

## NOTICE OF MEETING

**Meeting:** AUDIT COMMITTEE

**Date and Time:** TUESDAY, 28 JUNE 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](mailto: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](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 18 March and 16 May 2016 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. EXTERNAL AUDIT PLAN PROGRESS REPORT 2015/16 (Pages 1 - 10)**

To note the External Auditor's plan, which sets out the basis of their audit approach and scope for the 2015/16 Audit.

**5. ANNUAL AUDIT AND CERTIFICATION FEES 2016/17 (Pages 11 - 14)**

To note a letter from the External Auditor confirming the audit and certification work that they proposed to undertake for the 2016/17 financial year.

**6. TREASURY MANAGEMENT ANNUAL OUT-TURN REPORT 2015/16 (Pages 15 - 26)**

To receive the Treasury Management Annual Out-turn Report for 2015/16.

**7. DRAFT ANNUAL FINANCIAL REPORT 2015/16 (STATEMENT OF ACCOUNTS) (Pages 27 - 38)**

To note the current position on progress with the production of the statutory Annual Financial Report for 2015/16.

**8. FINAL ACCOUNTS 2015/16 - BAD DEBTS WRITE-OFF (Pages 39 - 44)**

To receive the final accounts 2015/16 bad debts write-off. To receive a report on the total bad debts written off during the financial year 2015/16, which was approved in accordance with the Code of Practice for Write-Offs approved by the Cabinet.

**9. PROCUREMENT RULES, REGULATIONS AND CONTRACT STANDING ORDERS - WAIVERS 2015/16 (Pages 45 - 50)**

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

**10. REVIEW OF LOCAL CODE OF GOOD GOVERNANCE 2015/16 (Pages 51 - 70)**

To consider the annual report of the Monitoring Officer and Internal Audit Manager for 2015/16.

**11. ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2015/16 (Pages 71 - 88)**

To receive the Annual Internal Auditor's Opinion report for 2015/16.

**12. ANNUAL GOVERNANCE STATEMENT 2015/16 (Pages 89 - 98)**

To note the draft Annual Governance Statement for 2015/16.

**13. PROGRESS AGAINST THE 2016/17 INTERNAL AUDIT PLAN (Pages 99 - 104)**

To note progress on the Internal Audit Plan for 2016/17.

**14. DRAFT AUDIT COMMITTEE ANNUAL REPORT 2015/16 (TO FOLLOW)**

To consider the draft Audit Committee Annual Report for 2015/16 and to make any amendments prior to submission to the Council.

**15. ANNUAL WORK PLAN (Pages 105 - 106)**

To note the Committee's Annual Work Plan.

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

To:

**Councillors:**

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

**Councillors:**

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

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# New Forest District Council

## Audit Committee Progress Report

28 June 2016





28 June 2016

Dear Committee Member

## **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





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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](http://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

### Financial statements

We are required to give an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we continue to meet key officers and other stakeholders.

#### Audit Plan

We included the risks associated with the Council's financial statements and the value for money assessment in our 2015/16 Audit Plan which we presented to the Audit Committee in March.

#### Interim audit

Our audit timetable is summarised in section two of this report. During our interim audit, in February and March, we identified and walked through your material income and expenditure systems.

#### Post statements visit

Our post statements visit for four weeks, from 4 July, involves substantively testing the entries in the financial statements and other audit procedures required by both our audit approach and international standards on auditing. We have discussed our working paper requirements with officers.

Our conclusions will be set out in the Audit Results Report for the Council which we will discuss and agree with officers at the beginning of September. We will present our findings to the Audit Committee on 23 September.

### Value for money assessment

We are required to give a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. The Public Sector Audit Appointments (PSAA) Ltd has revised the specified criterion for the value for money conclusion for the 2015/16 audit to be:

***In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.***

We carried out our initial risk assessment in early 2016. We identified the "Delivery of a sustainable medium term financial plan" as a significant value for money risk at the Council. We will carry out our fieldwork in July. Our approach will focus on:

- ▶ reviewing the progress made in achieving the planned budget and required savings for 2015/16;
- ▶ assessing whether the Council has good systems and processes in place to manage their financial risks and opportunities effectively;
- ▶ assessing the robustness of financial plans in for 2016/17 and in the medium term.

## 2016/17 fee letter

We have included, within the agenda papers for this Committee, our audit fee letter to for the 2016/17 audit.

## Local appointment of auditors

We included, in our January progress report, details about the decision of the Department of Communities and Local Government (DCLG) not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. This will mean from 2018/19 onwards, local bodies, including the Council, will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years. We should also note that there is no restriction on your current auditor re-tendering for the new contract. Since our last update, some further information has emerged in respect of the re-tendering process. We will therefore be happy to provide a verbal update to the Committee.

## Accelerating your financial close arrangements

On 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made under the Local Audit and Accountability Act 2014 on 12 February 2015.

A key area of the regulations is that, from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. These changes provide challenges for both the preparers and the auditors of the financial statements. The good news is that with good planning, communication and joint working, those deadlines are highly attainable.

The majority of local bodies are on the right trajectory, having met the current reporting deadlines consistently for the last few years; the challenge now is upping the speed of that trajectory to achieve the faster deadlines. We have included below some suggestions which will help achieve this new statutory deadline. We will continue to engage with officers to ensure that the Council is well placed to meet these new statutory deadlines.

As with any project, the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements. We appreciate that each client starts from a slightly different base. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- revisit the current project timetable;
- carry out an early in-year financial hard close;
- review the format of your accounts;
- review your approach to estimates;
- review your year-end journal process;
- review the operation of your ledger system; and
- consider how fit for purpose is your current financial reporting system?

Over the coming year, we will organise regular meetings with your finance team and use this as a mechanism to discuss options for early close and early substantive testing. We will continue to provide the Committee with regular updates on our progress in this area. We are also happy to discuss the wider process with you in more detail when we next meet on 28 June 2016.

