Estate, Hythe	6950	11/02/2015	Approved by Head Of Service

45/14/15	SO19	Servicing of Fire Equipment	8500	18/02/2015	Approved by Head Of Service
46/14/15	SO19	Annual Maintenance of Intruder alarms, call assist, CCTV and access systems and keyholding services	15249.15	19/02/2015	Approved by EMT
47/14/15	SO19	Fire Alarms Servicing & Callouts	12054.18	26/02/2015	Approved by EMT
48/14/15	SO19	Furniture	27699.34	27/02/2015	Approved by EMT
49/14/15	SO19	Carpets & Flooring	6220.98	27/02/2015	Approved by Head Of Service
50/14/15	SO19	CORPORATE TREE MANAGEMENT SYSTEM	22295	05/03/2015	Approved by EMT
51/14/15	SO19	Deployment of Speed Indicator Device/Speed Limit Reminders	8000	10/03/2015	Approved by Head Of Service
52/14/15	SO81	PACKAGE G - LYMINGTON Priestlands Rd and Highfield	59375.4	11/03/2015	Approved by EMT
53/14/15	SO7	Housing Partners	7000	17/03/2015	Approved by Head Of Service
54/14/15	SO19	Urinal "Flushmatic" Controls Annual Contract	9142.5	23/03/2015	Approved by Head Of Service
56/14/15	SO30	Stray Dog Kennelling Contract	20000	27/03/2015	Approved by EMT
57/14/15	SO19	Recertification of Fall Arrest System	5943	30/03/2015	Approved by Head Of Service



EMT – 2 JUNE 2015  
AUDIT COMMITTEE – 26 JUNE 2015

## **REVIEW OF LOCAL CODE OF GOOD GOVERNANCE ANNUAL REPORT OF THE MONITORING OFFICER AND INTERNAL AUDIT MANAGER 2014/15**

### **1. INTRODUCTION**

- 1.1 In 2008 the Council adopted a new Code of Good Governance, modelled on the framework recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 1.2 The Monitoring Officer and Internal Audit are responsible for annually reviewing the authority's compliance against the adopted Code and reporting their findings and recommended actions. This review also provides one of the assurance strands in support of the Annual Governance Statement, required under the Account and Audit Regulations 2011.
- 1.3 The code is intended to help and support Members and management and ensure that the Council achieves openness, inclusivity, accountability, integrity and effectiveness.
- 1.4 This report brings together the outcomes of the review for 2014/15.

### **2. REVIEW OF COMPLIANCE**

- 2.1 The current good governance framework consists of six core principles:
  1. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
  2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
  3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  5. Developing the capacity and capability of members and officers to be effective.
  6. Engaging with local people and other stakeholders to ensure robust public accountability
- 2.2 The code has been assessed, a summary of the Council's compliance with its adopted Code of Good Governance is detailed in Appendix 1.
- 2.3 This assessment also considered progress made against the prior year, 2013/14 action plan, which was reported to Audit Committee in June and September 2014. Progress made against this action plan was reported back to EMT and Audit Committee on 23<sup>rd</sup> January 2015 and is contained within Appendix 2.
- 2.4 The main areas identified for further improvement during this review are summarised below with detailed actions recommended in Appendix 3.
  - To complete the review and update of Financial Regulations
  - Review of the Local Code of Good Governance framework
- 2.5 In the 2013/14 review it was reported that a new International Framework – Good Governance in the Public Sector was in development. During 2014 that framework was finalised and published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC). The framework can be read in detail from this link - <http://www.cipfa.org/policy-and-guidance/standards/international-framework-good-governance-in-the-public-sector> A diagram of the seven principles is presented at the end of this report.

2.6 Following further consultations with CIPFA, it is understood that CIPFA and SOLACE will also develop a further joint Good Governance Framework for the Public Sector during 2015. It was therefore decided for the 2014/15 review the current framework should be used together with any best practice from the new International Framework.

2.7 In addition to the actions arising directly from the review it is also recommended that the Council's Good Governance Framework be reviewed and updated inline with new best practice publications during 2015/16.

### **3. FINANCIAL IMPLICATIONS**

3.1 Although there are no direct financial implications arising from this report, good governance arrangements provide assurance in respect of financial management.

### **4. ENVIRONMENTAL MATTERS**

4.1 There are no environmental matters arising directly from this report.

### **5. CRIME AND DISORDER IMPLICATIONS**

5.1 Ethical behaviour in terms of avoiding fraud and corruption is an intrinsic element of corporate governance and this report provides assurance in that regard.

### **6. EQUALITY AND DIVERSITY IMPLICATIONS**

6.1 There are no equality and diversity implications arising directly from this report.

### **7. CONCLUSIONS**

7.1 It is the view of the Monitoring Officer and Internal Audit that the Council is able to have confidence in the effectiveness of its governance arrangements. This is illustrated by the few and relatively minor areas identified in appendix 3 for review.

### **8. RECOMMENDATIONS**

8.1 The Audit Committee approve 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.

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#### **Background Papers:**

New Code of Good Gov  
- Standards Committee  
28 March 2008

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The diagram below illustrates the seven core principles contained within the International Framework.



1. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

No.	The code should reflect the requirement for local authorities to:	Evidence
1.1	Develop and Promote the authority's purpose and vision	<p>Delivering for our Communities 2012-16 <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a></p> <p>The Corporate Plan 2012/16 – Delivery Plan of Corporate Aims <a href="http://www.newforest.gov.uk/committeedocs/cab/CDR07596.pdf">http://www.newforest.gov.uk/committeedocs/cab/CDR07596.pdf</a></p> <p>Local Plan Part 1 – Core Strategy for New Forest District (outside National Park) covers the areas of the District outside the New Forest National Park and is a key part of the new Local Development Framework. The Core Strategy provides the broad planning strategy for the area up to 2026 <a href="http://www.newforest.gov.uk/index.cfm?articleid=14183">http://www.newforest.gov.uk/index.cfm?articleid=14183</a></p> <p>Constitution - The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed in reaching those decisions. <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a></p> <p>Annual Performance and Provisional Budget Outturn Report 2014-15 Cabinet June 2015</p> <p>Local Enterprise Partnerships</p>
1.2	Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	<p>Code of Good Governance (28/03/08) <a href="http://www.newforest.gov.uk/media/adobe/6/j/Code_of_Corp.pdf">http://www.newforest.gov.uk/media/adobe/6/j/Code_of_Corp.pdf</a></p> <p>Local Code of Good Governance – Annual Report – this review and action plan follow up</p> <p>_Performance of Corporate Plan is reviewed and monitored annually</p> <p>Local Plan Part 1 – Core Strategy for New Forest District (outside National Park) <a href="http://www.newforest.gov.uk/index.cfm?articleid=14183">http://www.newforest.gov.uk/index.cfm?articleid=14183</a></p>
1.3	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	<p>Local Plan Part 1 – Core Strategy for New Forest District (outside National Park) <a href="http://www.newforest.gov.uk/index.cfm?articleid=14183">http://www.newforest.gov.uk/index.cfm?articleid=14183</a></p>

No.	The code should reflect the requirement for local authorities to:	Evidence
		<p>The Corporate Plan 2012/16 – Delivery Plan of Corporate Aims  <a href="http://www.newforest.gov.uk/committeedocs/cab/CDR07596.pdf">http://www.newforest.gov.uk/committeedocs/cab/CDR07596.pdf</a></p> <p>Further review of Grants Process including Community Grants</p> <p>Annual reviews</p> <p>Partnerships are supported by agreed written governance arrangements</p>
1.4	Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	<p>Statement of Accounts and Annual Governance Statement - Audit Committee 26/09/2014  <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09252.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09252.pdf</a>  <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09253.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09253.pdf</a></p> <p>External Audit Governance Report – Audit Committee 26/9/2014  <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf</a></p> <p>Annual Performance and Provisional Budget Outturn Report 2014-15  Cabinet June 2015</p>
1.5	Decide how the quality of service to users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	<p>Review and changes to performance management and transparency reporting on the web.  <a href="http://www.newforest.gov.uk/index.cfm?articleid=11066">http://www.newforest.gov.uk/index.cfm?articleid=11066</a>  <a href="http://www.newforest.gov.uk/index.cfm?articleid=11197">http://www.newforest.gov.uk/index.cfm?articleid=11197</a></p> <p>Medium Term Financial Plan/Annual Budget 2014/18 Cabinet 04/02/2014  <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf</a></p> <p>Service Action Plans 2014/15  <a href="http://forestnet2/index.cfm?articleid=611">http://forestnet2/index.cfm?articleid=611</a></p> <p>Annual Performance and Provisional Budget Outturn Report 2014/15  Cabinet June 2015</p>
1.6	Put in place effective arrangements to identify and deal with failure in service delivery	<p>Corporate Complaints Procedure and management arrangements  <a href="http://www.newforest.gov.uk/index.cfm?articleid=383">http://www.newforest.gov.uk/index.cfm?articleid=383</a></p> <p>Performance Management Framework</p>
1.7	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and	<p>Considered as part of all Committee Reports (ForestNet/Website)</p>

No.	The code should reflect the requirement for local authorities to:	Evidence
	performance effectively. Measure the environmental impact of policies, plans and decisions.	<p>Annual Performance and Provisional Budget Outturn Report 2014-15 Cabinet June 2015</p> <p>Internal Audit Plan &amp; Progress 2014/15 <a href="http://modern:9070/Data/Audit%20Committee/20140321/Agenda/CDR08931.pdf">http://modern:9070/Data/Audit%20Committee/20140321/Agenda/CDR08931.pdf</a> <a href="http://modern:9070/Data/Audit%20Committee/20140321/Agenda/CDR08931.pdf">http://modern:9070/Data/Audit%20Committee/20140321/Agenda/CDR08931.pdf</a></p> <p>Procurement Rules, Regulations &amp; Contract Standing Orders <a href="http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf">http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf</a></p> <p>Financial Monitoring, Portfolio Plans</p> <p>External Auditor Annual Report including Value for Money Conclusion <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf</a></p> <p>Medium Term Financial Plan/Annual Budget 2014/18 Cabinet 04/02/2014 <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf</a></p>

## 2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

No.	The code should reflect the requirement for local authorities to:	Evidence
2.1	Set out a clear statement of the roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice Set out a clear statement of the respective roles and responsibilities of the other members, members generally and senior officers	<p>Council's Constitution <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a></p> <p>Year Book 2014/15 <a href="http://www.newforest.gov.uk/index.cfm?articleid=9404">http://www.newforest.gov.uk/index.cfm?articleid=9404</a></p> <p>Standards <a href="http://www.newforest.gov.uk/index.cfm?articleid=8681">http://www.newforest.gov.uk/index.cfm?articleid=8681</a></p> <p>Council Structure (Organisation structure, Democratic Structure, Executive Management Team, Heads of Service &amp; Workforce Matters) <a href="http://www.newforest.gov.uk/index.cfm?articleid=8130">http://www.newforest.gov.uk/index.cfm?articleid=8130</a></p>

