NOTICE OF MEETING

Meeting:	**AUDIT COMMITTEE**
Date and Time:	**FRIDAY, 22 JANUARY 2016, 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 Committee'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.

Bob Jackson
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
www.newforest.gov.uk

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

---

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 25 September 2015 as a correct record.

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. TREASURY MANAGEMENT STRATEGY 2016/17 (Pages 1 - 20)

To consider the treasury management report.

5. EXTERNAL AUDITOR - ANNUAL AUDIT LETTER (Pages 21 - 34)

To receive the external auditor's annual audit letter for the year ended 31 March 2015.

6. EXTERNAL AUDITOR - PROGRESS AGAINST THE 2015/16 ACTION PLAN (Pages 35 - 44)

To receive the external audit progress report for 2015/16.

7. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014/15 (Pages 45 - 52)

To note the certification of claims and returns annual report for 2014/15.

8. INTERNAL AUDIT - PROGRESS AGAINST THE 2015/16 AUDIT PLAN Q3 (Pages 53 - 58)

To receive the internal audit progress report against the Audit Plan 2015/16 Q3.

9. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) - ANNUAL REPORT (Pages 59 - 62)

To note the annual RIPA report.

10. AUDIT COMMITTEE WORK PLAN (Pages 63 - 64)

To consider the Audit Committee's Work Plan.

11. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

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

AUDIT COMMITTEE – 22 JANUARY 2016

TREASURY MANAGEMENT STRATEGY REPORT 2016/17

1. INTRODUCTION

The Prudential Code for Capital Finance in Local Authorities (The Code) was introduced with effect from 1 April 2004. The Code gives the Council greater freedom for future capital investment plans but requires it to set and monitor prudential indicators to ensure that its plans are affordable and sustainable.

This report outlines and recommends the Council's prudential indicators for 2016/17 – 2018/19 that relate to the Treasury Management Function and sets out the expected treasury operations for that period.

A further report detailing the prudential indicators for 2016/17 – 2018/19 relating to Capital Expenditure will be included in a separate report to Cabinet on 3 February 2016.

2. POLICIES AND APPROVALS REQUIRED

2.1. Treasury Management Strategy Statement

The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three year period from 2016/17 to 2018/19. The day to day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.

There are a number of target indicators but the indicator that must not be breached is the Authorised Limit for External Debt. This is the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term.

This report has been prepared prior to the finalisation of the Capital Programme for 2016/17 and subsequent years. Therefore the target indicators may be subject to minor variation. Should any increase result in the likelihood of the approved Authorised Limit for External Debt being breached this will be reported at Cabinet in February 2016. Other indicators are targets only and minor adjustments will not be reported.

2.2. Investment Strategy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes.

The investment strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

This strategy is shown in Annex A in Section 5.

The above policies and parameters provide an approved framework within which officers undertake the day to day treasury activities.

The Investment Strategy will take effect from 22 February 2016.

3. ENVIRONMENTAL IMPLICATIONS

3.1. There are no environment implications arising from this report.

4. CRIME AND DISORDER IMPLICATIONS

4.1. There are no crime and disorder implications arising from this report.

5. RECOMMENDATIONS

The Audit Committee is recommended to request Council to approve the key element of this report from 22 February 2016:

5.1. The Treasury Management Strategy 2016/17 to 2018/19 and the Treasury Indicators contained within Annex A.

TREASURY MANAGEMENT STRATEGY 2016/17 – 2018/19

1. INTRODUCTION

1.1. In February 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

1.2. In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

1.3. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

1.4. The Council has potentially large exposures to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

2. EXTERNAL CONTEXT

2.1. The following paragraphs explain the economic and financial background against which the Treasury Management Strategy is being set.

2.2. Economic background

Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Movements in transport costs, and alcohol and tobacco prices contributed to annual CPI inflation of 0.0% in November. Wages are growing at 2.4% a year, and the unemployment rate has dropped to 5.2%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 82nd consecutive month at its meeting in December 2015.

2.3. Interest rate forecast

Uncertainty over the outcome of the forthcoming EU referendum could put downward pressure on UK GDP growth and interest rates.

NFDC's treasury adviser, Arlingclose, projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

2.4. Credit outlook

The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, whilst those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, whilst Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to NFDC; returns from cash deposits remain stubbornly low.

3. Balance Sheet summary and forecast

3.1. The Council currently has £144.4m of borrowing and £75.2m of investments as at 31 December 2015. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1.