## **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	<b>Ongoing</b>	Audit Fee Letter	June 2015	Complete
Risk assessment and setting of scope of audit	<b>January 2016</b>	Progress Report	January 2016	Complete
Testing of routine processes and controls	<b>March 2016</b>	Audit Plan	March 2016	Complete
Year-end audit	<b>July - August 2016</b>	<p>Audit results report to those charged with governance</p> <p>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)</p> <p>Whole of Government Accounts Submission to NAO based on their group audit instructions</p> <p>Audit Completion certificate</p>	September 2016	<p>Year end audit work, on the Council's financial statements, will be carried out for four weeks commencing 4 July 2016.</p> <p>We will present the findings of our audit to the Committee on 23 September 2016.</p>

EY | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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Bob Jackson  
Chief Executive  
New Forest District Council  
Appletree Court  
Lyndhurst  
SO43 7PA

19 April 2016

Ref: NFDC/16-17/Fee Letter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Bob

## Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at New Forest District Council.

### Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

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.

The audit fee covers the:

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

For New Forest District Council our indicative fee is set at the scale fee level. This indicative 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;
- our accounts opinion and value for money conclusion are unqualified;
- officers meet the agreed timetable of deliverables;
- prompt responses are provided to our draft reports;
- the Council provides appropriate quality of documentation;

- the overall control environment remains effective and internal controls operate effectively for the key processes identified within our audit strategy; and
- we can rely on the work of internal audit as planned.

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

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, 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 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	55,482	55,482	73,976
Certification of housing benefit subsidy claim	4,253	5,492	5,670
<b>Total fees</b>	<b>59,735</b>	<b>60,974</b>	<b>79,646</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 £14,933.75.



### Audit plan

Our plan will be issued in March 2017. 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 Service Manager for Finance and Audit 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 2016/17 financial year are:

Helen Thompson  
**Executive Director**

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

Tel: 07974 007332

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Justine Thorpe  
**Manager**

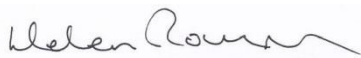
[JThorpe@uk.ey.com](mailto:JThorpe@uk.ey.com)

Tel: 07774 855246

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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 sincerely



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

cc. Alan Bethune, Service Manager for Finance and Audit  
Councillor O'Sullivan, Chair of the Audit Committee

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**AUDIT COMMITTEE 28 JUNE 2016**

**CABINET 6 JULY 2016**

**COUNCIL 11 JULY 2016**

## **TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2015/16**

### **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 2015/16, to include the effects of the decisions taken and the transactions executed in the past year.
- 2.3. Hampshire County Council’s Investments & Borrowing Team has been contracted to manage the Council’s treasury management balances since March 2014 but 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 2015/16, 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. EXTERNAL CONTEXT

- 3.1. The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions were made in 2015/16.

#### **Growth, Inflation, Employment**

- 3.2. The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year on year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Quarter 1 of 2016, the latest figures (January 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

#### **UK Monetary Policy**

- 3.3. The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

### 4. LOCAL CONTEXT

- 4.1. At 31/03/2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £147.8m, while usable reserves and working capital which are the underlying resources available for investment were £55.8m (principal invested plus gains on investments with a variable net asset value).
- 4.2. At 31/03/2016, the Council had £144.3m of borrowing and £55.3m of principal invested. 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 its HRA CFR is currently expected to reduce by £4.1m per year from 2017/18, as instalments of the HRA settlement become due for

repayment. The Council's capital expenditure plans do not currently imply any need to borrow over the forecast period.

## 5. BORROWING STRATEGY

- 5.1. At 31/03/2016 the Council held £144.3m of loans, (a decrease of £0.2m on 31/03/2015) 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 2015/16. 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 2015/16

	Balance on 01/04/2015 £m	Net New Borrowing £m	Balance on 31/03/2016 £m
CFR	148.3		147.8
Short Term Borrowing <sup>1</sup>	0.2	-	0.2
Long Term Borrowing	144.3	(0.2)	144.1
<b>TOTAL BORROWING</b>	144.5	(0.2)	144.3
<b>TOTAL EXTERNAL DEBT</b>	144.5	(0.2)	144.3
Increase/ (Decrease) in Borrowing £m			(0.2)

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

## **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.

## **6. INVESTMENT ACTIVITY**

- 6.1. The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on 15 April 2014. The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive 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 risk of making unsecured deposits rose relative to other investment options. The Council therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.
- 6.3. The Council has held invested funds representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Council's investment balances have ranged between £53.4 and £87.4 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 2015/16

<b>Investments</b>	Balance on 01/04/2015 £m	Balance on 31/03/2016 £m	Average Rate/Yield on 31/03/16 %	Average Life on 31/03/16 years
Short term Investments				
- Banks and Building Societies:				
- Unsecured	21.6	8.3	0.61	0.12
- Secured	4.0	4.8	0.83	0.75
- Money Market Funds	14.5	11.0	0.51	0.00
- Local Authorities	1.0	8.0	0.59	0.48
- Corporate Bonds	3.1	1.0	0.86	0.85
- Government Bonds	-	3.0	0.76	0.71
Long term Investments				
- Banks and Building Societies:				
- Secured	-	9.5	0.97	2.00
- Local Authorities	4.0	7.0	1.46	1.87
- Pooled Funds	2.0	3.2	4.98 <sup>2</sup>	N/A
<b>TOTAL INVESTMENTS</b>	50.2	55.8	1.03	0.78
Increase/ (Decrease) in Investments £m		5.6		

6.5. During 2014/15 the Council diversified its range of investments in order to reduce the risk of loss of funds. This process has continued in 2015/16. Over the year the Council reduced its exposure to unsecured bank and building society investments by increasing its exposure to secured bank and building society investments, government bonds, other local authorities, and pooled property funds.

6.6. The property fund investments allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term. The Council's pooled fund investments are in the funds' distributing share classes which pay out the income generated.

6.7. Although money can be redeemed from the pooled funds at short notice, the Council's intention is to hold this for the medium term. Their performance and suitability in meeting the Council's investment objectives are monitored regularly and discussed with Arlingclose.

6.8. 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 2015/16.

6.9. Counterparty credit quality was assessed and monitored with reference to credit ratings, for financial institutions analysis of funding structure and

<sup>2</sup> Income return at 31/03/2016

susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

6.10. The Council will also consider the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

6.11. 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.

6.12. The Council's average cash balances were £69.4m during the year and interest earned for the year was £0.634m, giving a yield of 0.91%.

## 7. COMPLIANCE WITH PRUDENTIAL INDICATORS

7.1. The Council confirms compliance with its Prudential Indicators for 2015/16, which were set in February 2015 and amended in September 2015 within the Treasury Management Mid-Year Monitoring Report.