No.	The code should reflect the requirement for local authorities to:	Evidence
		Codes of Conduct <a href="http://www.newforest.gov.uk/index.cfm?articleid=1651">http://www.newforest.gov.uk/index.cfm?articleid=1651</a>  Task and Finish Groups <a href="http://forestnet2/media/adobe/j/e/published_matrix.pdf">http://forestnet2/media/adobe/j/e/published_matrix.pdf</a>
2.2	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	Scheme of Delegation <a href="http://forestnet2/index.cfm?articleid=760">http://forestnet2/index.cfm?articleid=760</a>  Council's Constitution <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>
2.3	Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	Job description and Performance Development Interview Process  Council's Constitution <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>
2.4	Develop protocols to ensure that the leader and chief executive (or equivalent) negotiates their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	Regular meetings established between Leader/Cabinet and Chief Executive
2.5	Make a senior officer (S 151 officer) responsible to the authority for ensuring that appropriate advice is given for all financial matters, and for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Council's Constitution <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>  Job Description and Performance Development Interview Process  Roles and Responsibilities of the Chief Finance Officer Protocol  Financial Regulations <a href="http://www.newforest.gov.uk/media/adobe/q/0/chapter_25.pdf">http://www.newforest.gov.uk/media/adobe/q/0/chapter_25.pdf</a>
2.6	Make a senior Officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	Job description and Performance Development Interview Process  Scheme of Delegation <a href="http://forestnet2/index.cfm?articleid=760">http://forestnet2/index.cfm?articleid=760</a>
2.7	Develop protocols to ensure effective communication between members and officers in their respective roles	Local Code for Member/Officer Relations <a href="http://www.newforest.gov.uk/media/adobe/o/m/chapter_30.pdf">http://www.newforest.gov.uk/media/adobe/o/m/chapter_30.pdf</a>
2.8	Set out the Terms and Conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable). Ensure that effective mechanisms exist to monitor service delivery	Pay Policy Statement 2015  Members Allowances <a href="http://www.newforest.gov.uk/index.cfm?articleid=9104">http://www.newforest.gov.uk/index.cfm?articleid=9104</a>

No.	The code should reflect the requirement for local authorities to:	Evidence
		<p>Report of Independent Remuneration Panel on Members Allowances – Reported to Council February 2014. New scheme approved and used in 2014/15</p> <p>Management Structure  <a href="http://www.newforest.gov.uk/index.cfm?articleid=8130">http://www.newforest.gov.uk/index.cfm?articleid=8130</a></p> <p>HR procedures in place to cover employee remuneration.</p> <p>Council's Constitution, sets out the responsibility of the Chief Financial Officer  <a href="http://www.newforest.gov.uk/media/adobe/2/j/chapter_41.pdf">http://www.newforest.gov.uk/media/adobe/2/j/chapter_41.pdf</a></p> <p>Performance indicators are recorded and monitored by EMT &amp; HoS using the performance monitoring system.</p> <p>Any statutory performance indicators are forwarded and published each year.</p>
2.9	<p>Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</p>	<p>The Corporate Plan 2012/16 – Delivery Plan of Corporate Aims  <a href="http://www.newforest.gov.uk/committeedocs/cab/CDR07596.pdf">http://www.newforest.gov.uk/committeedocs/cab/CDR07596.pdf</a></p> <p>Review and changes to performance management and transparency reporting on the web.</p> <p>Business Plans</p> <p>Service Action Plans</p> <p>Annual Reports</p>
2.10	<p>When working in partnership: ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority ensure that there is clarity about the legal status of the partnership ensure that representatives and organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</p>	<p>Established arrangements are in place for individual partnerships eg Project Integra (annually approved plan), NFNPA, East Dorset Council, PUSH.</p> <p>Joint committees have agreed terms of reference.</p> <p>Each partnership has a written governance arrangement.</p>



**3. Promoting Values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

No.	The code should reflect the requirement for local authorities to:	Evidence
3.1	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	<p>Corporate Plan – Delivering for our Communities, including adoption of core values  <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a></p> <p>Induction programmes</p> <p>Executive Management Team briefing sessions</p>
3.2	Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	<p>Corporate Plan – Delivering for our Communities  <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a></p> <p>NFDC Code of Good Governance  <a href="http://www.newforest.gov.uk/media/adobe/6/j/Code_of_Corp.pdf">http://www.newforest.gov.uk/media/adobe/6/j/Code_of_Corp.pdf</a></p> <p>Code of Conduct for Council Members, Local Code for Member/Officer relations &amp; Local Code for Councillors and Officers dealing with Planning matters.  <a href="http://www.newforest.gov.uk/index.cfm?articleid=1651">http://www.newforest.gov.uk/index.cfm?articleid=1651</a></p> <p>Employee Handbook  <a href="http://forestnet2/index.cfm?articleid=579">http://forestnet2/index.cfm?articleid=579</a> (intranet)</p> <p>Complaints Procedure  <a href="http://www.newforest.gov.uk/index.cfm?articleid=383">http://www.newforest.gov.uk/index.cfm?articleid=383</a></p> <p>How to complain about a Councillor  <a href="http://www.newforest.gov.uk/index.cfm?articleid=1649">http://www.newforest.gov.uk/index.cfm?articleid=1649</a></p> <p>Fraud policies, including Anti-Fraud, Bribery and Corruption Policy, Anti-Money Laundering Policy, Whistleblowing Policy &amp; Fraud Response Plan  <a href="http://forestnet2/index.cfm?articleid=2422">http://forestnet2/index.cfm?articleid=2422</a></p> <p>PDI's</p>

No.	The code should reflect the requirement for local authorities to:	Evidence
3.3	Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<p>Codes of Conduct <a href="http://www.newforest.gov.uk/index.cfm?articleid=1651">http://www.newforest.gov.uk/index.cfm?articleid=1651</a></p> <p>Employees Handbook <a href="http://forestnet2/index.cfm?articleid=579">http://forestnet2/index.cfm?articleid=579</a> (intranet)</p> <p>Register of Interests (Democratic Services)</p> <p>Financial Regulations <a href="http://www.newforest.gov.uk/media/adobe/2/r/Fin_Regs_Full.pdf">http://www.newforest.gov.uk/media/adobe/2/r/Fin_Regs_Full.pdf</a></p> <p>Standing Orders for meetings <a href="http://www.newforest.gov.uk/media/adobe/2/2/chapter_23.pdf">http://www.newforest.gov.uk/media/adobe/2/2/chapter_23.pdf</a></p> <p>Standing Orders as to Contracts <a href="http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf">http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf</a></p> <p>Standings Orders for General Procedures <a href="http://www.newforest.gov.uk/media/adobe/2/8/chapter_27.pdf">http://www.newforest.gov.uk/media/adobe/2/8/chapter_27.pdf</a></p> <p>Procurement Strategy <a href="http://www.newforest.gov.uk/index.cfm?articleid=1070">http://www.newforest.gov.uk/index.cfm?articleid=1070</a></p>
3.4	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	<p>Corporate Plan – Delivering for our Communities <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a></p> <p>Employees Handbook <a href="http://forestnet2/index.cfm?articleid=579">http://forestnet2/index.cfm?articleid=579</a> (intranet)</p> <p>Code of Conduct for Council Members, Local Code for Member/Officer relations &amp; Local Code for Councillors and Officers dealing with Planning matters. <a href="http://www.newforest.gov.uk/index.cfm?articleid=1651">http://www.newforest.gov.uk/index.cfm?articleid=1651</a></p> <p>There is an induction process for new staff which covers aspects such as Codes of Conduct, Fraud policies and the Procurement Strategy</p>
3.5	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing	New Code of Conduct introduced 2012 under Localism Act 2011.

No.	The code should reflect the requirement for local authorities to:	Evidence
	effectiveness in practice	New complaints system for Councillors also introduced
3.6	Develop and maintain an effective standards committee.	Under Localism Act there is no longer a requirement to have a Standards Committee. The Chief Executive Officer and Monitoring Officer have enhanced roles to deal with Standards issues.
3.7	Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	<p>Corporate Plan – Delivering for our Communities  <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a></p> <p>Employees Handbook (ForestNet)  <a href="http://forestnet2/index.cfm?articleid=579">http://forestnet2/index.cfm?articleid=579</a> (intranet)</p> <p>How Employees Show Commitment  <a href="http://www.newforest.gov.uk/index.cfm?articleid=3418">http://www.newforest.gov.uk/index.cfm?articleid=3418</a></p> <p>The authority has accepted a set of core values.</p> <p>Employee comments in all Formal reports</p> <p>Industrial Relations Committee</p>
3.8	In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values can be demonstrated by partner's behaviour both individually and collectively.	<p>Procurement Rules, Regulations &amp; Contract Standing Orders  <a href="http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf">http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf</a></p> <p>Service Level Agreements</p> <p>Grant Conditions and Vision with Partners</p>

#### 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

No.	The code should reflect the requirement for local authorities to:	Evidence
4.1	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.	<p>Constitution  <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a></p> <p>Constitution and Functions of Cabinet, Committees, Panels and Sub-Committees - Committee Terms of reference (Year Book)</p>

No.	The code should reflect the requirement for local authorities to:	Evidence
		<p><a href="http://www.newforest.gov.uk/media/adobe/7/9/Committees_Panels_and_Cabinet_-_Constitution_and_Functions.pdf">http://www.newforest.gov.uk/media/adobe/7/9/Committees_Panels_and_Cabinet_-_Constitution_and_Functions.pdf</a></p> <p>Enhanced and improved scrutiny arrangements following review and recommendations from South East</p> <p>Arrangements give emphasis to detailed work being carried out by Task and Finish Groups, supported by Heads of Service</p> <p>Overview and Scrutiny functions and annual reports <a href="http://www.newforest.gov.uk/committeedocs/nfdc/CDR08982.pdf">http://www.newforest.gov.uk/committeedocs/nfdc/CDR08982.pdf</a></p> <p>Audit Committee Terms of Reference <a href="http://www.newforest.gov.uk/committeedocs/auc/CDR07662.pdf">http://www.newforest.gov.uk/committeedocs/auc/CDR07662.pdf</a></p> <p>External Auditor letter and review of governance.</p> <p>Transparency pages on website <a href="http://www.newforest.gov.uk/index.cfm?articleid=11197">http://www.newforest.gov.uk/index.cfm?articleid=11197</a></p> <p>Agendas and minutes of meetings available on newforest website. <a href="http://www.newforest.gov.uk/index.cfm?articleid=615&amp;articleaction=ctte">http://www.newforest.gov.uk/index.cfm?articleid=615&amp;articleaction=ctte</a></p>
4.2	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	<p>Newforest website, all Portfolio decisions published as soon as made.</p> <p>Agendas and minutes of all formal meetings are made available (as soon as made) to the public via newforest website</p> <p>Forward Plan of Key Decisions published (as required by law) <a href="http://www.newforest.gov.uk/index.cfm?articleid=11722">http://www.newforest.gov.uk/index.cfm?articleid=11722</a></p>
4.3	Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	<p>Registers of interests (Democratic Services)</p> <p>Code of Conduct for Council Members, Local Code for Member/Officer relations &amp; Local Code for Councillors and Officers dealing with Planning matters. <a href="http://www.newforest.gov.uk/index.cfm?articleid=1651">http://www.newforest.gov.uk/index.cfm?articleid=1651</a></p> <p>Procurement Rules, Regulations &amp; Contract Standing Orders</p>