Table 1: Balance Sheet Summary and Forecast	**31.03.15 Actual £m**	**31.03.16 Estimate £m**	**31.03.17 Estimate £m**	**31.03.18 Estimate £m**	**31.03.19 Estimate £m**
General Fund CFR	3.7	3.9	3.5	4.4	3.8
HRA CFR	1.9	1.9	1.9	1.9	1.9
HRA settlement	142.7	142.7	142.7	138.6	134.5
Total CFR	**148.3**	**148.5**	**148.1**	**144.9**	**140.2**
Less: Total debt **	(144.5)	(144.3)	(144.1)	(139.8)	(135.5)
Internal (over) borrowing	**3.8**	**4.2**	**4.0**	**5.1**	**4.7**
Less: GF Usable reserves	(18.2)	(16.6)	(15.8)	(16.4)	(17.0)
Less: HRA Usable reserves	(18.5)	(18.2)	(14.9)	(13.6)	(13.3)
Less: Working capital	(17.7)	(10.3)	(6.6)	(6.6)	(6.6)
Resources for investments	**(54.4)**	**(45.1)**	**(37.3)**	**(36.6)**	**(36.9)**
Net borrowing or (investments)	**(50.6)**	**(40.9)**	**(33.3)**	**(31.5)**	**(32.2)**

** external borrowing - shows only loans to which the Council is committed and excludes optional refinancing

3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3. 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. The Council's reserves are currently shown to remain relatively consistent over the next few years.

3.4. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2016/17.

4. BORROWING STRATEGY

4.1. The Council held £144.4m of loans at 31 December 2015, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that this will reduce by a further £0.1m during 2015/16, and £0.2m per annum thereafter as the £2.0m PWLB (Lymington Harbour Commissioners) loan is repaid and by £4.1m per annum from 2017/18 as the PWLB (Housing Subsidy

Settlement) loan instalments become repayable. The Council does not expect to need to borrow in 2016/17 but is allowed to borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £178.1m.

4.2. Objectives

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.3. Limits

The Council is required to put in place the following Prudential Indicators to control its limits on borrowing; these are operational and authorised boundaries for external debt, and the maximum HRA debt limit.

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. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Operational Boundary	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total Debt	**163.5**	**163.1**	**159.9**	**155.2**

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	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total Debt	**178.5**	**178.1**	**174.9**	**170.2**

Maximum HRA Debt Limit

The Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The Council may not borrow more than this limit for HRA purposes.

This limit is dictated by the DCLG and is based on the amount of the settlement payment of £142.7m plus the old Housing Subsidy Notional Debt amount of £12.8m, plus any further borrowing approved by the DCLG. The Council is not currently planning to seek further approvals to increase HRA borrowing and therefore actual total borrowing for the HRA is currently predicted to remain at £142.7m until 2017/18.

HRA Debt Limit	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total	**155.5**	**155.5**	**155.5**	**155.5**

4.4. Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

4.5. Sources

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK

- UK public and private sector pension funds (except the Hampshire Pension Fund)
- capital market bond investors
- special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

4.6. Short-term and Variable Rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

4.7. Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5. INVESTMENT STRATEGY

5.1. The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £49.2 and £87.4m, and levels are expected to be marginally lower in the forthcoming year.

5.2. Objectives

Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.3. Strategy

Due to the increasing risk from bank 'bail-ins' and continued low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2016/17. This is especially the case for the estimated £25m that is available for longer-term investment. Approximately 48% of NFDC's surplus cash is not subject to bail-in risk as it is invested in local authorities, corporate bonds, pooled property funds, and secured bank bonds. Whilst the remaining cash is subject to bail-in risk, 48% of these instruments are saleable, and 46% is subject to a reduced risk of bail-in through money market funds. The remaining 6% of funds subject to bail-in risk is held in an instant access account. This diversification will therefore represent a continuation of the new strategy adopted in 2015/16.

5.4. Investment Limits

Given the impact of the Bank Reform Act, Bank Recovery and Resolution Directive, and the recast Deposit Guarantee Schemes Directive, which have increased the credit risk that unsecured bank/building society investments could be 'bailed-in', the following investment limits are proposed to mitigate the risk whilst allowing sufficient flexibility to manage the Council's investment balances.

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Maximum limits will also be placed on fund managers and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

The Investment Limits in Table 2 have not been adjusted from those agreed as recommended in the Treasury Management Mid-Year Monitoring Report 2015/16, as it is anticipated that changes in cash balances will not be significant in the forthcoming year.