## 8. Treasury Management Indicators

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

### Interest Rate Exposures

8.2. 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 3: Interest Rate Exposures

	Approved limits for 2015/16	Maximum during 2015/16	Compliance with limits:
Upper limit on fixed interest rate investment exposure	£25.0m	£14.0m	Yes
Upper limit on variable interest rate investment exposure	£80.0m	£76.3m	Yes
Upper limit on fixed interest rate borrowing exposure	£163.4m	£144.5m	Yes
Upper limit on variable interest rate borrowing exposure	£163.4m	£1.0m	Yes



- 8.3. 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.

#### **Maturity Structure of Borrowing**

- 8.4. 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 4: 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%	3.0%
24 months and within 5 years	25%	0%	8.9%
5 years and within 10 years	25%	0%	14.6%
10 years and above	100%	0%	73.4%

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

- 8.5. 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:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Limit on principal invested beyond year end	£25m	£25m	£25m
Actual	£20m		

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

- 9.1. None arising directly from this report.

## **10. RECOMMENDATIONS**

Members are recommended to:

- 10.1. consider the performance of the treasury function detailed in this report.

Further information	Background papers
Please contact Andrew Boutflower (HCC), or Bob Jackson (Chief Executive)	The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance
	Local Government Act 2003
email: andrew.boutflower@hants.gov.uk <a href="mailto:bob.jackson@nfdc.gov.uk">bob.jackson@nfdc.gov.uk</a>	SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
	<p>Treasury Management Strategy Report 2015/16 Audit Committee – 23 January 2015 Council - 4 February 2015</p> <p>Treasury Management Mid-Year Monitoring Report 2015/16 Audit Committee – 25 September 2015</p> <p>Treasury Management Annual Outturn Report 2014/15 Audit Committee – 26 June 2015 Cabinet – 1 July 2015 Council – 13 July 2015</p>
	Published Papers

## PRUDENTIAL INDICATORS 2015/16

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	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
General Fund	8.3	4.8	<b>3.0</b>	4.8	3.2
HRA	12.7	13.7	<b>13.1</b>	16.6	10.4
<b>Total Expenditure</b>	<b>21.0</b>	<b>18.5</b>	<b>16.1</b>	<b>21.4</b>	<b>13.6</b>
Capital Receipts	0.3	1.6	<b>1.8</b>	1.3	1.3
Grants	2.3	1.8	<b>0.9</b>	1.8	0.8
Reserves	0.9	0.9	<b>0.3</b>	2.8	1.1
Revenue	12.7	11.2	<b>10.2</b>	13.7	8.4
Developers Contributions	3.6	2.4	<b>2.4</b>	0.9	-
Borrowing	1.2	0.6	<b>0.5</b>	0.9	2.0
<b>Total Financing</b>	<b>21.0</b>	<b>18.5</b>	<b>16.1</b>	<b>21.4</b>	<b>13.6</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	31.03.16 Approved £m	31.03.16 Revised £m	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	3.9	3.9	3.2	3.6	4.4
HRA	144.6	144.6	144.6	144.6	140.5
<b>Total CFR</b>	<b>148.5</b>	<b>148.5</b>	<b>147.8</b>	<b>148.2</b>	<b>144.9</b>

The General Fund CFR is forecast to rise by £1.2m over the next two years as capital expenditure financed by debt outweighs resources put aside for debt management, but the HRA CFR will fall by £4.1m as the first instalment of the Self Financing Settlement borrowing is repaid.

### 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	31.03.16 Approved £m	31.03.16 Revised £m	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	144.3	144.3	144.3	144.1	139.8

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	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	163.4	163.5	144.3	163.1	159.9

### 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.

<b>Authorised Limit</b>	<b>2015/16 Approved £m</b>	<b>2015/16 Revised £m</b>	<b>2015/16 Actual £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Borrowing	178.4	178.5	<b>144.3</b>	174.9	170.2

### **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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2015/16 Approved %</b>	<b>2015/16 Revised %</b>	<b>2015/16 Actual %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>
General Fund	0.2	-	<b>(0.2)</b>	0.8	0.2
HRA	-	-	-	-	-

During 2015/16 the ratio of financing costs to Net Revenue Stream for the General Fund was -0.2%. This figure reflects a lower voluntary MRP in 2015/16 than 2014/15 due to re-phasing of the vehicle and plant programme into 2016/17.

### **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 2011 Edition in February 2002 and complies with all revisions of the Code.

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EMT – 20 JUNE 2016

AUDIT COMMITTEE – 28 JULY 2016

PORTFOLIO: FINANCE & EFFICIENCY/ALL

## DRAFT ANNUAL FINANCIAL REPORT 2015/16

### 1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee in September, after completion of the external audit (taking place throughout July). Prior to submission for audit, by the deadline of 30 June, it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2016.

### 2. Purpose of the Report

- 2.1 This report updates Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members approval for any changes to Accounting Policies (if applicable).

### 3. Statement of Accounts position

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report.

- 1) Comprehensive Income and Expenditure Statement
- 2) Movement in Reserves
- 3) Balance Sheet
- 4) Housing Revenue Account
- 5) Collection Fund – Council Tax
- 6) Collection Fund – Business Rates
- 7) Cash Flow Statement

- 3.2 The draft Accounting Statements for 2015/16, prior to external audit, are set out in Appendices 1 – 7.

### 4. Accounting Policy Changes and Other Key Issues

- 4.1 There has been no requirement to change any Accounting Policies for 2015/16.

- 4.2 Previous years' reports highlighted changes to the Business Rates Retention scheme that took place in April 2013 and the need for the Council to hold a provision for anticipated successful appeals against rating assessments. As at 1 April 2015 the provision was £10.3 million. During 2015/16, £173,000 of settlements were made, but to allow for potential successful appeals relating to rates collected in 2015/16, the overall provision has now been increased to £12.03 million.

- 4.3 Historically, the Council has held a general fund reserve at around 10% of the general fund budget. In response to the risks identified by the Medium Term Financial Plan in the period up to 2020, the reserve has now been increased to £3m using the under spends from 2015/16. The reserve will be available to support the uncertainties in future funding levels, protecting the delivery of visible services, and will be supported by an efficiency plan to ensure the on-going balanced budgets are deliverable.