No.	The code should reflect the requirement for local authorities to:	Evidence
		<a href="http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf">http://modern:9070/Data/Cabinet/20150401/Agenda/CDR09618.pdf</a>
4.4	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Corporate Overview and Scrutiny Panel Terms of Reference (Year Book) <a href="http://www.newforest.gov.uk/media/adobe/7/9/Committees_Panels_and_Cabinet_-_Constitution_and_Functions.pdf">http://www.newforest.gov.uk/media/adobe/7/9/Committees_Panels_and_Cabinet_-_Constitution_and_Functions.pdf</a>  Audit Committee Terms of Reference <a href="http://www.newforest.gov.uk/committeedocs/auc/CDR07662.pdf">http://www.newforest.gov.uk/committeedocs/auc/CDR07662.pdf</a>
4.5	Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Complaints Procedure <a href="http://www.newforest.gov.uk/index.cfm?articleid=383">http://www.newforest.gov.uk/index.cfm?articleid=383</a>  Review Of Complaints 2014/15  Code of Conduct for Council Members, Local Code for Member/Officer relations & Local Code for Councillors and Officers dealing with Planning matters. <a href="http://www.newforest.gov.uk/index.cfm?articleid=1651">http://www.newforest.gov.uk/index.cfm?articleid=1651</a>
4.6	Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose- relevant, timely and gives clear explanations of technical issues and their implications	Report format/structure. Head of Service taking responsibility for content of reports  Constitution – Decision making <a href="http://www.newforest.gov.uk/media/adobe/4/k/Summary_and_Explanation.pdf">http://www.newforest.gov.uk/media/adobe/4/k/Summary_and_Explanation.pdf</a>
4.7	Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	All reports are reviewed by the Monitoring Officer/Section 151 Officer  Report format/structure
4.8	Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs	Risk Management Strategy and Strategic Risk Register <a href="http://docs.newforest.gov.uk/Committee/auc/CDR09258.pdf">http://docs.newforest.gov.uk/Committee/auc/CDR09258.pdf</a>  Included within service action planning
4.9	Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access	Fraud policies, including Anti-Fraud, Bribery and Corruption Policy, Anti- Money Laundering Policy, Whistleblowing Policy & Fraud Response Plan <a href="http://forestnet2/index.cfm?articleid=2422">http://forestnet2/index.cfm?articleid=2422</a>
4.10	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	Constitution – Decision making <a href="http://www.newforest.gov.uk/media/adobe/4/k/Summary_and_Explanation.pdf">http://www.newforest.gov.uk/media/adobe/4/k/Summary_and_Explanation.pdf</a>  Constitution – Role of the Monitoring Officer <a href="http://www.newforest.gov.uk/media/adobe/4/6/chapter_40.pdf">http://www.newforest.gov.uk/media/adobe/4/6/chapter_40.pdf</a>
4.11	Recognise the limits of lawful action and observe both the specific	Constitution – Role of the Monitoring Officer

No.	The code should reflect the requirement for local authorities to:	Evidence
	requirements of legislation and the general responsibilities placed on local authorities by public law	<a href="http://www.newforest.gov.uk/media/adobe/4/6/chapter_40.pdf">http://www.newforest.gov.uk/media/adobe/4/6/chapter_40.pdf</a>
4.12	Observe all specific legislative requirements place upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law- rationality, legality and natural justice – into their procedures and decision making processes.	Constitution – Role of the Monitoring Officer <a href="http://www.newforest.gov.uk/media/adobe/4/6/chapter_40.pdf">http://www.newforest.gov.uk/media/adobe/4/6/chapter_40.pdf</a>

### 5. Developing the capacity and capability of members and officers to be effective

No.	The code should reflect the requirement for local authorities to:	Evidence
5.1	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Member and Officer Induction Programme  Member Briefings and training programmes for Committees  PDI Process (ForestNet, HR Portal) <a href="http://agressoweb/agresso/Default.aspx?type=topgen&amp;menu_id=352">http://agressoweb/agresso/Default.aspx?type=topgen&amp;menu_id=352</a>  Training Budgets
5.2	Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Authority	The Councils Constitution (Website). <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>  Support provided through EMT. Any issues relating to support are also addressed through the PDI process.  Constitution – Code of Conduct for Employees <a href="http://www.newforest.gov.uk/media/adobe/s/3/chapter_34.pdf">http://www.newforest.gov.uk/media/adobe/s/3/chapter_34.pdf</a>  Constitution – Financial Regulations <a href="http://www.newforest.gov.uk/media/adobe/q/0/chapter_25.pdf">http://www.newforest.gov.uk/media/adobe/q/0/chapter_25.pdf</a>  Job Descriptions, including Executive Management Team. Heads of Service, solicitors (legal)
5.3	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Member Development Programme (Democratic Services)  List of topical briefing events (Democratic Services)

No.	The code should reflect the requirement for local authorities to:	Evidence
		<p>Annual service training plans (HR)</p> <p>PDI training plans (HR)</p>
5.4	Develop skills on a continuing basis to improve performance, including the ability to scrutinize and challenge and to recognise when outside expert advice is needed	<p>PDI process for officers <a href="http://agressoweb/agresso/Default.aspx?type=topgen&amp;menu_id=352">http://agressoweb/agresso/Default.aspx?type=topgen&amp;menu_id=352</a></p> <p>Member Development Programme (Democratic Services)</p> <p>Corporate Training Programme</p>
5.5	Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	<p>The External Auditors' Governance Letter and Management Arrangements <a href="http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf">http://modern:9070/Data/Audit%20Committee/20140926/Agenda/CDR09251.pdf</a></p> <p>Annual Scrutiny Committee Report 14/15 <a href="http://modern:9070/documents/s430/Annual%20Report%20of%20Scrutiny%20Panels.pdf">http://modern:9070/documents/s430/Annual%20Report%20of%20Scrutiny%20Panels.pdf</a></p> <p>The review of internal audit, by external audit (Ernst &amp; Young) includes a review of the reporting mechanism at member level for audit reports – which includes an action plan for any identified improvements.</p> <p>Annual Performance and Provisional Budget Outturn Report 2014-15 Cabinet June 2015</p>
5.6	Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	<p>Consultations going through the Council <a href="http://www.newforest.gov.uk/index.cfm?articleid=9538">http://www.newforest.gov.uk/index.cfm?articleid=9538</a></p> <p>Delivering for our Communities (The Councils Corporate Plan 2012-2016) <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a></p> <p>Community Engagement, through Leaders Portfolio <a href="http://www.newforest.gov.uk/index.cfm?articleid=12097">http://www.newforest.gov.uk/index.cfm?articleid=12097</a></p> <p>Equality and Diversity <a href="http://www.newforest.gov.uk/index.cfm?articleid=2665">http://www.newforest.gov.uk/index.cfm?articleid=2665</a></p> <p>Approach to Equalities currently under review with Task and Finish Member group.</p>
5.7	Ensure that career structures are in place for members and officers to	Workforce Strategy (HR)

No.	The code should reflect the requirement for local authorities to:	Evidence
	encourage participation and development	Workforce Planning (HR) Service Action Plans

## 6. Engaging with local people and other stakeholders to ensure robust public accountability

No.	The code should reflect the requirement for local authorities to:	Evidence
6.1	Make clear to themselves, all staff and the community to whom they are accountable and for what. Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	Constitution - The Constitution sets out accountability <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>  Delivering for our Communities (The Councils Corporate Plan 2012-2016) <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a>
6.2	Produce an annual report on the activity of the scrutiny function	Report of the Review Panels 2014/15 <a href="http://modern:9070/documents/s430/Annual%20Report%20of%20Scrutiny%20Panels.pdf">http://modern:9070/documents/s430/Annual%20Report%20of%20Scrutiny%20Panels.pdf</a>  Constitution – Review Panels <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>
6.3	Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively: Hold meetings in public unless there are good reasons for confidentiality Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Agendas and Minutes on Website <a href="http://www.newforest.gov.uk/index.cfm?articleid=615&amp;articleaction=ctte">http://www.newforest.gov.uk/index.cfm?articleid=615&amp;articleaction=ctte</a>  Community Engagement  Member Briefings  Formal report formats, avoiding confidentiality where possible
6.4	Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	Consultation – Policy & Guidance (ForestNet)  Community Engagement
6.5	On an annual basis publish a performance plan giving information	Delivering for our Communities (The Councils Corporate Plan 2012-2016)



No.	The code should reflect the requirement for local authorities to:	Evidence
	on the authority's vision, strategy, plans and financial statements as well as information about it's outcomes, achievements and the satisfaction of service users in the previous period	<a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a> Annual Report 2014/15 Annual Performance and Provisional Budget Outturn Report 2014/15 Cabinet June 2015
6.6	Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Constitution arrangement re management and operation of formal council meetings <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a> Delivering for our Communities (The Councils Corporate Plan 2012-2016) <a href="http://www.newforest.gov.uk/index.cfm?articleid=12103">http://www.newforest.gov.uk/index.cfm?articleid=12103</a> Constitution – Standards <a href="http://www.newforest.gov.uk/index.cfm?articleid=8681">http://www.newforest.gov.uk/index.cfm?articleid=8681</a> Financial Regulations <a href="http://www.newforest.gov.uk/media/adobe/q/0/chapter_25.pdf">http://www.newforest.gov.uk/media/adobe/q/0/chapter_25.pdf</a> Website containing all information, agendas and minutes. Service Equality Impact Assessments Equalities Standard Accreditation Approach to Equalities currently under review with Task and Finish Member group.
6.7	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Reports showing employee side and staff consultation comments (intranet) Consultations going through the Council <a href="http://www.newforest.gov.uk/index.cfm?articleid=9538">http://www.newforest.gov.uk/index.cfm?articleid=9538</a> EMT briefings to all staff

## Follow up to Actions Arising from the Local Code of Good Governance Review 2013/14

Topic	Action	Responsible Officer	Deadline	Follow Up as at 31.3.15
Service Reviews	To review the existing service review actions and progress and update accordingly	Executive Management Team with all Heads of Service	30 <sup>th</sup> September 2014	Service Reviews have continued to be undertaken and reviews of council activity will remain a key element of the Council's "Fit for Future" programme.
Housekeeping of Constitution	To ensure post titles and details of policies contained within the Constitution are up to date	All Heads of Service in liaison with the Head of Legal and Democratic Services	31 <sup>st</sup> March 2015	Substantially complete. Updates are ongoing
Financial Regulations	To review and update Financial Regulations. To also link in comments from the Employee Working Groups.	Executive Director (S151) in consultation with the Head of Legal and Democratic Services, following review at HoS	31 <sup>st</sup> March 2015	In progress

## Actions Arising from the Good Governance Review 2014/15

Topic	Action	Responsible Officer	Deadline
New Local Code/ Framework	<p>To further review the detail of the International Framework: Good Governance in the Public Sector and any further related CIPFA / SOLACE publications in order to improve the Council's Local Code of Good Governance.</p> <p>Following adoption the Local Code should be used to undertake a full governance review.</p> <p>The Local Code should be communicated appropriately to all Members and Officers once adopted.</p>	Executive Director (S151) Head of Legal and Democratic Services (Monitoring Officer) Internal Audit Manager	31.3.16  (subject to CIPFA/SOLACE publication date)
Financial Regulations	<p>To review and update Financial Regulations.</p> <p>To also link in comments from the Employee Working Groups.</p>	Executive Director (S151) in consultation with the Head of Legal and Democratic Services, following review at HoS	

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**EXECUTIVE MANAGEMENT TEAM – 2 JUNE 2015**  
**AUDIT COMMITTEE – 26 JUNE 2015**

## **ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2014/15**

### **1.0 INTRODUCTION:**

- 1.1 The purpose of this report is to provide the Internal Auditors' opinion on the adequacy and effectiveness of the control environment and to review the effectiveness of Internal Audit.
- 1.2 This report is produced in compliance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter, which requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the control environment.
- 1.3 The Accounts and Audit (England) Regulations 2011, requires that a "relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems". Regulation 6 specifically requires organisation to annually review the effectiveness of Internal Audit.
- 1.4 The key areas of this report are;
  - 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.
  - Any other matters that should be considered for inclusion within the Annual Governance Statement
  - The performance and effectiveness of Internal Audit
  - Conformance against the PSIAS

### **2. ANNUAL AUDIT OPINION**

- 2.1 Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes over a four year period, although in practice the risk based audit plan is reviewed quarterly with changes (due to new or emerging risks) agreed with the Section 151 officer and Audit Committee during the year. Audit cannot review every decision and every transaction within the council therefore the opinion cannot provide absolute assurance.
- 2.2 The opinion concludes on the overall adequacy and effectiveness of the Councils' framework of governance, risk management and control.
- 2.3 Based on the work undertaken by Internal Audit during 2014/15, it is the opinion of the Internal Audit Manager that:
  - Arrangements are in place to ensure there is an adequate and effective control environment
  - Overall systems for managing risks, complying with governance requirements and having good internal control arrangements continue to be effective. Agreed policies and regulations have been complied with in the majority cases.
- 2.4 The outcomes this year have resulted in fewer audits with limited assurance than in previous years with the majority of high priority recommendations completed within agreed deadlines. It is concluded that managers are aware of the importance of maintaining internal controls, managing risk and complying with Governance requirements.