Table 2: Investment Limits	**Cash limit**
Any single organisation, except the UK Central Government	£8m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£8m per group
Any group of pooled funds under the same management	£8m per manager
Registered Providers	£6m in total
Money Market Funds	50% in total

5.5. Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in Table 3, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers Unsecured	Registered Providers Secured
UK Govt	n/a	n/a	£ Unlimited 4 years	n/a	n/a	n/a
AAA	£4m 4 years	£8m 4 years	£8m 4 years	£4m 4 years	£4m 4 years	£4m 4 years
AA+	£4m 4 years	£8m 4 years	£8m 4 years	£4m 4 years	£4m 4 years	£4m 4 years
AA	£4m 4 years	£8m 4 years	£8m 4 years	£4m 4 years	£4m 4 years	£4m 4 years
AA-	£4m 3 years	£8m 4 years	£8m 4 years	£4m 4 years	£4m 4 years	£4m 4 years
A+	£4m 2 years	£8m 3 years	£4m 4 years	£4m 3 years	£4m 4 years	£4m 4 years
A	£4m 13 months	£8m 2 years	£4m 4 years	£4m 2 years	£4m 4 years	£4m 4 years
A-	£4m 6 months	£8m 13 months	£4m 4 years	£4m 13 months	£4m 4 years	£4m 4 years
BBB+	£2m 100 days	£4m 6 months	£2m 2 years	£2m 6 months	£2m 2 years	£4m 2 years
BBB	£2m next day only	£4m 100 days	n/a	n/a	n/a	n/a
None	£1m 6 months	n/a	£4m 4 years	n/a	£4m 4 years	£4m 4 years
Pooled funds	£8m per fund					

This table must be read in conjunction with the notes below

5.6. Credit Rating

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody’s or Standard & Poor’s. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

5.7. Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Council's current account bank at Lloyds if its rating was to fall to such levels from its current rating of A.

5.8. Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank/building society's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank/building society will not exceed the cash limit for secured investments.

5.9. Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities (which generally do not have a credit rating) and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 4 years.

5.10. Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Investing with any unrated corporate entity will be judged on a case-by-case basis and only considered if suitable security can be obtained for the Council's investment.

5.11. Registered Providers Secured and Unsecured

Registered Providers of Social Housing, formerly known as Housing Associations; these bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed. Registered Providers can issue loans and bonds, either on an unsecured or secured basis. The secured loans and bonds are secured on the underlying assets of the Registered Provider.

5.12. Pooled Funds

Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a consistent net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Depending on the type of pooled fund invested in, it may have to be classified as capital expenditure. Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.13. Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.14. Other Information on the Security of Investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

Based on the available information and the advice of the Council's advisers, Arlingclose, the investment limits shown in Tables 2 and 3 may be reduced, and investing with certain counterparties may be suspended as necessary.

If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.15. Specified Investments

The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

5.16. Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in Table 4 below.

The investment limit for total investments without credit ratings or rated below A- (excluding investments with other local authorities) has been reduced from £10.00m to £7.50m, as currently only £3.05m of NFDC's cash balance has been invested in these types of instrument. It is not expected that £10.00m would ever be required to be invested in these types of instruments.

Table 4: Non-Specified Investment Limits	Cash limit
Total long-term investments	£25.0m
Total investments without credit ratings or rated below A- (excluding investments with other local authorities)	£7.5m
Total non-Sterling investments	-
Total investments in foreign countries rated below AA+	-
Total non-specified investments	£32.5m

5.17. Liquidity Management

The Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the Council's medium term financial position (summarised in Table 1) and forecast short-term balances.

6. TREASURY MANAGEMENT INDICATORS

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

6.2. Interest Rate Exposures

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 principal borrowed or invested will be:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate investment exposure	£25.0m	£25.0m	£25.0m
Upper limit on variable interest rate investment exposure	£90.0m	£90.0m	£90.0m
Upper limit on fixed interest rate borrowing exposure	£178.1m	£174.9m	£170.2m
Upper limit on variable interest rate borrowing exposure	£178.1m	£174.9m	£170.2m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later). Short-term instruments (with a maturity of less than one year) are classed as variable rate.

6.3. Maturity Structure of Borrowing

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:

	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.4. Principal Sums Invested for Periods Longer than 364 days

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:

	2016/17	2017/18	2018/19
Limit on principal invested beyond 365 days	£25m	£25m	£25m

7. OTHER ITEMS

7.1. There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

7.2. Policy on Use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit.

7.3. Policy on Apportioning Interest to the HRA

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the average % Local Authority 7 day rate.

7.4. Investment Training

The needs of Hampshire County Council's treasury management staff delivering services to NFDC, for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

CIPFA's Code of Practice requires that the Council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Representatives of the Audit Committee attended a workshop by Arlingclose on 23 November 2015, which gave an update on treasury matters.

7.5. Investment Advisers

The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Chief Executive, the County Council's Investments and Borrowing Team, and Arlingclose.