- 4.4 The strategy to increase our longer term investments has continued in 2015/16, leading to an increase in interest earnings (to £630,000 in 2015/16 in comparison to £456,000 in 2014/15)
- 4.5 The Responsible Financial (S151) Officer who will sign the 2015/16 Annual Financial Report will be Bob Jackson. The newly appointed Service Manager for Finance and Audit will take over as the S151 Officer from July 2016.

## 5. Summary of Financial Position

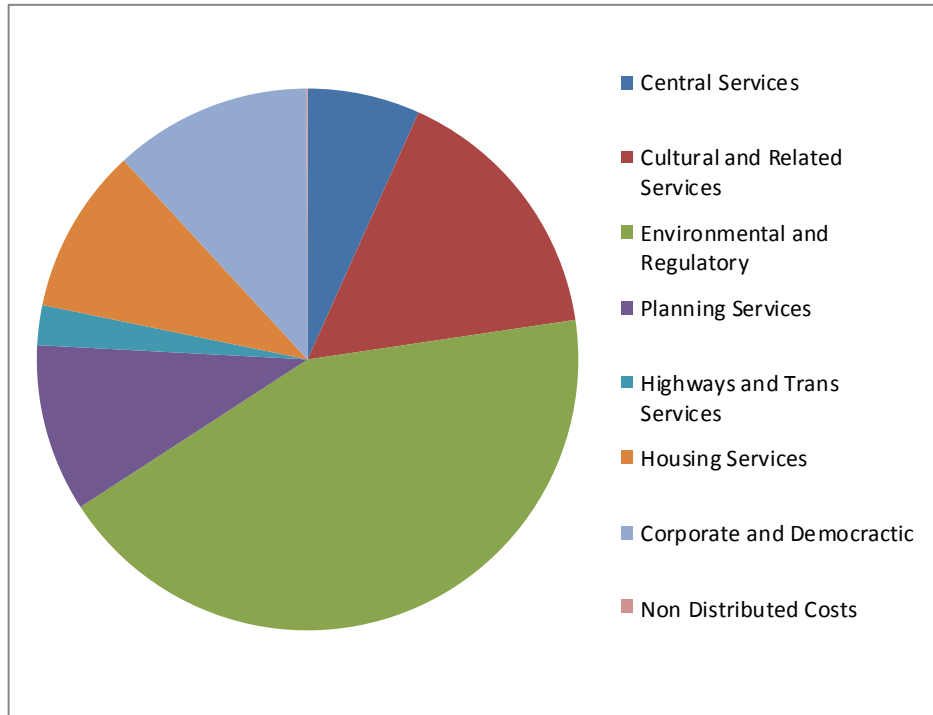
- 5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have increased by £15.039 million during 2015/16 (of which £8.195 is usable as shown below). The principal reasons and the breakdown of this increase between the various reserves are summarised as follows;

	£ million	
Net Increase in PPE Assets	2.398	
Increase in Short-Term Debtors	1.457	
Net increase in other Long-Term & Current Assets	3.794	
Decrease in Short-Term Creditors	3.313	
Decrease in net Pensions Liability	4.182	
Net Other	-0.105	
	<b>15.039</b>	
	←	→
	Usable Reserves	Unusable Reserves
General Fund Balance	0.964 *	0.026 Revaluation Reserve
Earmarked	5.519	3.185 Capital Adjustment Account
HRA Balance	0.029	0.1 Available For Sale Financial Instruments Reserve
Capital Programme	-0.128 **	0.012 Deferred Capital Receipts Reserve
Capital Receipts	1.341	4.182 Pensions Reserve
CIL	0.267	-0.696 Collection Fund Adjustment Account
Developers' Contributions	<u>0.203</u>	<u>0.035 Accumulating Absences Adjustment Account</u>
	8.195	6.844

- 5.2 The performance report presented to Cabinet in June identified a provisional general fund outturn saving of £1.8 million. A couple of late changes since that report have seen that figure increase to £1.9 million. The original revenue budget allowed for a transfer from the capital programme reserve of £786,000. The outturn position has not only accommodated an increase in the general fund reserve of £964,000\*, but has also meant that a transfer of £189,000 has been possible to the Capital Programme Reserve (different to the figure as included in the table above as £317,000 of the Capital Programme Reserve was used to finance Capital projects during 2015/16, resulting in the net decrease in this reserve of £128,000\*\*).
- 5.3 In response to the significant reduction in government funding experienced in recent years and anticipated in the years ahead, the Council undertook a review of Senior Management costs during 2015/16 that has resulted in on-going savings of around £800k. This transition increased costs of Senior Officer Remuneration as set out in the notes within the full Annual Financial Report, but was necessary to meet the future budget requirement of the Council. These costs were met from the savings in budget identified during 2015/16.



5.4 The chart below demonstrates the breakdown of the cost of services that the Council has provided during 2015/16 (created using the General Fund elements of the I&E statement);



5.5 The provisional outturn for the Housing Revenue Account shows an operating surplus of £538,000 for 2015/16. In order to ensure the optimum use of capital resources, capital receipts and developers' contributions totalling £2.240 million have been used to part finance the capital programme, rather than revenue resources. These items, together with the original anticipated budget surplus of £1.462 million have enabled an overall transfer to the Acquisitions and Development reserve of £4.2 million (included in Earmarked Reserves).

## 6. Recommendations

6.1 That Members note the draft Accounting Statements set out in Appendices 1-7 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 30 June.

### For Further Information Please Contact:

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Service Manager – Finance & Audit  
Telephone: (023) 8028 5588  
E-mail: [Alan.Bethune@nfdc.gov.uk](mailto:Alan.Bethune@nfdc.gov.uk)