2.5 Arrangements are in place to deter and detect fraud although further improvements must be made. The audit team is currently undertaking a self assessment against a new Counter Fraud Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is recommended that an action is included within the Annual Governance Statement as the Council is not currently fully compliant with the code. Time has been allocated during 2015/16 to undertake work in this area.

2.6 **Appendix 1** details the results of all completed audits undertaken during 2014/15. The table below summarises the results for 2014/15 and a comparison to 2013/14;

<b>Assurance Level</b>	<b>Number of Audits in 2013/14</b>	<b>Number of Audits in 2014/15</b>
Substantial	1	1
Reasonable	17	17
Limited	6	5
None	None	None
Not Finalised	0	1 (Payroll)
Audits not started	2	0

2.7 Progress to implement high priority recommendations are monitored and any uncompleted recommendations are reported to Audit Committee. As at 2<sup>nd</sup> June 2015 the following were in progress;

- Payment Card Industry Data Security Standards (PCI DSS) compliance  
Action being taken: ICT Security has procured a Qualified Assessor to support the Council in achieving its PCI DSS compliance. The first support day is planned for the 16<sup>th</sup> June 2015. This area will continue to be supported by Internal Audit.
- Community Grants  
Recommendations made included a lack of a procedure manual and evidence held to support approved claims.  
Action: This area will be audited during 15/16 to assess progress.
- Building Control  
It was recommended that the service reconcile the income recorded on the building control system to the general ledger to ensure all income is accurately posted.  
Action: The service is requesting assistance from ICT to provide system reports to help facilitate the process. This area will be audited during 15/16 to verify progress made.
- Asset Management  
It was recommended that the service undertake a reconciliation to ensure all expected leases had been charged and that the charges had been raised correctly.  
Action: The service is awaiting a system upgrade to help facilitate the process. This area will be audited during 15/16 to verify progress made.

2.8 All other recommendations are completed or substantially completed and no longer pose a high risk to the achievement of objectives.

2.8.1 One audit was not fully completed within the year; payroll. The audit will be completed and the outcome shared with the Audit Committee and External Auditor. Resources which were allocated to this assignment were redirected to support management on higher risk areas, there is no therefore no concerns to report with the testing completed to date.

2.9 Audit outcomes have confirmed that there remains the requirement to update Financial Regulations. It is recommended that this item also be considered for inclusion within the Annual Governance Statement.

- 2.10 Data security and the risk of Cyber threats are regarded by Internal Audit as one of the highest risks that the Council will face in future. During the year the IT Service maintained their PSN (Public Sector Network) accreditation which provided positive assurance to Internal Audit. This third party assurance has been taken into account when forming the annual opinion. Legal services also maintained their Lexcel accreditation. No other third party assurances have been used.
- 2.11 **Appendix 3** details for Committee the work undertaken against the Assurance Framework (wider controls environment).

### 3 SUMMARY OF AUDIT WORK AND PERFORMANCE

#### Resources

- 3.1 At the 31<sup>st</sup> March 2015, 6 FTEs (6.5 FTE as 1.4.13) were employed within the Internal Audit team. The audit plan for 2014/15 included time allowance for the Internal Audit Manager to spend 50% (0.5 FTE) of their time working with partners as well as shared resource of the specialist ICT Auditor (0.5 FTE).
- 3.2 The reduction of time available to the team was due to one member of the team requesting part time hours.
- 3.3 One of the benefits of partnership working is the ability of jointly funding skilled specialist auditors, such IT Auditors and qualified fraud investigators.
- 3.4 The table below provides a summary of the internal audit budget for 2014/15. A modest underspend was achieved;

Title	Actual (£)
Employee salaries, travelling and training costs	225,296
Supplies and Service costs (excludes internal recharges)	1,468
Total costs	226,764
Income earnings	57,118
Cost of the service	169,646

In addition to the internal audit budget above, the team also undertook work on behalf of the external auditor, creating an estimated reduction in fees of £30,000.

- 3.5 The Internal Audit Manager was content that there was adequate resources and skills within the audit team to deliver an effective service for New Forest District Council whilst maintaining a modest salary budget saving and independence.

#### Audits Outcomes

- 3.6 The work of the Internal Audit section is managed through a risk based assessment of a four year Strategic Plan drawing down an annual Operational (Tactical) Plan for the financial year under review. The annual plan is however reviewed and updated at least quarterly dependant on the identification of new risks.

- 3.7 **Appendix 1** details the opinion provided on each audit with a summary of the number of recommendations made. These results have been shared with the Section 151 Officer, Executive Management Team and Audit Committee throughout the year. It is confirmed that all of the fundamental system audits were completed, although one (Payroll) has yet to finalised with the service.
- 3.8 Recommendations made as a result of the audit review, (graded as high, medium or low priorities in relation to controls or as an opportunity to improve the efficiency or effectiveness of the process) and recorded in action plans which are discussed and agreed with service managers. Internal Audit monitors implementation of recommendations against agreed target dates. Any overdue high priority recommendations are reported to Executive Management Team and Audit Committee as detailed above.

### **Additional Audit Work**

- 3.9 Auditors have also worked with Senior Management (**Appendix 2**);
- to help develop more efficient systems and savings (i.e. banking and cash in transit)
  - on corporate projects to help meet Council objectives. (i.e. Housing and Building Works)
  - in developing improved policies and ways of working (i.e. Contract Projects delivering new Contract and Procurement Strategies, Policies and Procedures)
  - providing extensive advice and consultancy support in relation to compliance with key Council policies
  - as well as additional work to support the Section 151 Officer as required
- 3.10 Internal Audit also undertakes further activities such assessing the risk of fraud in its planning and reviewing and recommending improvement to related fraud policies and undertaking fraud investigations.
- 3.11 The fraud policies were all reviewed and updated during 2013/14 however there is now a requirement to update the ICT Security Policy to contain more detail on Cyber Security Arrangements. An online training package has been rolled out and is available to all officers and Members. Further improvements are planned on the Councils fraud web page to provide alternative ways to report a fraud.
- 3.12 The audit service also undertook work in relation to the completion of the annual Fraud Survey.
- 3.13 There were 3 fraud cases (9 in 2013/14) referred to Internal Audit. (Separate fraud cases in respect of Benefit were referred to and investigated by a dedicated Investigations team until October 2014 at which point officers were transferred to the Department of Work and Pensions (DWP) The single fraud service at the DWP are responsible for investigating these frauds in future).

### **Working with Partners and Other Inspection Agencies**

- 3.14 To avoid the duplication of work and to improve the effectiveness and efficiency of audit, Internal Audit discusses planned work with the external auditor. The team carried out all of the Benefit Subsidy grant work during 2014/15, resulting in improved skills within the team but also a significant saving in external audit fees. This arrangement will continue into 2015/16 with all workbooks being undertaken by Internal Audit.
- 3.15 The internal audit team continues to act as the internal auditor for the New Forest National Park Authority. This work is undertaken under a Service Level Agreement (SLA) for an agreed sum.



- 3.16 Internal Audit also acted as the Internal Auditor for two Town Councils within the District boundaries during 2014/15. This work is completed for a small fee and will continue into 2015/16.
- 3.17 As referred to in paragraph 3.1 the Internal Audit Manager has successfully provided a Management role to four district councils for an agreed fee under an SLA. Further collaborative work during 14/15 was undertaken with the Borough of Poole (Revenues and Benefits audit for the Stour Valley and Poole Partnership). From 1<sup>st</sup> July 2015, the Council will no longer provide an internal audit management service to North Dorset District Council (NDDC), as this NDDC is entering into a new tri council partnership.

### Summary of All Work Delivered

- 3.18 23 of the 24 audits were undertaken within the year, a completion rate of 96% against a target of 85%.
- 3.19 All partner agreements were completed in full.

### Maintaining Performance and Standards

- 3.20 Auditor's performance is maintained through for example; independent management review of each audit, through annual appraisals (in line with Council policy), through ongoing training and through review of sickness records and attendance at joint Internal Audit Groups.
- 3.21 After each audit a post audit questionnaire is issued asking managers to assess different areas of the performance of the audit and rank their scores from 'completely agree/satisfied' (5) to 'totally disagree/dissatisfied' (1). There was a poor response rate, with only eight questionnaires returned. Each questionnaire contains 10 questions. Of the 8 individual responses;

Rating Score	Number Received
4 & 5 (Good and Totally Satisfied)	77
3 (Average)	3
2 (Not satisfied)	None
1 (Poor and Totally Dissatisfied)	None

It is important to improve the return rate to provide the Internal Audit Manager with more feedback on auditor performance.

- 3.22 In undertaking all audit reviews our officers have acted independently, objectively and ethically at all times. Each Auditor has signed up to an additional declaration to confirm they will remain independent. Any potential conflicts of Interest are reported to the Internal Audit Manager.
- 3.23 Through internal self assessment it is considered by the Internal Audit Manager that all the basic standards with the Public Sector Internal Audit Standards have been achieved. There are however areas where the Internal Audit Manager would like to make further improvements and has therefore generated an action plan for improvement as detailed in **Appendix 4**.

## 4 EFFECTIVENESS OF INTERNAL AUDIT

- 4.1 The Accounts and Audit (England) Regulations 2011 require organisations to annually review the effectiveness of Internal Audit. In order to determine the effectiveness of Internal Audit, Members need to consider the contents of this Auditor's Annual Report.

## **5. ACKNOWLEDGEMENT**

5.1 The Auditors would like to thank all the staff involved for the help and co-operation that they have given during the course of the audit reviews.

## **6.0 FINANCIAL IMPLICATIONS:**

6.1 There are no financial consequences arising directly from this report, although a robust internal audit function helps to protect the Council from financial loss.

## **7.0 EQUALITY & DIVERSITY AND ENVIRONMENTAL MATTERS:**

7.1 No equality and diversity or environmental matters are associated with this report.

## **8.0 CRIME & DISORDER IMPLICATIONS:**

8.1 The service has responsibility for the prevention and detection of fraud but there are no direct crime and disorder implications arising from this report.

## **9.0 RECOMMENDATIONS:**

9.1 To consider the annual report and opinion and the level of assurance it can give over the adequacy of Council's internal control, risk management and governance systems.