7.6. Investment of Money Borrowed in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £178.1m.

APPENDIX A – ARLINGCLOSE ECONOMIC & INTEREST RATE FORECAST NOVEMBER 2015

Forecast:

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

APPENDIX B – EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	31.12.2015 Actual Portfolio		31.12.2015 Rate of Return
	£m	%	%
BORROWING			
Long-term loans - PWLB	144.41		3.12%
Total Gross External Debt	**144.41**		
INVESTMENTS			
Banks Unsecured			
Direct deposits:			
- Svenska Handlesbanken	**0.79**	**1.05%**	**0.45%**
Certificates of Deposit:			
- Bank of Montreal	2.00		
- Credit Suisse	2.00		
- Lloyds	1.50		
- Nationwide	3.00		
- Nordea	3.00		
- Oversea-Chinese Banking Corporation	3.00		
- Rabobank	3.00		
- Standard Chartered	3.00		
	20.50	**27.26%**	**0.64%**
Total Banks Unsecured	**21.29**	**28.31%**	**0.63%**
Banks Secured			
Covered Fixed Bonds:			
- Lloyds	2.00		
- Yorkshire Building Society	2.00		
	4.00	**5.32%**	**1.12%**
Covered Floating Rate Notes:			
- Abbey National	2.00		
- Nova Scotia	1.70		
- Toronto Dominion	1.05		
- Yorkshire Building Society	2.50		
	7.25	**9.64%**	**0.74%**
Total Banks Secured	**11.25**	**14.96%**	**0.88%**
Government			
Other Local Authorities loans	**13.0**	**17.29%**	**1.07%**
Covered Fixed Bonds:			
- Network Rail Infrastructure Finance	**3.00**	**3.99%**	**0.76%**
Total Government	**16.00**	**21.28%**	**1.01%**

	31.12.2015 Actual Portfolio		31.12.2015 Rate of Return
	£m	**%**	%
Corporates			
Corporate Fixed Bonds:			
- GE Capital	1.19		
- Heathrow Funding Ltd	2.30		
- Linde Finance	1.00		
	4.49	**5.97%**	**0.86%**
Corporate Floating Rate Notes:			
- BMW US Capital LLC	**1.00**	**1.33%**	**0.84%**
Total Corporates	**5.49**	**7.30%**	**0.86%**
Pooled Funds			
Property Funds:			
- Aviva Lime Property Fund	1.05		
- CCLA Property Fund	2.00		
	3.05	**4.06%**	**4.73%***
Money Market Funds:			
- Aberdeen (SWIP)	3.60		
- Deutsche	3.71		
- Federated	3.60		
- Insight	3.60		
- Standard Life	3.60		
	18.11	**24.09%**	**0.48%**
Total Pooled Funds	**21.16**	**28.14%**	**1.10%**
Total Investments	**75.19**	**100.00%**	**0.90%**
Net Debt	**69.22**		**-**

* average estimated annual income return to 31 December 2015

New Forest District Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP

Building a better working world

Building a better working world

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Tel: + 44 2380 382000
Fax: + 44 2380 382001
ey.com

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

15 October 2015

Dear Members

Annual Audit Letter 2014-15

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members of New Forest District Council and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014-15 annual results report to the Audit Committee on 25 September 2015, representing those charged with governance. We do not repeat them here.

The matters reported here are those we consider most significant for the Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

This is my final year as Executive Director for New Forest District Council. I would like to extend my thanks to officers and members for their assistance over my time as engagement lead. I will work with my successor, Kate Handy (KHandy@uk.ey.com), to facilitate a smooth handover and she will introduce herself to officers and members at upcoming meetings.

Yours failthfully

Helen Thompson
Director
For and on behalf of Ernst & Young LLP
Enc.

Contents

1. Executive summary

Our 2014-15 audit work was undertaken in accordance with the Audit Plan issued on 26 June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on the Council's AGS;
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of New Forest District Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 28 September 2015 we issued an unqualified audit opinion on the Council's financial statements.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 28 September 2015. The Council was below the £350 million reporting threshold.
Consider the completeness of disclosures on the Council's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report.

Area of work	Result
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act.	No issues to report.
As a result of the above we have also:	
Issued a report to those charged with governance of the Council with the significant findings from our audit.	Our Audit Results Report was presented to the Audit Committee on 25 September 2015.
Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	Issued on 28 September 2015.

In November 2015 we will also issue a report to those charged with governance of the Council summarising the certification of grant claims work we have undertaken.

2. Key findings

2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 28 September 2015.

Our detailed findings were reported to the 25 September 2015 Audit Committee and the main issues identified as part of our audit were:

Significant risk 1: Risk of management override

As identified in ISA (UK and Ireland) 240, management is in an unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

From the work completed on journals, accounting estimates and unusual transactions we did not identify any evidence of management override of controls.

Significant risk 2: Calculation of the non-domestic rates (NDR) appeals provision

We reclassified this as a significant risk following our review of the 2014-15 financial statements which showed that the NDR Appeals Provision had significantly increased from the previous year.

We found the judgements made in determining the appeals provision were reasonable. However, we found that the appeals provision was overstated in the Collection Fund by £0.7 million due to a calculation error. This error was corrected by the Council.