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**APPENDIX 1**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2014/15				2015/16		
Gross Expend £000	Gross Income £000	Net Expend £000	Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,345	(1,249)	1,096		2,833	(1,316)	1,517
11,239	(7,044)	4,195		11,536	(7,942)	3,594
12,870	(3,049)	9,821		12,157	(2,423)	9,734
3,901	(1,759)	2,142		3,859	(1,603)	2,256
3,060	(3,502)	(442)		2,790	(3,327)	(537)
(13,600)	(27,682)	(41,282)		16,105	(28,280)	(12,175)
48,719	(46,803)	1,916		48,815	(46,581)	2,234
7	(2)	5		0	0	0
2,536	(99)	2,437		2,755	(97)	2,658
24	(25)	(1)		6	(24)	(18)
<b>71,101</b>	<b>(91,214)</b>	<b>(20,113)</b>	<b>Cost of Services</b>	<b>100,856</b>	<b>(91,593)</b>	<b>9,263</b>
			<b>Other Operating Expenditure</b>			
4,698			Town and Parish Council Precepts	4,840		
561			Payments to the Government Housing Capital Receipts Pool	584		
	(1,759)		(Gains)/Losses on the disposal of Non-Current Assets		(1,374)	
	(53)		VAT Refund		0	
		<b>3,447</b>	<b>Total Other Operating Expenditure</b>			<b>4,050</b>
			<b>Financing and Investment Income and Expenditure</b>			
			Interest Payable and Similar Charges:			
51			- General Fund	46		
4,466			- HRA	4,466		
	(507)		Other Investment Income		(695)	
2,900			Net interest on the net defined benefit liability/(asset)	2,520		
7			Income, expenditure and changes in the fair value of Investment Properties		(170)	
		<b>6,917</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>6,167</b>
			<b>Taxation and Non-Specific Grant Income</b>			
(15,576)			Council Tax Income (incl. Parish precepts)		(15,808)	
(3,883)			Non-Domestic Rates Income and Expenditure	44	(4,139)	
(5,837)			Unringfenced Government Grants	44	(5,051)	
(1,065)			Capital Grants and Contributions	44	(2,082)	
		<b>(26,361)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(27,080)</b>
		<b>(36,110)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>(7,600)</b>
	(609)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(59)	
	(40)		(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets		(100)	
8,460			Re-measurement of the defined benefit liability (asset)	42	(7,280)	
		<b>7,811</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,439)</b>
		<b>(28,299)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>5</b>		<b>(15,039)</b>

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000		£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	<b>(2,036)</b>	<b>(11,353)</b>	<b>(1,219)</b>	<b>(8,795)</b>	<b>(5,079)</b>	<b>0</b>	<b>(2,786)</b>	<b>(31,268)</b>	<b>(142,301)</b>	<b>(173,569)</b>
<b><i>Movement in reserves during 2014/15</i></b>										
(Surplus) or deficit on the provision of services	1,981	0	(38,091)	0	0	0	0	(36,110)	0	(36,110)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	7,811	7,811
<b>Total Comprehensive Income and Expenditure</b>	<b>1,981</b>	<b>0</b>	<b>(38,091)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(36,110)</b>	<b>7,811</b>	<b>(28,299)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(3,437)	0	35,097	0	(953)	0	(59)	30,648	(30,648)	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>(1,456)</b>	<b>0</b>	<b>(2,994)</b>	<b>0</b>	<b>(953)</b>	<b>0</b>	<b>(59)</b>	<b>(5,462)</b>	<b>(22,837)</b>	<b>(28,299)</b>
Transfers to/(from) earmarked reserves (note 8/9)	1,456	(3,583)	3,199	(1,072)	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>(3,583)</b>	<b>205</b>	<b>(1,072)</b>	<b>(953)</b>	<b>0</b>	<b>(59)</b>	<b>(5,462)</b>	<b>(22,837)</b>	<b>(28,299)</b>
<b>Balance at 31 March 2015</b>	<b>(2,036)</b>	<b>(14,936)</b>	<b>(1,014)</b>	<b>(9,867)</b>	<b>(6,032)</b>	<b>0</b>	<b>(2,845)</b>	<b>(36,730)</b>	<b>(165,138)</b>	<b>(201,868)</b>
<b><i>Movement in reserves during 2015/16</i></b>										
(Surplus) or deficit on the provision of services	2,341	0	(9,941)	0	0	0	0	(7,600)	0	(7,600)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(7,439)	(7,439)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,341</b>	<b>0</b>	<b>(9,941)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,600)</b>	<b>(7,439)</b>	<b>(15,039)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(4,485)	0	5,701	0	(1,341)	(267)	(203)	(595)	595	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>(2,144)</b>	<b>0</b>	<b>(4,240)</b>	<b>0</b>	<b>(1,341)</b>	<b>(267)</b>	<b>(203)</b>	<b>(8,195)</b>	<b>(6,844)</b>	<b>(15,039)</b>
Transfers to/(from) earmarked reserves (note 8/9)	1,180	(5,519)	4,211	128	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>(964)</b>	<b>(5,519)</b>	<b>(29)</b>	<b>128</b>	<b>(1,341)</b>	<b>(267)</b>	<b>(203)</b>	<b>(8,195)</b>	<b>(6,844)</b>	<b>(15,039)</b>
<b>Balance at 31 March 2016</b>	<b>(3,000)</b>	<b>(20,455)</b>	<b>(1,043)</b>	<b>(9,739)</b>	<b>(7,373)</b>	<b>(267)</b>	<b>(3,048)</b>	<b>(44,925)</b>	<b>(171,982)</b>	<b>(216,907)</b>

## BALANCE SHEET AS AT 31 MARCH

2014/15			2015/16	
£000	£000	Notes	£000	£000
		<b>Long-Term Assets</b>		
		Property, Plant and Equipment:		
317,871		Council Dwellings	322,214	
63,169		Other Land and Buildings	62,530	
4,614		Vehicles, Plant and Equipment	3,951	
5,662	391,316	Infrastructure	5,019	393,714
	2,325	Investment Property		2,367
	6,040	Long-Term Investments		19,677
	2,157	Long-Term Debtors		1,956
	401,838	<b>Total Long-Term Assets</b>		417,714
		<b>Current Assets</b>		
0		Assets Held For Sale - PPE	242	
25,207		Short-Term Investments	22,381	
339		Inventories	395	
7,222		Short-Term Debtors	8,679	
(2,128)		Bad Debt Provision	(2,249)	
19,476		Cash and Cash Equivalents	12,441	
	50,116	<b>Total Current Assets</b>		41,889
	451,954	<b>Total Assets</b>		459,603
		<b>Current Liabilities</b>		
(251)		Short-Term Borrowing	(251)	
(17,929)		Short-Term Creditors	(14,616)	
(8)		Developers' Contributions - Receipts in Advance	(2)	
	(18,188)	<b>Total Current Liabilities</b>		(14,869)
		<b>Long-Term Liabilities</b>		
(144,310)		Long-Term Borrowing	(144,109)	
(4,640)		Provisions	(5,427)	
(241)		Capital Grants - Receipts in Advance	(204)	
(1,944)		Developers' Contributions - Receipts in Advance	(1,506)	
(80,763)		Net Pensions Liability	(76,581)	
	(231,898)	<b>Total Long-Term Liabilities</b>		(227,827)
	201,868	<b>Net Assets</b>		216,907
		<b>Usable Reserves</b>		
2,036		General Fund Balance	3,000	
14,936		Earmarked Reserves	20,455	
1,014		Housing Revenue Account Balance	1,043	
9,867		Capital Programme Reserve	9,739	
6,032		Capital Receipts Reserve	7,373	
0		Community Infrastructure Levy Unapplied	267	
2,845	36,730	Developers' Contributions Unapplied	3,048	44,925
		<b>Unusable Reserves</b>		
21,098		Revaluation Reserve	21,124	
224,256		Capital Adjustment Account	227,441	
40		Available For Sale Financial Instruments Reserve	140	
499		Deferred Capital Receipts Reserve	511	
(80,763)		Pensions Reserve	(76,581)	
294		Collection Fund Adjustment Account	(402)	
(286)	165,138	Accumulating Absences Adjustment Account	(251)	171,982
	201,868	<b>Total Reserves</b>		216,907