9.2 To consider the effectiveness of the internal audit function in line with the Accounts and Audit Regulations 2011.

### *For Further Information Contact:*

Lucinda Upton – Internal Audit Manager

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Email: [lucinda.upton@nfdc.gov.uk](mailto:lucinda.upton@nfdc.gov.uk)

### *Background Papers:*

Audit Plan 2014/15 (Audit Committee March 2014)

Audit / Service Area	Status	Assurance level	Number of Recommendations			
			High	Medium	Low	VFM
<b>EMT</b>						
Treasury Management	Completed	Reasonable	0	2	0	1
Main Accounting System inc bank reconciliation	Completed	Reasonable	0	6	1	2
Governance	Completed	Reasonable	1	2	0	1
<b>HOUSING &amp; CUSTOMER SERVICES</b>						
Business Rates	Completed	Reasonable	0	5	2	1
Council Tax	Completed	Reasonable	0	6	1	1
Accounts Receivable	Completed	Reasonable	0	7	1	0
Benefits & Fraud Investigation	Completed	Reasonable	1	4	1	0
Disability Facility Grants / Home Improvements	Completed	Reasonable	3	3	0	0
Income	Completed	Limited	0	13	3	1
Landlord services (rents)	Completed	Limited	3	3	4	0
<b>PUBLIC HEALTH &amp; COMMUNITY SAFETY</b>						
Community Alarme / Lifelines (from 13/14)	Completed	Reasonable	0	4	2	6
CCTV	Completed	Reasonable	0	4	6	4
<b>IT SERVICES</b>						
IT Audit	Completed	Reasonable	0	To Be Agreed		
<b>HUMAN RESOURCES</b>						
Payroll (inc NFNPA testing)	Draft					
<b>PLANNING &amp; TRANSPORTATION</b>						
CIL (brought forward from 2013/14)	Completed	Substantial	0	1	0	0
<b>ENVIRONMENT SERVICES</b>						
Domestic Refuse, Commerical Waste and Recyclng	Completed	Reasonable	0	11	1	12
Parking	Completed	Limited	3	3	3	5
Keyhaven River, Moorings and Dinghy Park	Completed	Limited	5	8	1	4
<b>PROPERTY SERVICES</b>						
Accounts Payable	Completed	Reasonable	0	6	4	3
Procurement/Contract Management	Completed	Reasonable	1	0	1	0
Asset Management	Completed	Limited	To Be Agreed			
<b>LEISURE &amp; EMPLOYMENT</b>						
Tourism	Completed	Reasonable	0	2	0	0
Economic Development & Partnerships	Completed	Reasonable	1	3	0	0
Health & Leisure Centres	Completed	Reasonable	1	16	1	10
<b>OTHER</b>						
Subsidy Testing	Completed	See External Auditors Grant Certification				
Leader Programme (on 3rd party behalf)	Completed	Completed with Leader team				
Safeguarding	Completed	No public report issued. Time used for DHR as agreed with CEO. Recommendations made				
Contracts and Procurement	Completed	Supported the Council in the preparation of new policy, templates and training sessions				
Affordable Housing	Completed	Support Corporate Team. Provided recommendations on transparency and decision making process				
Building Works - Reactive	Completed	This is linked to a project which is ongoing into 2014/15.				

During Quarter one, both Town Council audits were also completed. This equated to 11 days of work for a fee. During Quarter two and three, audit time also provided to NFNPA. Result of these audits are not provided to NFDC.

**Approved amendments to the audit plan during the year**

**Removed**

Health and Safety, included for 15/16

Environmental Health - Pollution as received external audit

Elections. Time provided to support the preparation of May 15 election. Full audit planned for 15/16

Audit Work	Comment
<b>Advice and Liaison</b>	
Ernst & Young (External Audit)	Ongoing liaison throughout the year
Authorised Signatories	Ongoing - providing advice for managers
Contracts Advice	Ongoing - providing advice for managers.
Waivers	Ongoing - providing advice for managers and EMT. Report for 2014/15 presented to Audit Committee in June 2015.
Financial Regulations	Ongoing - providing advice for managers.
<b>Projects/Policy Review</b>	
Financial Regulations	Work in progress - recommendation in AGS.
Corporate Projects (inc Housing and Reactive Works)	Part of Housing review team. Project for purchase of contractor system (Building Works)
<b>Fraud/ Investigation Related</b>	
Investigations	Internal Audit will investigate all reported cases - no serious cases to report at this time
Annual Fraud Survey	Completed
Banking - Irregularities and general H&L queries	Nothing to report to Committee as a significant concern at this time.
Fraud Training	New e-learning module in place and rolled out
Policy review	Completed identified need for a cyber security policy
NFI overview	Submitted date. Also involved in free pilots for housing tenancy waiting list and council tax reduction
<b>Party Contracts</b>	
Down Council - Audit 1	Completed
Down Council - Audit 2	Completed
NFNPA	Completed
Dorset partners	Completed
<b>Other</b>	
Audit Management (inc Performance Management, Planning, Supervision/signing off of audits, Meeting and Committee attendance, annual reporting, liaison with external audit etc) and Team training and development, office routine, meetings and Contingency	

## ASSURANCE FRAMEWORK

<b>Assurance</b>	<b>Internal Audit Assurance Work</b>
Internal Audit Reports	Sufficient coverage undertaken, including all fundamental systems and across all service heads. Details provided within Appendix 1 (records opinion of each audit and number of recommendations) Additional non assurance work undertaken, such as supporting Senior Management in key projects. No serious fraud investigations undertaken resulting in prosecutions. Participated in NFI. Fraud policies reviewed and updated although further development of counter fraud measure are required.
Asset Management	Asset Management audit has been completed during the year. High priority recommendations have been made including one that has been made again. This relates to the reconciliation of expected rentals/leases to those actually charged.
Financial Management	Budget monitoring is within the main accounting audit scope. No significant issues identified. Financial Regulations must be reviewed, recommended in AGS. Financial Reports provided to Members during the year. Medium Term Financial Plans in place.
Performance Management	There was performance indicator testing carried out within creditors, Council Tax and Benefits audits with no significant concerns raised. Exception reporting in place for all agreed performance indicators.
Business Continuity	Very little testing carried out in this area during 2014/15. There was however a direct link to Disaster recovery within the ICT audit. 2015/16 to improve coverage of this assurance source, for example requesting sight of up to date plans for each head of service during the year.
Health and Safety	Linked to procurement project work Covered lone working within Revenues, Benefits, and Parking testing. Wider issues covered within Refuse audit and Moorings audit. Linked to H&S of tenants in Community Alarm audit. Full audit planned for 15/16.
Corporate Governance	Heads of Service are required to provide assurance statements. Local Code review in place which included recommendations made by the Monitoring Officer. Council minutes in place. Annual complaints report is produced. AGS approved by Section 151 Officer with findings from Internal Audit included. Mid year review undertaken on progress made on last years recommendations.
Information Governance	Coverage within the CCTV audit specifically Data Protection included within all audits where relevant Security of applications tested Physical storage of data assets tested. Accuracy and timeliness of data considered (impact on decisions)
Risk Management	The corporate risk register reported to Audit Committee. Services consider risks in relation to service plans. No separate audit has been undertaken although risk is included within the risk assessment of each audit. This is an area that will be developed further during 2015/16.
HR/Recruitment etc	Starters testing undertaken in payroll audit (annual test). HR included within the risk assessment of all audits.

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**PSIAS Conformance Action Plan 2015**

Ref	Conformance with the Standard	Yes	Partial	No	Evidence
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	Y			In annual governance review all staff confirmed. <b>Action: to add reference to standards in annual declaration</b>
	e) Board approves decisions relating to the appointment and removal of the CAE			Y	This is the decision of the Executive Director (S151) and would be reported to CEO and Audit Committee. <b>No planned changes to this. In action plan for information only</b>
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?		Y		This process is undertaken by the Executive Director (S151). In forming a review EMT, HoS and partners have an opportunity to comment. Dorset partners have been given the opportunity and provided verbal updates. Not formally undertaken by the CEO however.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?		Y		Not formally undertaken, but concerns of the Audit Committee could be reported to CEO and Executive

Ref	Conformance with the Standard	Yes	Partial	No	Evidence
					Director (S151).
<b>LGAN</b>	Have internal auditors complied with the Bribery Act 2010?	Y			As per council policy and declarations. <b>Action: ensure staff undertake new on line training.</b>
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?		Y		Will be led by NFDC Senior Auditor - qualified NVQ Investigators Practice. <b>Action: Training schedule to be extended following the self assessment against the code.</b>
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Y			IT Auditor now in place, <b>however opportunity to further improve team learning as technology changes at a fast pace.</b>
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Y			However additions could be made by Audit Committee
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?		Y		Doesn't contain final decision on external assessment yet. This is an



Ref	Conformance with the Standard	Yes	Partial	No	Evidence
					action. Due within 4 years. Looking to have a review first, then have formal assessment completed. Looking to find consortium of similar bodies who are independent. If not got contacts of independents
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	Y			Used strategic risk register, <b>however improvement can be made to formally demonstrate the risk maturity level</b>
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y			Manual – <b>although needs updating to take into account the improvements identified from this review</b>
<b>LGAN</b>	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.		Y		<b>Opportunity to improve as above</b>
<b>LGAN</b>	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?		Y		<b>Needs to be done more regularly</b>
	Has the internal audit activity evaluated the:				

Ref	Conformance with the Standard	Yes	Partial	No	Evidence
	a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?		Y		<b>Need to undertake further reviews in this area</b>

Progress will be reported back to Audit Committee by January 2016.

## AUDIT COMMITTEE – 26 JUNE 2015

### DRAFT AUDIT COMMITTEE ANNUAL REPORT - 2014/15 – REPORT TO COUNCIL

#### PURPOSE OF THE REPORT

The purpose of this report is to summarise the work carried out by the Audit Committee during the 2014/15 Municipal year.

#### BACKGROUND

The role of the Audit Committee, which was created in 2012, is to provide assurance regarding best practice in the provision of effective corporate governance arrangements.

The Chartered Institute of Public Finance and Accountancy good practice recommends that an annual report is produced setting out the work that the Audit Committee has undertaken during the preceding year. This is the first of such reports.

#### MEMBERSHIP

The Membership of the Panel has changed slightly following the elections, and is as follows:

Cllr A O'Sullivan (Chairman)  
Cllr J G Ward (Vice-Chairman)  
Cllr W G Andrews  
Cllr M R Harris  
Cllr J D Heron  
Cllr Mrs E L Lane  
Cllr R A Wappet  
Cllr C A Wise

#### WHAT DOES THE AUDIT COMMITTEE DO?

The terms of reference of the Audit Committee can be found in Annex 1 to Chapter 13 of the Council's constitution, and at the following link :

<http://www.nfdc.gov.uk/CHttpHandler.ashx?id=17902&p=0>

The Committee meets four times per year in June, September, January and March. In summary, the Committee's purview in the main includes the following elements:

- **Annual Financial Report (Statement of Accounts)**
- **Governance Reports**
- **Internal and External audit activity**
- **Treasury Management**
- **Procurement**
- **Risk Management**
- **Regulatory Framework**
- **Write offs**
- **Counter Fraud**

These are dealt with in more detail later in the report.

## **HOW IS THE COMMITTEE SUPPORTED?**

### **INTERNAL AUDIT**

The Council's Internal Audit function is headed by Lucinda Upton (Internal Audit Manager) who oversees a team of six auditors. The team also provides audit services for partners including the New Forest National Park and two Town Councils and a management service to East Dorset and Christchurch Councils, Purbeck District Council and North Dorset District Council. The Internal Audit Manager reports to the Section 151 Officer, Bob Jackson (Executive Director) and has access to the Chief Executive and the Chair of Audit Committee.

### **EXTERNAL AUDIT**

Following the recent abolition of the Audit Commission, the External Audit Function is now carried out by Ernst and Young, a multinational professional services firm. Mrs Helen Thompson and Mrs Justine Thorpe are the local Ernst and Young contacts.

## **ACTIVITY OVER THE PAST YEAR**

### **Annual Financial Report (Statement of Accounts) 2013/14**

Perhaps the Committee's most important task is to consider the Annual Financial Report (Statement of Accounts). The Council is required to publish an Annual Financial Report, which shows how money was spent in each financial year. This is a lengthy detailed document including:

The accounts for 2013/14 comprise the following statements:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account (HRA) Income and Expenditure Statement
- Collection Fund
- General Fund
- Housing Revenue Account

The Committee's role is to consider and approve the Statement of Accounts as a true and fair view of the Council's position. The External Auditor confirmed that the Council had a "clean bill of health" (unqualified opinion) on the Statement of Accounts and for its Value for Money Conclusion.