Other risk 1: New non-domestic rates (NDR) system in year

The Council changed its NDR 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 gained assurance from the outcome of internal audit's work which identified no significant issues from the change of NDR system. Our testing verified that the data migration from the old system to the new system was complete and accurate.

Other risk 2: Change of bank account

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.

We gained assurance from the outcome of internal audit's work which identified no significant issues from the change of bank account. Our testing of the year-end bank reconciliation confirmed the coding issues from the change of bank account were resolved.

Looking ahead, the earlier deadline for producing and auditing the financial statements provides challenges for both the finance team preparing the accounts, and ourselves as your auditors.

Description	Impact
The Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017-18 financial year, the timetable for the preparation and approval of accounts will be brought forward. As a result, the Authority will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.	The Chief Financial Officer is aware of this challenge and the need to start planning for the impact of these changes. This will include review of the processes for the production and audit of the accounts, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year-end closure processes.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- securing financial resilience, and
- challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 28 September 2015 and noted the following issues as part of our audit

Significant risk finding 1: Financial resilience – delivery of a sustainable medium term financial plan

We carried out an assessment of whether the Council has good systems and processes in place to manage its financial risks and opportunities effectively.

We found that the Council has successfully delivered savings in 2014-15 through improved productivity and therefore contributed more than planned to its healthy level of reserves, and produced a robust medium term financial plan (MTFP), underpinned by reasonable assumptions, to continue to manage its financial risks and opportunities in the future.

There are risks associated with delivery of savings. Plans have been developed to mitigate these risks for 2015-16. However, 2016-17 onwards will be more difficult with a £793,000 savings gap in that year and a further £1.6 million savings gap in 2017/18. The outcome of the government spending review in autumn 2015 may also impact on the MTFP. The Council has general fund reserves of £2.0 million, which are available to support service budgets during the continuing uncertain times.

Despite the continuing uncertainty of the current economic climate and a further reduction of £1.2 million in government formula funding grant, the Council has set a balanced budget for 2015-16 without needing to increase council tax. This has largely been possible due to the ongoing implementation of the Council's savings and efficiencies programme.

Other risk: Securing economy, efficiency and effectiveness

We reviewed whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We found that the Council continues to deliver its services, as outlined in its corporate plan, with less funding. It has adequate risk management arrangements as risk management is built into service planning and performance with scrutiny of risk registers at a service level.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We had no issues to report.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014-15 financial statements from members of the public.

2.6 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Audit Committee on 25 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements.

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we must tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements. However, we have identified where the Council could further improve the overview of its risk management arrangements.

Overview of risk management

Risk management at the Council is considered as part of service planning and performance reviews with the scrutiny of operational risk registers at a service level. The Council's Executive Management Team last formally considered the Council's strategic risk register on 15 September 2014.

We recommended the Audit Committee reviewed its oversight of the effectiveness of the Council's risk management arrangements and receive bi-annual reports on risk management. The Committee should be kept informed on the progress of the current review of the Council's risk management strategy, processes and outcomes, in particular considering how the new arrangements reflect good practice.

4. Looking ahead

Description	Impact
Highways Network Asset (formerly Transport Infrastructure Assets):	
The Invitation to Comment on the Code of Accounting Practice for 2016/17 sets out the requirements to account for Highways Network Asset under depreciated replacement cost from the existing depreciated historic cost. This is to be effective from 1 April 2016. This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets. This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures. Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.	The Council will need to demonstrate it has assessed the impact of these changes. Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as: • footways; • unadopted roads on industrial or housing estates; • cycleways; and • street furniture.

5. Fees

Our planned fee for 2014-15 is in line with the scale fee set by the Audit Commission and reported in our September Annual Results Report.

	Final fee 2014-15	Planned fee 2014-15	Scale fee 2014-15	Final fee 2013-14
Audit Fee – Code work	£73,976	£73,976	£73,976	£73,976
Grant fee	£5,670	£5,670	£5,670	£5,670

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is intentionally left blank

New Forest District Council

Audit Committee Progress Report

22 January 2016

Building a better working world

Building a better working world

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Tel: + 44 2380 382 100
Fax: + 44 2380 382 001
ey.com

INVESTOR IN PEOPLE

22 January 2016

Dear Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson
Executive Director
For and behalf of Ernst & Young LLP

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ''Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update 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.

2015/16 audit

Fee letter

We issued our 2015/16 fee letter to the Council in April 2015.

Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

Planning and interim visit

We are scheduled to complete our walkthrough of the key financial systems in March 2016.

There are no significant matters arising from our initial planning meetings that we need to bring to your attention at this stage. We are continuing to liaise with officers on their plans in relation to the new requirements for transport infrastructure assets.

We will update the Committee when the testing of controls and early substantive testing has been completed.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

We are in the process of finalising the exact dates for our audit visit, and we will have early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Audit Committee in March 2016.