**HOUSING REVENUE ACCOUNT  
INCOME AND EXPENDITURE ACCOUNT**

2014/15		Notes	2015/16
£000			£000
	<b>Income</b>		
(25,842)	Dwelling rents		(26,518)
(718)	Non-dwelling rents		(699)
(721)	Charges for services and facilities		(735)
(401)	Contributions towards expenditure		(328)
<b>(27,682)</b>			<b>(28,280)</b>
	<b>Expenditure</b>		
4,227	Repairs and maintenance	3	4,220
4,824	Supervision and management		5,193
7	Rents, rates, taxes and other charges		36
(22,831)	Depreciation, impairment and revaluation of non-current assets	4	6,503
20	Debt Management Costs		18
78	Movement in the allowance for bad debts		61
<b>(13,675)</b>			<b>16,031</b>
<b>(41,357)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(12,249)</b>
74	HRA services' share of Corporate and Democratic Core		74
<b>(41,283)</b>	<b>Net Expenditure for HRA Services</b>		<b>(12,175)</b>
	<b>HRA share of the Operating Income and Expenditure included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services</b>		
(1,307)	(Gain) / Loss on sale of HRA non-current assets		(1,346)
4,467	Interest payable and similar charges		4,466
(51)	Interest and investment income		(64)
485	Net interest on the net defined benefit liability / (asset)	6	451
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(389)	Capital Grants and Contributions Receivable		(1,260)
<b>(38,091)</b>	<b>(Surplus) or Deficit for the year on HRA services</b>		<b>(9,941)</b>

## COLLECTION FUND – COUNCIL TAX

2014/15		COUNCIL TAX	2015/16	
£000	£000		£000	£000
	(102,829)	<b>Income</b>		
		Income from Council Tax		(103,945)
		Transfers to / (from) General Fund:		
(37)		Flood Relief	(9)	
(29)		Family Annex Relief	(39)	
1	(65)	Transitional Relief	1	(47)
	<b>(102,894)</b>	<b>Total Income</b>		<b>(103,992)</b>
		<b>Expenditure</b>		
		Precepts:		
71,179		Hampshire County Council	71,815	
10,579		Police and Crime Commissioner for Hampshire	10,886	
4,210		Hampshire Fire And Rescue Authority	4,247	
15,380	101,348	New Forest District Council (including town and parish council requirements)	15,618	102,566
		Bad and Doubtful Debts		
125		Write-offs	183	
130	255	Increase / (decrease) in provisions	(2)	181
		Contributions:		
	1,866	Previous year's estimated council tax surplus		1,546
	<b>103,469</b>	<b>Total Expenditure</b>		<b>104,293</b>
	<b>575</b>	<b>Movement on fund balance</b>		<b>301</b>
(1,839)		Surplus at 1 April		(1,264)
575		Movement on fund balance for year		301
	<b>(1,264)</b>	<b>Surplus at 31 March</b>		<b>(963)</b>

## COLLECTION FUND – BUSINESS RATES

2014/15		BUSINESS RATES	2015/16	
£000	£000		£000	£000
		<b>Income</b>		
		Income collectable from Business Ratepayers		
	(64,930)	Current System		(63,593)
	(55)	Old System		0
	(306)	Transitional Protection Payments		(1,614)
	<b>(65,291)</b>	<b>Total Income</b>		<b>(65,207)</b>
		<b>Expenditure</b>		
(95)		Payments to/(from) National Pool (Old System)	0	
30,719		Payments to DCLG - Business Rates Retention	31,885	
24,576		New Forest District Council	25,508	
5,529		Hampshire County Council	5,739	
614		Hampshire Fire And Rescue Authority	638	
286		Costs of Collection	280	
19		NFDC - Renewable Energy Schemes	35	
	61,648			64,085
		Bad and Doubtful Debts		
379		Write-offs	168	
(142)		Increase / (decrease) in provisions	18	
3,151		Appeals Provision	1,725	
	3,388			1,911
	<b>65,036</b>	<b>Total Expenditure</b>		<b>65,996</b>
	<b>(255)</b>	<b>Movement on fund balance</b>		<b>789</b>
503		(Surplus) / Deficit at 1 April		248
(255)		Movement on fund balance for year		789
0		Government safety net contribution - New Forest District Council		335
<b>248</b>		<b>(Surplus) / Deficit at 31 March</b>		<b>1,372</b>



## CASH FLOW STATEMENT

2014/15			2015/16
£000		Notes	£000
(36,110)	Net (surplus) or deficit on the provision of services		(7,600)
13,561	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(9,325)
4,191	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	3,664
(18,358)	Net cash flows from Operating Activities		(13,261)
16,799	Investing Activities	36	18,774
(1,303)	Financing Activities	37	1,523
(2,862)	Net (increase) or decrease in cash and cash equivalents		7,036
(16,614)	Cash and cash equivalents at the beginning of the reporting period		(19,476)
(19,476)	<b>Cash and cash equivalents at the end of the reporting period</b>	18	(12,440)

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AUDIT COMMITTEE – 28 JUNE 2016

## FINAL ACCOUNTS 2015/16 BAD DEBTS WRITE OFF

### 1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2015/16.
- 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 2015/16 was £645,221 (2014/15 £769,749). This represents 0.26% 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 2014/15 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 2015/16 year, together with comparative figures for 2014/15.