The Committee were satisfied with the Financial Statement, and in approving it, supported the letter of representation being signed by the Chairman of the Committee and the Section 151 Officer.

### **Annual Governance Statement (AGS) 2013/14**

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 draft AGS 2013/14 was approved by the Audit Committee in June 2014 and provided to the external auditors for review. Members were reminded of the section in the External Auditor's report concerning the Council's Annual Governance Statement, which confirmed that:

- It complied with the requirements of the CIPFA / SOLACE Delivering Good Governance in Local Government framework; and
- It was consistent with other information that the External Auditor was aware of from their audit of the financial statement.

Members were satisfied with the Annual Governance Statement and indicated their support to it being signed by the Leader of the Council and the Chief Executive as the Head of Paid Service. The Annual Governance Statement 2013/14 is published on the Council's website, ensuring ease of access.

## **ASSURANCES**

To enable the Committee to agree the Statement of Accounts and the AGS (above), the following assurances were provided to the Committee during the year, as set out below:

### **Assurances Provided by the Internal Auditor**

#### **1. Internal Audit - Progress Reports Against the Approved risk based Audit Plan**

The Committee received reports at every meeting detailing progress against the internal audit plan. Issues highlighted throughout the year included:-

- Partnership working on fraud initiatives
- Collaborative Bank and insurance procurement initiatives
- Work to comply with new procurement regulations
- Audit activities and levels of assurance for various areas
- Progress on high priority recommendations

#### **2. Annual Internal Auditor's Opinion Report 2013/14**

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)

Based on the work undertaken by Internal Audit during 2013/14 the Committee supported 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.

The Committee confirmed 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.

### **3. Internal Audit Charter, Assurance Framework and Internal Audit Plan 2015/16**

The Committee considered the Internal Audit Charter, Assurance Framework and Internal Audit Plan for 2015/16. The Internal Audit Manager explained that additional resources were being allocated for fraud and transformational projects in the forthcoming year.

### **4. Review of the Local Code of Good Governance – Annual Report of the Monitoring Officer and Internal Audit Manager 2013/14**

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

Members supported 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.

## **Assurances Provided by the External Auditor**

### **1. External Audit Plan 2013/14**

The Committee received 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

Regular progress reports were received by the Committee.

### **2. External Audit Progress Report 2014.**

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

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.

### **3. Local Government Audit Committee Briefing**

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

### **4. Certification of Claims and Returns Annual Report 2013/14**

The Committee received 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.

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.

### **5. Audit Results Report 2013/14 (External Auditor)**

The Committee noted the External Auditor's results report for 2013/14. This included:

- Financial statements
- Value for money
- Whole of Government accounts
- Audit Certificate

The report set out the results of the Audit and included audit risks and assurances against these. The External Auditors were able to give an unqualified opinion of the accounts and value for money statement. There were no objections from members of the public. No issues had been identified for arrangements for financial resilience and the authority was undertaking longer term financial planning.

### **6. External Auditor's Annual Audit Letter**

The Committee received 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.

## **Other Assurances**

### **1. Treasury Management Strategy Annual Outturn and Monitoring**

The Committee received 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.

Although 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 in March 2014.

The Executive Director (Finance) felt that the new arrangements overseen by Hampshire County Council had resulted in a greater diversity of investment opportunities and better rates of return as well as better security of the District Council's funds and more favourable long-term opportunities. It was noted that Winchester City Council would be joining the Hampshire County Council investment arrangements shortly, in the same way that New Forest District Council had.

NFDC's investment holding was £55.4m at 31 August 2014, which was over £12.9m (30%) higher than the same time last year.

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.

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.

## **2. Final Accounts 2013/14 Bad Debts Write Off**

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. Write-offs in any financial year often refer 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.

The Committee would continue to monitor this issue with regular reports.

## **3. Procurement Rules, Regulations and Contracts Standing Orders – Waivers 2013/14**

The Committee agreed the waivers to the Council's procurement rules, regulations and contract standing orders be approved during the financial year 2013/14.

## **4. Banking Contract Update**

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 reports would be made to the Committee as required.



## **5. Insurance Procurement Hampshire District and Borough Councils**

Members noted progress throughout the year on a collaborative insurance procurement initiative.

The collaborative arrangements with the 11 other Hampshire authorities came to an end in March 2015, so that the contracts with Zurich ended at that time. New contracts were awarded in March 2015. NFDC's annual spend was currently £660,000. There were opportunities for the Council to realise potential savings through self-insurance, depending on the level of risk it was prepared to accept, including through the housing stock. At present the Local Government insurance market was limited, giving the previous provider, Zurich Municipal, considerable leverage on pricing. It was hoped that these collaborative arrangements would encourage other companies to come into the market and increase competition.

Members were pleased to note that this initiative had saved the Council £45,000 per annum.

## **6. Strategic Risk Register**

The Committee received a report on the revised Strategic Risk Register. The current register summarised the significant risks to the delivery of the Corporate Plan and the proposed actions of the Portfolio Holders to mitigate against these risks. A mid-year Governance follow-up report includes progress against actions arising from the Strategic Risk Register.

## **7. Regulation of Investigatory Powers Act (RIPA) – Annual Report**

The Committee receives an annual report on the Council's activities under the Regulation of Investigatory Powers Act 2000. Details were given of the constraints of the legislation and procedures. No RIPA authorisations had been sought within the Council since 2011.

## **WORK PROGRAMME**

The Committee regularly reviews its Work Programme and considers its future training requirements.

## **CONCLUSION**

In partnership with the External Auditors, and with the support of Officers, the Audit Committee has concluded it has provided robust and effective independent assurance on a wide range of risk and internal control issues, thereby making a valuable contribution to the Council's corporate governance arrangements.

The Committee was pleased to note a number of significant improvements over recent years which underline the Council's commitment to improving financial governance arrangements. Within the Annual Governance Statement are a number of recommended actions for continuous improvement which the Committee will continue to monitor.

The Council has worked with its partners on Insurance Procurement and Treasury Management, as well as collaborative work on fraud and changes to its banking arrangements. All of these measures have resulted in considerable savings and other financial and organisational benefits.

The new Committee members look forward to continuing their work over the next four years with the support of officers and external partners.

**CLLR A O'SULLIVAN**  
CHAIRMAN

**EMT – 2 JUNE 2015**  
**AUDIT COMMITTEE – 26 JUNE 2015**

## **DRAFT ANNUAL GOVERNANCE STATEMENT – 2014/15**

### **1.0 INTRODUCTION**

- 1.1 As prescribed by the Account and Audit Regulations 2011, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance framework.
- 1.2 The Leader of the Council and the Head of Paid Services (Chief Executive) are required to sign the AGS and be satisfied that the document is supported by reliable evidence. It will be published with the Statement of Accounts and provided to the External Auditor for review.

### **2.0 THE ANNUAL GOVERNANCE STATEMENT (AGS)**

- 2.1 The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, review of annual assurance statements provided by Senior Management, risk registers, any external auditor reports and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority, executive, audit/scrutiny committees and other assurance mechanisms.
- 2.3 Whilst the Council maintains high standards of governance and internal control some areas for improvement have been identified by the review process mentioned above, these have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by, and subject to a biannual progress report to, the Council's Executive Management Team and Audit Committee.
- 2.4 Whilst the AGS covers the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015, the document remains open for update until it is approved at the end of September 2015 and can make reference to any significant matter that arise.
- 2.5 The statement has been reviewed by the Executive Management team. The draft AGS for 2014/15 is attached in Appendix 1.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no financial consequences arising directly from this report.

### **4. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS**

- 4.1 There are no equalities & diversity or environmental matters associated with this report.

### **5.0 CRIME & DISORDER IMPLICATIONS**

- 5.1 There are no crime and disorder issues arising directly from this report.

## **6.0 CONCLUSIONS**

- 6.1 The Annual Governance Statement reports that the Council has sound levels of internal control and good governance arrangements.
- 6.2 The statement does identify some areas for improvement and these will be managed by the Council's Executive Management Team.

## **7.0 RECOMMENDATIONS**

- 7.1 That the Audit Committee approves the draft Annual Governance Statement for the Financial Year ended 31<sup>st</sup> March 2015 as reported in Appendix 1.

### *For Further Information Contact*

Bob Jackson  
Executive Director (S151)  
Tel: 02380 285588  
[Bob.jackson@nfdc.gov.uk](mailto:Bob.jackson@nfdc.gov.uk)

### *Background Papers*

New Code of Good Governance – 23/3/08

**THE ANNUAL GOVERNANCE STATEMENT  
NEW FOREST DISTRICT COUNCIL  
2014/15**

## **1. Scope of Responsibility**

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the Governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a code of good governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code can be found on our website: <http://www.newforest.gov.uk/committeedocs/sc/CDR03688.pdf>. This statement explains how New Forest District Council has complied with the code and also meets the requirements of regulation 4 (3) of the Accounts & Audit Regulations 2011 in relation to the publication of a statement of corporate governance.

## **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective service.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at New Forest District Council for the year ended 31 March 2015.

## **3. The Governance Framework**

The Local Code of Corporate Governance describes the Council's governance framework in relation to the six core principles below. A review of compliance against this Local Code has been reported separately, with opportunities for improvement recorded within a separate action plan.

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and

6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council's overarching vision, values and strategy for the year 2014/15 is contained in the Corporate Plan "Delivering for our Communities" which sets out what the Council aims to achieve for the period 2012 - 2016. <http://www.newforest.gov.uk/index.cfm?articleid=12103>. This plan includes a dedicated aim in relation to governance; "Maintaining strong Governance" as well as new values.

The Council has in place service action plans to deliver each of the aims of the Corporate Plan, for which responsibility is with the Heads of Service to deliver with their teams. The Executive Management Team oversees the performance and progress made against each plan.

The quality of service delivery is checked with users through regular consultation initiatives. Outputs from consultation are used to inform future service delivery.

The Council has Medium Term Financial Plan (MTFP) which sets out the Council's spending plans by each Portfolio, on a rolling basis.

The Council has also developed over the years a number of successful joint or collaborative working arrangements with the public and other agencies. This has continued into 2014/15, for example, with the New Forest National Park Authority (with regards to financial services, IT services, HR and Payroll, shared accommodation and processing of Tree Perseveration Orders) continued joint working and assets sharing arrangements at the Ringwood Gateway (which includes Hampshire County Council and Ringwood Town Council) and continued management arrangements for Internal Audit within four Dorset Councils.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers (Delegations) in respect of policy and decision-making processes. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes.