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

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Value for money

The NAO consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for local government bodies, can be viewed on the NAO website: http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/.

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2015/16 is:

- In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

"The overall criterion is supported by three sub-criteria, designed to help us structure our risk assessment. There is no requirement for us to conclude nor report against the following sub-criteria:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We will carry out our initial risk assessment in early 2016 and report the risks we have identified, and associated work we will carry out, to the Audit Committee in March 2016.

Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	**Ongoing**	Audit Fee Letter	June 2015	Completed
Risk assessment and setting of scope of audit	**February 2016**	Progress Report	March 2016	To commence in February 2016
Testing of routine processes and controls	**March 2016**	Audit Plan	March 2016	
Year-end audit	**July - August 2016**	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Work is planned to start during July 2016.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is intentionally left blank

Certification of claims and returns annual report 2014-15

New Forest District Council

22 January 2016

Ernst & Young LLP

Building a better working world

Ernst & Young LLP
19 Threefield Lane
Southampton
SO14 3QB

Tel: + 44 2380 382000
Fax: + 44 20 2380 382001
ey.com

Date 22 January 2015
Ref: NFDC /Claims/2014-15

Direct line: 02380 382099
Email: HThompson2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2014-15New Forest District Council

We are pleased to report on our certification work. This report summarises the results of our work on the Council's 2014-15 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council.   As appointed auditor we take no responsibility to any third party.

Summary

Section one of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £43,583,339. We met the submission deadline and we issued a qualification letter in respect of the 2014-15 claim. Our certification work found errors, which were reported in our qualification letter to the Department of Works and Pensions. There were no amendments made to the claim. Fees for certification work are summarised in section two. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 22 January 2016.

Yours faithfully

Helen Thompson
Executive Director
Ernst & Young LLP

Contents

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£43,583,339
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2014-15 Fee – 2013-14	£5,670 £7,322

Recommendations from 2013-14	Findings in 2014-15
Qualification issues from 2013/14 were followed up as part of the 2014-15 audit.	Three errors on rent allowance testing, resulting in a qualification of the 2014/15 claim – as set out below.

Local government administers the Government’s housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive ‘40+’ or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years’ claims.

Rent Allowance

In our initial testing of a sample of rent allowances cases we identified three errors.

- two cases where benefit had been underpaid as a result of the Council miscalculating the claimant’s average weekly income;
- one case where the Council had overpaid benefit as a result of miscalculating the claimant’s weekly income.

Each of these error types is dealt with separately below.

Underpaid benefit

As there is no eligibility to subsidy for benefit which has not been paid, the two underpayments identified did not affect the subsidy and have not, therefore, been classified as errors for subsidy purposes. However, because errors miscalculating the claimant’s average weekly income could result in overpayments, an additional random sample of 40 cases was tested. We found one further underpayment which did not impact on the subsidy claimed.

Overpaid benefit

The testing of the initial sample identified one case, total benefit value of £5,270, where the Council had overpaid benefit of £15.81 as a result of miscalculating the claimant’s weekly income. Testing of an additional sample of 40 cases identified a further four cases (total benefit value of £13,285) where overpayments of £196.23 were made, again as a result of miscalculating the claimant’s weekly income.

We reported the facts of this error in the qualification letter sent to the DWP.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	7,322	5,670	5,670
Total	**7,322**	**5,670**	**5,670**

The indicative fee for 2013-14 was based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the claim in that year.

For 2014/15, the indicative certification fee was based on actual certification fees for 2012-13, reflecting the amount of work required by the auditor to certify the claim in that year.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £5,492. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2013-14.

Details of individual indicative fees are available at the following web address: http://www.psaa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

AUDIT COMMITTEE – 22nd January 2016

PROGRESS AGAINST THE 2015/16 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. RESOURCES

2.1 The Audit team is now fully resourced. The vacant Auditor post was filled in October and an Audit Apprentice started on the 23rd November 2015.

2.2 The team have now moved from Lymington Town Hall to a temporary office at Appletree Court, with some officers using the hot desks in Property Services.

3. INTERNAL AUDIT PLAN 2015/16 PROGRESS

3.1 Appendix 1 shows the progress made against the 2015/16 internal audit plan to 5th January 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.

3.2 The internal audit plan is timetabled to ensure the audit assignments can be undertaken at the most effective time. Appendix 1 shows the audits planned for each quarter of the year. The Council Tax Audit was scheduled for Q3 but has been moved to Q4 at the request of the Service. This is due to the server currently hosted at Hampshire being brought back in house. This work should be completed by the middle of February. The Elections Audit has been moved to November 2016, this was at the request of the service as November would be a better time of year for the service to be able to provide assistance to aid the completion of the Audit.