<b>CATEGORY OF DEBT</b>	<b>2015/16 £</b>	<b>2014/15 £</b>
COUNCIL TAX	27,441	18,286
NNDR	21,665	12,439
HOUSING BENEFIT incl. OVERPAID INVOICES	1,474	2,103
ACCOUNTS RECEIVABLE	4,509	1,265
HOUSING AND GARAGE RENTS	3,851	2,964
PARKING PENALTY CHARGES	Nil	Nil
STORES	1,603	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 based on an appropriate level of prudence, as well as allowing for specific items.

- # 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 2016 is also shown in Appendix 1.

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

- 4.1 The majority of the written off bad debt during 2015/16 would have been approved by the relevant Heads of Service. Following the Senior Management restructure during the last quarter of 2015/16, at its meeting in April 2016, Council granted delegated authority to Service Managers, to the same extent as was previously granted to Heads of Service. The Council's statutory financial officer retains authority to approve all write offs without any limit, in accordance with the Code of Practice approved by Cabinet.

- # 4.2 Details of the approval limits included as Appendix 3 have been shown under the relevant Service Managers' posts, rather than the now defunct Heads of Service posts.

### **5. RECOMMENDATIONS**

- 5.1 That this report be noted.

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#### **Background Papers;**

Accountancy Working Papers

**APPENDIX 1 CATEGORIES OF WRITE OFFS 2015/16**

<b>Category of Debt</b>	<b>Total Write Off £</b>	<b>Number of Accounts</b>	<b>Average value of Account Written Off £</b>	<b>Annual Income / Turnover £</b>	<b>Provision Made 31/3/2016 £</b>	<b>Arrears Balance as at 31/3/2016 £</b>	<b>Write Off as % of Turnover</b>	<b>Reason for Write Off</b>
<b>Council Tax</b>	233,556	959	244	103,946,000	1,182,520	2,782,000	0.2	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
<b>NNDR</b>	193,817	99	1958	63,593,000	396,000	1,335,000	0.3	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
<b>Housing Benefit incl Overpaid Invoices</b>	47,135	261	181	42,934,000	647,550	968,000	0.1	Abscond, bankruptcy, collection, deceased, Local Authority/DWP error, other, small balance.
<b>Accounts Receivable</b>	93,063	258	361	7,495,000	506,840	1,413,000	1.2	Abscond, bankruptcy, deceased, over 6 years old, small balance, uneconomical to pursue.
<b>Housing and Garage Rents</b>	59,533	387	154	29,230,000	463,000	677,000	0.2	Abandoned property, bankruptcy/debt relief order, deceased and no funds in estate, small balance/under £50, over 6 years old.
<b>Parking Penalty Charges</b>	15,057	247	61	2,866,000	-	-	0.5	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
<b>Stores</b>	3,060							Picking errors, products past use-by date.
<b>Total</b>	<b>645,221</b>	<b>2,211</b>		<b>250,064,000</b>				

**APPENDIX 2 CATEGORIES OF WRITE OFFS 2014/15**

<b>Category of Debt</b>	<b>Total Write Off £</b>	<b>Number of Accounts</b>	<b>Average value of Account Written Off £</b>	<b>Annual Income / Turnover £</b>	<b>Provision Made 31/3/2015 £</b>	<b>Arrears Balance as at 31/3/2015 £</b>	<b>Write Off as % of Turnover</b>	<b>Reason for Write Off</b>
<b>Council Tax</b>	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.
<b>NNDR</b>	394,563	835	473	64,904,000	361,430	1,225,000	0.6	Abscond, deceased, bankruptcy/insolvency, other, returned from bailiff, small balance.
<b>Housing Benefit incl Overpaid Invoices</b>	77,745	213	365	43,295,000	564,180	878,000	0.2	Abscond, bankruptcy, collection, deceased, small balance.
<b>Accounts Receivable</b>	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.
<b>Housing and Garage Rents</b>	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.
<b>Parking Penalty Charges</b>	19,767	337	59	2,830,000	-	-	0.7	Abscond, bailiff unable to collect/ no goods on which to levy, deceased, foreign vehicle.
<b>Stores</b>	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>				

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER LIMIT PER DEBTOR
Council Tax	Community	Bankruptcy Abscond Small Balance (up to £100) Deceased Bailiff Unable to collect / no goods on which to levy	£3,500
Business Rates	Community	Bankruptcy / Liquidation Abscond Small Balance (up to £100) Deceased Bailiff Unable to collect / no goods on which to levy	£5,000
Council Tax and Housing Benefit (including fraudulent cases)	Community	Bankruptcy Abscond Small Balance (up to £100) Deceased LA Error DWP Error Bailiff Unable to collect / no goods on which to levy	£3,000
Accounts Receivable	Community	Bankruptcy Abscond Small Balance (up to £100) Deceased Uneconomic to pursue through the court	£1,500
Housing Rents	Community	Bankruptcy Abscond Small Balance (up to £100) Deceased	£1,000
Garages	Housing	Bankruptcy Abscond Small Balance (up to £100) Deceased	£1,000
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff Unable to collect / no goods on which to levy Foreign Vehicle	£330
Stores	Building Works	Obsolete / Damaged Stock Picking Error	£100
Health & Leisure Centres	Health & Leisure	Small Balance Missing Membership Proofs	£100 £500
All	Section 151 Officer	Any write off / on including; Partial write offs of live accounts, paying accounts, large balances, any other exceptional reason	NO LIMIT

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EMT – 13 June 2016  
AUDIT COMMITTEE – 28 June 2016

## PROCUREMENT RULES, REGULATIONS & CONTRACT STANDING ORDERS – WAIVERS 2015/16

### 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 similar body that the Council is a member of
  - Works carried out under an Agency arrangement which states that the Standing Orders of the Principal Authority apply
  - Appointment of specialist experts for legal matters and legal proceedings
  - Appointment of Counsel by Legal Services.
- 1.4 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 for 2015/16:

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

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

### 2. WAIVERS GRANTED 2014/15

- 2.1 There were 36 approved applications for a waiver against the Procurement Rules, Regulations and Contract Standing Orders between 1 April 2015 and 31 March 2016. The total value of all approved waivers was £786,280.60. This compares with 46 applications submitted during 2014/15, with approved waivers totalling £1,513,303.
- 2.2 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 detailed 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>
19 Minimum required numbers for invitation to quote or tender and receipt of quotation or tender”.	27	491
81 Maximum value of variations on individual contract	5	183
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	4	112
<b>All</b>	<b>36</b>	<b>786</b>

2.3 No approved waivers were over £100,000 in value.

2.4 There were 6 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.

2.5 There are 7 waivers that are with the Head of Service or EMT awaiting approval or rejection.

2.6 As reported last year there were 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 of £25,000 and over. It is considered that this contributes to the reasons for the reduction in waiver applications.