During 2014, CPFA and the International Federation of Accountants (IFAC) published the International Framework: Good Governance in the Public Sector. This framework details seven core principles. The Council has not updated its framework during the year but it has had regard to the International Framework when conducting its review. The Seven principles are set out in the diagram below:

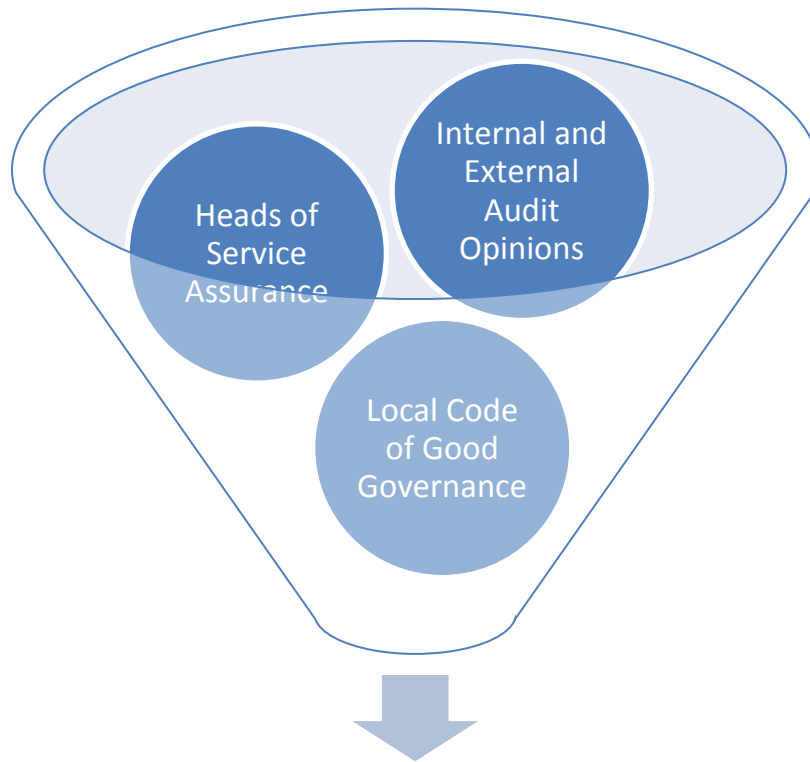
The diagram below illustrates the seven core principles contained within the International Framework.



#### 4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

## Governance Framework – Key Sources of Information



## Annual Governance Statement

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The Council has undertaken a mid year review of its governance arrangements/agreed actions as well as a year end review. The importance of maintaining strong governance arrangements is evidenced by a dedicated corporate aim. This aim and its achievements are recorded on the Council's website.

This Council has always maintained a strong internal control environment. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

The review concluded;

1. The Constitution and other Council Policies were reviewed and improvements approved including;
  - Procurement Strategy and Policy (Contract Procedure Rules)
  - Treasury Management Strategy
  - Employee Code of Conduct
2. The Council's arrangements for financial management and reporting are sound and are well documented. All proposals for expenditure and income are supported by a business case that includes links to the Corporate Plans; these are scrutinised initially by the service Portfolio Holder prior to inclusion as a formal bid to Cabinet and the Council. The planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final proposals and the council tax levels are considered and approved by the Council each year.



3. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and the Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements in place with an annual report published to Cabinet.
4. The Council's banking arrangements were tendered during the year with a number of other Local Councils. The tender process was successful resulting in an agreed new provider. The project implementation has been sound with little disruption to the public. All old accounts with the previous provider have been closed.
5. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively. Member training will be in place to induct any new members following the elections in May 2015.
6. An Executive Director has Section 151 responsibilities (Chief Finance Officer). The Head of Legal and Democratic Services is the Monitoring Officer. All committee reports are reviewed by members of the Executive Management Team, which includes the Executive Directors as well as being provided to the Head of Legal and Democratic, prior to any decisions being made. This safeguards the Council to ensure legal decisions are taken and that decisions consider the Councils' corporate priorities and risks.
7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
8. The Performance Management framework ensures strategic monitoring with a focus on national indicators and the achievement of both the *Corporate and Portfolio Plans*. Performance indicators are reviewed during the year.
9. The Audit Committee met regularly and received training. The Committee has both a forward plan and will have a training plan in place for new members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment. In accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2011. The Assurance Framework was reviewed and approved during the year. The Committee also reviews the effectiveness of the Councils' system of Internal Control and receive a statement of conformance against the Public Sector Internal Audit Standards.
10. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Executive Director's responsibilities, to maintain proper control over the Council's financial affairs as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer following consultation with the Heads of Service. The Committee has also received reports and updates from the External Auditor.
11. The Internal Audit team operates to the Standards as set out in the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year. The improvements arising from the conformance against the standards were also reviewed during the year by Audit Committee.
12. Internal Audit Managers' annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that;

- Arrangements are in place to ensure there is an adequate and effective framework of governance, risk management and control in place
- Systems and internal control arrangements continue to be effective and agreed policies and regulations have been complied with in the majority cases. There have been weaknesses identified during the year; however recommendations have been made to address these with progress of their implementation monitored. Internal Audit is content that management are implementing the required actions to strengthen controls. These actions have been taken into account whilst forming the overall opinion. Where delay of high priority audit recommendation implementation is identified these are reported regularly to Audit Committee.
- Managers are therefore aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls
- Arrangements are in place to deter and detect fraud however these need to be improved. Recommendations surrounding this are recommended for inclusion within the Annual Governance Statement Action Plan.

This Opinion report, presented to the Executive Management Team and Audit Committee further comments on the control environment against the agreed Assurance Framework.

13. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
14. Heads of Service have been asked to report any significant governance or internal control issues. No significant issues were raised.
15. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. ICT and Internal Audit are working together to develop an updated Cyber Security policy within the Councils ICT Security Policy.
16. Internal Audit has reported an adequate opinion on the overall control environment, however the following audit areas have received high priority recommendations that have not been resolved promptly; Payment Card Industry Data Security Standard Accreditation and Asset Management.

## **5. Significant Governance Issues**

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. In our conclusion we consider that governance issues can be grouped by;

- i) Elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;
- ii) Issues that the governance framework has identified and which require action in future to meet stakeholder expectations.

Under the first element there are no areas where the Council is not compliant but judgement is made that these areas have partial compliance and improvements should be made;

1. Completion of the Financial Regulations review
2. Implementation of uncompleted high priority audit recommendations
3. Improvements to Counter Fraud arrangements

The second element considers elements from the new Administration's manifesto.

Action, as detailed in the attached plan will be subject to biannual review by the Executive Management Team and Audit Committee.

## 6. CERTIFICATION

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31<sup>st</sup> March 2015 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

<i>Signed:</i>	.....	<i>Signed:</i>	.....
	<b>Leader of the Council</b>		<b>Chief Executive</b>

<i>Date:</i>	.....	<i>Date:</i>	.....
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**Annual Governance Statement 2014/15 Action Plan**

<b>Topic</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Deadline</b>
Financial Regulations	To review and update Financial Regulations.	Executive Director (S151) in consultation with the Head of Legal and Democratic Services	31.3.16
Uncompleted high priority audit recommendations	To action uncompleted audit recommendations	Head of Service	30.9.15
Counter Fraud	To complete the self assessment against the CIPFA Counter Fraud Code of Practice and implement actions arising	Executive Director (S151) with Internal Audit Manager	31.3.16
Delivery of Manifesto	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	Heads of Service	31.3.16

Councillor A O'Sullivan  
Audit Committee Chairman  
New Forest District Council  
Appletree Court  
Beaulieu Road  
Lyndhurst  
SO43 7PA

9 March 2015

Ref: NFDC/TCWG/15

Direct line: 02380382099

Email: hthompson2@uk.ey.com

Dear Councillor O'Sullivan

## **Understanding how the Audit Committee gains assurance from management**

Auditing standards require us to formally update our understanding of your management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

1. How does the Audit Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:
  - ▶ undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
  - ▶ identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
  - ▶ communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Authority code of conduct);
  - ▶ encouraging employees to report their concerns about fraud; and
  - ▶ communicating to you the processes for identifying and responding to fraud or error?
2. How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
3. Is the Committee aware of any:
  - ▶ breaches of, or deficiencies in, internal control; and
  - ▶ actual, suspected or alleged frauds during 2014/15?
4. Is the Committee aware any organisational or management pressure to meet financial or operating targets?

5. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2014/15?
6. Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?
7. How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Yours sincerely

Helen Thompson  
Director  
For and behalf of Ernst & Young LLP  
United Kingdom

Helen Thompson  
Director  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
Hampshire  
SO14 3QB

26<sup>th</sup> June 2015

Dear Helen

### **Understanding how the Audit Committee gains assurance from management**

The Audit Committee oversees management processes for identifying and reporting the risk of fraud or error and possible breaches of internal control within the Council. In response to your questions;

1) In line with the Committee's Terms of Reference this oversight is achieved through receiving and appraising reports as to the effectiveness of internal control arrangements, through internal and external audits' annual audit report and opinion, the risk scored audit plan and annual governance review, through assessing the Financial Statements and reviewing the Annual Governance Statement. Audit progress reports are presented by the Internal Audit Manager throughout the year.

The Committee is not aware of any significant risks facing the Council which might have an effect on the 2014/15 financial statements or of the likelihood of those risks occurring, which are not already recorded within your Audit Plan report.

The Council maintains within its Constitution Codes of Conduct for Officers and Members, as well as the relationship between the Leader the Chief Executive. The Constitution is regularly updated and as part of the AGS action plan for 2014/15 received a further update. The Council also developed a campaign during the year; "RESPECT", as a result of findings from the employee survey. This campaign addresses expected behaviours across the Council. In addition the Committee is aware of the HR induction process. Internal Audit has carried out reviews of Officer awareness of these codes.

Internal Audit identified that some areas of the Council were not familiar with the Whistleblowing policy and other fraud related policies. As a result a new e-learning package has been developed and made available to all officers and Councillors, a new incident reporting tool is on the Council's intranet page, and for those officers who do not use computers, internal audit has attended service days to raise awareness of Whistleblowing and ways to report a fraud. Internal Audit, Management and this Committee are fully supportive of further development of the Council's fraud prevention and detection arrangements and have approved additional time within the 2015/16 risk based audit plan to ensure this can be achieved.

Any significant issues on key financial system controls are reported to the Committee by Internal Audit. The Committee receives details on reports such as the Accounts Payable system and the weaknesses identified with updates to the implementation of recommendations made. This was area of concern during 2014/15 due to access rights within the system, which has since been resolved.

The Committee receives the Internal Audit annual report which includes the Internal Audit Manager's opinion on the adequacy and effectiveness of the Council's control environment.

2) Management processes and internal controls are reviewed by both Internal and External Audit. These professional opinions together with any breaches are reported to Committee.

3) No significant breaches of internal control have been reported to Committee which aren't being addressed by management.

The Committee receives progress reports from the Internal Audit Manager, where assurance opinions are provided together with the number of recommendations made in each audit. If high priority recommendations are not agreed, or if there is an overdue high priority recommendation, then the details are reported to Committee. The Committee can request a copy of any Internal Audit report, or request additional information from the Audit team if required.

There have been a number of high priority audit recommendations which are overdue. The Audit Committee is monitoring progress around these including compliance with the Payment Card Industry Data Security Standards (PCI DSS) which could leave the Council exposed to the risk of fraud. The Internal Audit Manager has access to the Chair if there were any serious concerns to report immediately.

Actual, suspected or alleged frauds affecting the Council, are made known through audit reports and the Annual Governance Statement.

The Committee has received fraud training from the Internal Audit team in the past. During the year the Internal Audit Manager reported that a new E-learning tool is now available to officers and Councillors.

4) The general economic climate brings financial pressures to all Government bodies. The Council has agreed a balanced budget (not requiring the use of reserves) for 2015/16 whilst maintaining a freeze to Council Tax. There may be further deeper cuts and potential changes to Business Rates legislation although this is not yet known. There are further pressures as a result of the economic climate, such as Housing needs as we are seeing higher levels of homelessness applications. (Which are currently resulting in higher bed and breakfast payments). There are pressures on officers to achieve agreed operational targets however none are driven by performance related pay.



5) In respect of complying with all relevant laws and regulations, assurance is gained through the Monitoring Officer, who works closely with the Committee. The Monitoring Officer can advise Committee before decisions are taken if there are legal or regulatory implications. All Executive Management Team and Committee reports are administered through the Legal and Democratic Services.

6) There is one long outstanding national claim for Land Charge searches which is close to settlement. A provision has been made in the accounts. When the final decision is made, Officers will provide you with the details and update the accounts if required. There are no further claims that the Committee is aware of.