3.3 The scope of the Housing Development inc Affordable Housing, Private Sector Leasing & Empty Properties audit has changed to mainly concentrate on Private Sector Leasing due to the recent issues encountered at Savoy House.

3.4 Audit undertake financial appraisals of suppliers for contracts let by the Council. The level of appraisal depends on the risk and value of the contract and also the requirements of the Public Contracts Regulation 2015. At present the Council are in the process of setting up a Framework agreement for Coastal monitoring which will be used regionally. Audit will be required to undertake financial appraisals for all suppliers submitting tenders to join the framework. At present approximately 50 submissions are expected. Due to the resource required to undertake this volume of appraisals the Coastal and Regional monitoring audit that was due to be undertaken in Q4 will be moved to next year.

3.4 The plan is on schedule. The majority of work undertaken within the year includes;

- Assurance and risk based service areas
- Procurement Service Review
- Real time exception testing (creditors)
- NNDR System migration
- Attendance at projects including Affordable Housing and implementation of new Procurement Legislation
- Follow up of audit recommendations
- Work with third parties including the External Auditor's Subsidy testing, Town Councils audits and Partnership Audits
- Fraud risk register review

3.5 There are no frauds that need to be brought to your attention at this time.

3.6 Published in October 2014, the **CIPFA Code of Practice on managing the risk of fraud and corruption** sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

Applicable to all public services organisations, the five key principles are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

CIPFA have recently released a self-assessment tool that can be used to assess compliance with the code of practice. This tool has now been purchased and will be used to assess the current position of the Council. This will help to then develop an action plan for completion in 16/17.

4. PROGRESS ON HIGH PRIORITY RECOMMENDATION

4.1 Internal Audit monitors progress made against agreed audit recommendations. Currently high priority recommendations outstanding include;

- Payment Card Industry Data Security Standards (PCI DSS) compliance.
  Adelante- This non-compliant payment system is no longer in use.
  An external qualified assessor is returning in January to help segregate the NFDC payment systems on the network. Audit continues to work closely with the ICT Security team to ensure completion of the action plan.
- 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 has been audited during 15/16 and no further action has been taken. This will be reviewed again in 16/17.
- Business Continuity
  To ensure that all business units, that are deemed to have Critical Activities, have up to date Business Continuity Plans
  To ensure Disaster Recovery Plans are created for each Critical System
  High level of responsibility needs to be taken for creating and implementing business continuity plans and ensuring they are kept up to date
  At present no further action has been taken regarding these recommendations and they will be reviewed for any progress prior to the next committee.

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:

Glenda Chambers
Principal Auditor
Tel: (023) 8028 5588
E-mail: glenda.chambers@nfdc.gov.uk

Background Papers:

Internal Audit Plan 2015/16

This page is intentionally left blank

Appendix 1

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
Main Financial Audits										
Benefits	15			Draft						
Income	15		WIP	Draft						
Accounts Payable	10									
Accounts Receivable	10			WIP						
Asset Management	10									
Landlord services (rents)	10									
Business Rates	15			Draft						
Council Tax	10									
Payroll (inc NFNPA testing) (Inc T&S, Members	25									
Treasury Management	2									
Main Accounting System inc bank reconciliation	15			Completed		Reasonable	0	2	0	1
IT Audit										
IT Audit	15		Completed			Reasonable	0	5	2	3
IT Audit (PSN/Security/DR) Network and Other systems	20									
Governance										
Governance and corporate risks inc new standards	15	Completed								
Information Governance	15		Completed			Reasonable	0	1	4	0
Assurance/Risk Based Service Areas										
The Design Room	10	Completed				Reasonable	0	2	1	3
Estates Management	15	Completed				Reasonable	0	0	1	3
Clinical Waste	10	Completed				Reasonable	2	4	4	8
Customer Access - Contact Centre/Helpdesk/Support	10	Completed				Reasonable	0	3	3	9
Building Control	15	Draft								
Landscape and Open Space	10									
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			WIP						
Community Grants/Ward Budgets/Other Grants	15		Draft							
Health and Safety	15									
Environmental Health - Pollution	15									
Electoral Services	**15**									
Estates and Valuation	10									

This page is intentionally left blank

AUDIT COMMITTEE – 22 JANUARY 2016

THE REGULATION OF INVESTIGATORY POWERS ACT 2000

1. INTRODUCTION

1.1 The purpose of this report is to provide the Audit Committee with a summary of the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

1.2 RIPA provides a statutory framework whereby certain surveillance and information gathering activities can be authorised and conducted by the Council in a lawful manner where they are carried out for the prevention and detection of crime and, in some cases, for the prevention of disorder.

1.3 The Council has adopted two policies relating to its use of RIPA:

1.3.1 Surveillance Policy - Last updated November 2015

1.3.2 Policy for the Acquisition of Communications Data - Last updated October 2015

1.4 In accordance with these policies the RIPA Monitoring Officer is required to report to the Audit Committee annually on the Council's use of RIPA.

2. BACKGROUND

2.1 When the Human Rights Act 1998 came into force in 2000 it made the fundamental rights and freedoms contained in the European Convention on Human Rights (ECHR) enforceable in the UK.

2.2 Article 8 of the ECHR provides that individuals have the right to respect for private and family life and Article 6 of the ECHR provides that individuals have the right to a fair trial.

2.3 The use of covert surveillance techniques is considered to be an interference with this Article 8 right and therefore RIPA provides a framework to render lawful surveillance activities which might otherwise be in breach of the ECHR. It is also aimed at ensuring that evidence obtained against a person to be used in criminal proceedings is obtained in a fair manner.

2.4 RIPA regulates three surveillance techniques available to local authorities, namely:

2.4.1 Directed surveillance - covert surveillance which is carried out as part of a specific investigation and is likely to involve the obtaining of private information about the person under investigation;

2.4.2 Covert Human Intelligence Sources (CHIS) – use of a person who establishes and maintains a relationship with the person under investigation in order to obtain and disclose information; and

2.4.3 The acquisition and disclosure of communications data - obtaining information from communication service providers (e.g. the postal service, telephone companies and internet companies) about the use made of a service (e.g. itemised billing, internet connections or records of registered post) and user information (e.g. subscriber names, addresses or other customer information).

2.5 RIPA provides that the above activities may be authorised by local authorities but must be necessary and proportionate.

3. THE COUNCIL'S USE OF RIPA

3.1 The Council uses its powers under RIPA infrequently.

3.2 The Council did not authorise any surveillance activities under RIPA in 2015.

4. INSPECTION BY THE OFFICE OF SURVEILLANCE COMMISSIONERS

4.1 On 15 October 2015 Sir David Clarke, Assistant Surveillance Commissioner, visited the Council to undertake an inspection of the Council's use and management of its powers under RIPA. In his subsequent report, Sir David commented that the Council's Surveillance Policy is "clear, readable and practical, giving good guidance to investigators and authorising officers". He was pleased to note that the Council provides annual training to investigating and authorising officers, despite the Council's very sparing use of its powers under RIPA, commenting, "The maintenance of regular update and refresher training is the best example of good practice." In conclusion the Assistant Surveillance Commissioner stated that, "NFDC's RIPA structure remains in rude good health, ready for use if and when the need arises."

5. ENVIRONMENTAL IMPLICATIONS

5.1 There are no environmental implications arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

6.1 The Council's use of RIPA relates to the prevention and detection of crime and, in some cases, the prevention of disorder. It is essential the Council complies with RIPA if covert surveillance techniques are used in order to prevent legal challenge and ensure that evidence obtained is admissible in criminal proceedings. As stated above, the Council rarely uses its powers under RIPA.

7. CONCLUSION

7.1 RIPA provides the Council with a statutory framework to follow so that it may carry out various covert investigatory activities in a lawful manner.

7.2 The Council uses its powers under RIPA infrequently, but when use is made of such powers it is essential that this is done in accordance with the law and the Council's policies.

8. RECOMMENDATION

It is recommended that:-

8.1 Members note the use made by the Council of its powers under RIPA.

Further Information

Grainne O'Rourke
Head of Legal and Democratic Services
& RIPA Monitoring Officer
Telephone: 02380 285588
Email: grainne.orouke@nfdc.gov.uk

Background Papers

- Published documents

This page is intentionally left blank

AUDIT COMMITTEE – 22 JANUARY 2016

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:

Andy Rogers
Committee Administrator
Tel: 02380 285588
Andy.rogers@nfdc.gov.uk

APPENDIX 1

DATE	WORK / REPORTS
18 March 2016	External Audit Annual Plan for 2015/16 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 Risk Management Governance Action Plan Follow up
24 June 2016	Audit Committee Introduction & Terms of Reference Insurance Procurement External audit progress report on 15/16 audit Annual Outturn for Treasury Management 2015/16 Write-Offs 2015/16 Annual Waivers Report 2015/16 Review of the Local Code of Good Governance 2015/16 Internal Auditor's Annual Opinion Report 2015/16 Draft Annual Financial Report 2015/16 Annual Governance Statement 2015/16 Audit Committee Annual Report 2015/16 Audit Committee letter to the External Auditor Internal Audit Progress report against 16/17 Q1 Annual Work Programme and Training
23 September 2016	External Auditor – Audit Results Report 2015/16 External Auditor - Opinion on the Statement of Accounts & Value for Money Statement of Accounts 2015/16 Annual Governance Statement 2015/16 Treasury Management Q2 Internal Audit Progress report against the audit plan and Outstanding high priority audit recommendations Q2 Counter Fraud Update Report Risk Management