7) There are no events which may cast significant doubt on the Council's ability to continue as a going concern. A balanced budget has been set for 2015/16. There is already work in progress, led by EMT, to identify and deliver further savings in accordance with the Council's Medium Term Financial Plans. The Council has also created "Fit for Future" projects to support the MTFP with customer and people lead strands.

Yours sincerely

Cllr A O'Sullivan  
Chair of the Audit Committee  
on behalf of New Forest District Council

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EMT – 2 JUNE 2015  
AUDIT COMMITTEE – 26 JUNE 2015

## PROGRESS AGAINST THE 2015/16 INTERNAL AUDIT PLAN

### 1. INTRODUCTION

- 1.1 The purpose of this report is to inform members of the Audit Committee of progress made against the 2015/16 audit plan, which was approved in March 2015.

### 2. INTERNAL AUDIT PLAN 2015/16 PROGRESS

- 2.1 Appendix 1 shows the progress made against the 2015/16 internal audit plan to 10<sup>th</sup> June 2015. Progress is demonstrated by recording the current status of each audit assignment, the audit opinion and a summary of the number of recommendations made.
- 2.2 The internal audit plan is timetabled to ensure the audit assignment can be undertaken at the most effective time. Appendix 1 shows the audits planned for each quarter of the year. This detail has been discussed with management.
- 2.3 The plan is on schedule. The majority of work undertaken in the first two months includes;
- Assurance and risk based service areas
  - Governance review
  - Management support, particularly in relation to procurement
  - Section 151 requests, to include an independent review
  - Real time exception testing (creditors)
  - Attendance at projects including Affordable Housing and Fit For Future
  - Follow up of audit recommendations
  - Work with third parties including the External Auditor's Subsidy testing, Town Councils audits and a domestic homicide review.
  - Fraud risk register review
- Further detail is provided in appendix 2.
- 2.4 There are no requests to amend the audit plan following the latest risk assessment. The timing of the Landscape and open space review has however been brought forward to support requests from the Head of Environment Services.
- 2.5 There are no frauds that need to be brought to your attention at this time although one whistleblowing case was reviewed. The case is closed and concluded as an administration error of a customer.
- 2.6 The Internal Audit Manager has met with other local councils to assess opportunities to build an improved Counter Fraud network and to analyse how cross county border data sharing could be carried out to support counter fraud work whilst still complying with the Data Protection Act and other relevant legislation. No conclusions have been made yet but a number of options are being considered and will be reported back to the Executive Director (S151) for initial consideration.

## **PROGRESS ON HIGH PRIORITY RECOMMENDATION**

- 2.7 Internal Audit monitors progress made against agreed audit recommendations. Currently high priority recommendations outstanding include;
- Payment Card Industry Data Security Standards (PCI DSS) compliance  
Action being taken: ICT Security has procured a Qualified Assessor to support the Council in achieving its PCI DSS compliance. The first support day is planned for the 16<sup>th</sup> June 2015. This area will continue to be supported by Internal Audit.
  - Community Grants  
Recommendations made included a lack of a procedure manual and evidence held to support approved claims.  
Action: This area will be audited during 15/16 to assess progress.
  - Building Control  
It was recommended that the service reconcile the income recorded on the building control system to the general ledger to ensure all income is accurately posted.  
Action: The service is requesting assistance from ICT to provide system reports to help facilitate the process. This area will be audited during 15/16 to verify progress made.
  - Asset Management  
It was recommended that the service undertake a reconciliation to ensure all expected leases had been charged and that the charges had been raised correctly.  
Action: The service is awaiting a system upgrade to help facilitate the process. This area will be audited during 15/16 to verify progress made.
- 2.8 For new members of the Audit Committee, the approved risk based internal audit plan from the March 2015 meeting is detailed in Appendix 2, together with the associated assurance framework.

## **3. FINANCIAL IMPLICATIONS & CRIME AND DISORDER IMPLICATIONS**

- 3.1 There are no direct financial implications arising from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for fraud and error.

## **4. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS**

- 4.1 There are no matters arising directly from this report.

## **5. RECOMMENDATION**

- 5.1 The Audit Committee note the content of the report and raise any further areas of assurance coverage that they require.

### **For Further Information Please Contact:**

Lucinda Upton  
Internal Audit Manager  
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### **Background Papers:**

Internal Audit Plan 2015/16  
Audit Committee – March 2015

Audit Area	Est Days	Q1	Q2	Q3	Q4	Assurance Level	No. of High Priority	No. of Medium Priority	No. of Low Priority	No. of VFM
<b>Main Financial Audits</b>										
Benefits	15		█							
Income	15		█	█						
Accounts Payable	10			█						
Accounts Receivable	10			█						
Asset Management	10			█						
Business Rates	15			█						
Council Tax	10			█						
Landlord services (Rent Accounting)	10			█						
Payroll (inc NFNPA testing) (Inc T&S, Members Allowances & Expenses)	25			█						
Treasury Management	2			█						
Main Accounting System inc bank reconciliation	15				█					
<b>IT Audit</b>										
IT Audit (Inventory/Purchases/Contracts/Maintenance/Licences etc)	15		█							
IT Audit (PSN/Security/DR) Network and Other systems	20				█					
<b>Governance</b>										
Governance and corporate risks inc new standards	15	Completed								
Information Governance	15		█							
<b>Assurance/Risk Based Service Areas</b>										
The Design Room	10	Draft								
Estates Management	15	Draft								
Clinical Waste	10	Draft								
Customer Access - Contact Centre/Helpdesk/Support Service	10	Draft								
Building Control	15	WIP								
Landscape and Open Space	10	WIP			█					
Coastal & Regional Monitoring	10									
Licensing	15									
Development Control (inc planning enforcement and appeals)	15		█							
Housing Development inc Affordable Housing, Private Sector Leasing & Empty Properties	15		█							
Central Purchasing/Stores	15		█							
Community Grants/Ward Budgets/Other Grants	15		█							
Health and Safety	15				█					

**Internal Audit Plan Progress**

Environmental Health - Pollution	15									
Electoral Services	15									
Estates and Valuation	10									
Procurement - Contract Management audit	15									

<b>Contract Work</b>		Q1	Q2	Q3	Q4	
Procurement Strategy and Corporate Process and Waivers	30	Completed				See Waiver Report 14/15. Corporate Support to the development of new Procurement Policy, templates and training
Procurement - Contract Payments and Financial Assessments	30	Completed				Routine compliance tests of payments as they arise. Financial assessments of new contracts
<b>Compliance</b>						
Creditors exception testing	20	Completed				Routine daily task to review all creditor payments which have not been approved online. (Exception testing) Annual results reported within the Accounts Payable Audit Report. Payments would be stopped if there was an audit concern. None for this quarter identified
Health and Leisure Income Returns	10					Compliance test of income collection and reconciliation. May include additional site visits and unannounced cash ups. Also includes tests on refunds and non payment types. Results included within Income Audit Report. Additional services may be added without notice.
Car Park Income Reconciliation	4					
Keyhaven Income Returns	2					
Stock takes, cash ups & Petty cash	10					
<b>Fraud</b>						
Counter Fraud; Policy review, training, prevention work, NFI overview, general monitoring tools	20	Completed				Significant work in this area for 15/16. One part time (qualified fraud officer) has been dedicated to fully review the Counter Fraud policies and their effectiveness across the Council. The fraud risk register is currently being reviewed in full with each Head of Service.
Counter Fraud Investigation	20	Completed				Time set aside for investigations. One non benefit whistleblowing case raised with internal audit since April 15, but fraud is not suspected and appears to be a clerical error. Internal Audit will update Committee on anything significant and speak directly with the Chair if a concern arises between meetings.

Counter Fraud Work inc NFI and Analytics	30					The Council participates in the National Fraud Initiative. Resources required to undertake investigation of matches. Time set aside to undertake more detailed counter fraud testing on Tenancy, Council Tax Reduction and Business Rates. The register may inform of new risks. An area not tested for some time includes Declarations of Interest and Conflicts.
<b>Consultancy/VFM</b>						
H&L Queries	10	Completed				Cash discrepancies and or general banking enquiries as required
Projects/Consultancy work/VFM/S151 Requests	80	Completed				Attendance at Organisational Change Project team as well as Affordable Housing Project
Advisory (Financial Regulations)	50	Completed				General enquiries in relation to compliance with Council Policy
<b>3rd Party for NFDC</b>						
Safeguarding	10	Completed				Domestic Homicide Review - support given to lead officer in compiling data. Recommendations on process separately reported
Benefit Subsidy (for external audit)	45	WIP				Undertake in partnership with external audit. External audit will provide an opinion on the work within their annual grants certification report. This work reduced external audit fees and develops auditor knowledge
Leader (on third party behalf)	2					Undertaken as an independent assessor. Details to be confirmed for 15/16
<b>3rd Party Contracts</b>						
L&PTC	6	Completed				Audit completed for 14/15 for an agreed fee.
Ringwood TC	5	Completed				Audit for 14/15 for an agreed fee
New Forest NPA	18	Completed				Internal Audit Service provided under an SLA for an agreed fee.
Dorset Audit Partnership	185	Completed				Internal Audit Management and share of resources undertaken for an agreed fee



## AUDIT COMMITTEE – 26 JUNE 2015

### AUDIT COMMITTEE – ANNUAL WORK PLAN AND TRAINING

#### 1.0 WORK PLAN

- 1.1 This report details the draft work plan for the Audit Committee for 2015/2016.
- 1.2 The work plan may evolve during the year, due to, for example, any changes in legislation, change relating to the External Auditor timetables, or new reports which need to be brought to the attention of the Committee.

#### 2.0 FINANCIAL IMPLICATIONS

- 2.1 There are no financial consequences directly arising from this report.

#### 3.0 EQUALITY & DIVERSITY, CRIME AND DISORDER AND ENVIRONMENTAL MATTERS

- 3.1 There are no equality and diversity, crime or disorder or environmental matters directly associated with this report.

#### 4.0 RECOMMENDATIONS

- 4.1. That the Audit Committee considers and approves the Work Plan as appended and informs Officers of any requested changes.

For Further Information Contact:

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DATE	WORK / REPORTS
25 September 2015	External Auditor – Audit Results Report 2014/15 External Auditor - Opinion on the Statement of Accounts & Value for Money Statement of Accounts 2014/15 Annual Governance Statement 2014/15 Treasury Management Q2 Internal Audit Progress report against the audit plan and Outstanding high priority audit recommendations Q2 Counter Fraud Update Report Risk Management
22 January 2016	External Audit Annual Audit Letter for 2014/15 External Audit – Certification of Grant and Returns Report 2014/15 Governance Action Plan 2014/15 Follow up Internal Audit Progress report against the audit plan and Outstanding high priority audit recommendations Annual RIPA report Treasury Management Strategy
18 March 2016	External audit progress report on 15/16 audit External audit fees for 16/17 Internal Audit Progress report against the audit plan and Outstanding high priority audit recommendations Internal Audit Charter, Assurance Framework & Internal Audit Plan 16/17 Response to the external auditor on the management and controls in the organisation
June 2016	Audit Committee Introduction & Terms of Reference Insurance Procurement External Audit Annual Plan for 2014/15 External Audit Fees 2015/16 Annual Outturn for Treasury Management 2014/15 Write-Offs 2014/15 Annual Waivers Report 2014/15 Review of the Local Code of Good Governance 2014/15 Internal Auditor’s Annual Opinion Report 2014/15 Draft Annual Financial Report 2014/15 Annual Governance Statement 2014/15 Audit Committee Annual Report 2014/15 Audit Committee letter to the External Auditor Internal Audit Progress report against 15/16 Q1 Annual Work Programme and Training