### **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 2015/16.

**For further information please contact:**

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## Appendix 1

Ref	Standing order to be waived	Description of Contract	Waiver Value	Date	Status
2/15/16	SO19	Applemore Annual Maintenance Programme works	£6,300	08/05/2015	Approved by Head of Service
3/15/16	SO19	Call off order for supply of concrete, order no 89003555	£7,500	03/06/2015	Approved by Head of Service
4/15/16	SO7	Gorse Close New Development	£7,022	22/06/2015	Approved by Head of Service
5/15/16	SO19	Structural Repairs to 43 Elm Crescent	£35,699	25/06/2015	Approved by EMT
6/15/16	SO19	Demolition of Public Toilets	£5,200	08/07/2015	Approved by Head of Service
8/15/16	SO19	Boiler relocation works at Marryat Court	£14,734	15/07/2015	Approved by EMT
9/15/16	SO19	Air Quality Data Management	£7,245	17/07/2015	Approved by Head of Service
10/15/16	SO19	AQ Servicing and Maintenance Contract	£6,517	17/07/2015	Approved by Head of Service
11/15/16	SO19	Cemetery Design and Planning Application	£25,000	23/07/2015	Approved by EMT
13/15/16	SO19	Rating Appeal representation by Colliers	£14,000	14/08/2015	Approved by EMT
15/15/16	SO7	Annual Subscription with HouseMark	£5,444	10/09/2015	Approved by Head of Service
17/15/16	SO81	HS31/14	£39,094	17/09/2015	Approved by EMT
19/15/16	SO19	Purchase of replacement Trimble surveying equipment	£28,451	22/09/2015	Approved by EMT
20/15/16	SO81	Modelling Single Beaches in Bimodal Seas	£68,000	25/09/2015	Approved by EMT
23/15/16	SO19	Vuelio media management	£9,800	29/09/2015	Approved by Head of Service
24/15/16	SO19	Interoute Oracle Database Managed Service	£7,371	30/09/2015	Approved by Head of Service
25/15/16	SO7	BT CCTV transmission via Fibre optic cable	£90,733	30/09/2015	Approved by EMT
28/15/16	SO19	Supply and Maintenance of Postal Franking Equipment	£32,000	14/10/2015	Approved by EMT
29/15/16	SO19	Provision of solar panels – Banister Court, Totton	£42,394	30/10/2015	Approved by EMT
30/15/16	SO19	Plan Examination Assistance	£15,000	09/11/2015	Approved by EMT
31/15/16	SO19	Apply Records Management to Information@Work (Northgate) System including integration services and 4 years maintenance	£9,300	10/11/2015	Approved by Head of Service
32/15/16	SO81	North Milton Estate	£26,297	30/11/2015	Approved by EMT

34/15/16	SO81	Eling Tide Mill Extension – External Design & Project Management fees	£25,150	20/01/2016	Approved by EMT
35/15/16	SO19	Lyndhurst Car Park, post WC Demolition	£25,000	20/01/2016	Approved by EMT
36/15/16	SO19	Fire Alarm Servicing & Callouts	£7,956	28/01/2016	Approved by Head of Service
37/15/16	SO19	Fire Equipment Servicing & Callouts	£8,780	28/01/2016	Approved by Head of Service
38/15/16	SO19	HS20/15	£30,000	02/02/2016	Approved by EMT
39/15/16	SO7	Follow me printing	£8,640	18/02/2016	Approved by Head of Service
40/15/16	SO19	Ringwood H&L Steam and Sauna cabin replacements	£27,545	18/02/2016	Approved by EMT
42/15/16	SO19	CCHQ – Social Media Management Software	£9,575	14/03/2016	Approved by EMT
43/15/16	SO81	Rum Walk – Footpath Reinstatement	£25,000	17/03/2016	Approved by EMT
44/15/16	SO19	Washroom Services	£14,834	18/03/2016	Approved by EMT
46/15/16	SO19	Kennelling of Stray Dogs	£4,500	24/03/2016	Approved by EMT
47/15/16	SO19	Deployment of Speed Indicator Device / Speed Limit Reminder / Speed Data Recorder	£12,000	24/03/2016	Approved by EMT
48/15/16	SO19	Wallgate hand wash units	£9,200	30/03/2016	Approved by EMT
49/15/16	SO19	Addition of the Idox DMS to the Idox Enterprise suite of Applications to include associated software components, installation, configuration, migration and training services	£75,000	30/03/2016	Approved by EMT
			£786,281		

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EMT – 13 JUNE 2016  
AUDIT COMMITTEE – 28 JUNE 2016

## **REVIEW OF LOCAL CODE OF GOOD GOVERNANCE ANNUAL REPORT OF THE MONITORING OFFICER AND PRINCIPAL AUDITOR 2015/16**

### **1. INTRODUCTION**

- 1.1 In 2008 the Council adopted a 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 2015.
- 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 2015/16.

### **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, 2014/15 action plan, which was reported to Audit Committee in June 2015. This action plan can be found in 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 a review and update Financial Regulations to include financial authorisations (reflecting the changes to the new management structure)

- Review of the Local Code of Good Governance framework
- Review the Council's Counter Fraud and Whistleblowing arrangements

2.5 During 2014 the Local Code of Good Governance framework was reviewed and updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC). Following further consultations it was identified that CIPFA and SOLACE would also develop a further joint Good Governance Framework for the Public Sector during 2015. This has now been completed however this was not published until April 2016. Due to the timing, the Monitoring Officer's and Principal Auditor's review has had to be based on the 2014 model but next year's review will be assessed against the newly adopted 2016 model.

### **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 2015/16, 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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## NFDC GOOD GOVERNANCE FRAMEWORK – EVIDENCE OF COMPLIANCE 2015/16

## 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 15/16
1.1	Develop and Promote the authority's purpose and vision	<p>Corporate Plan 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Key delivery of Corporate Plan for 2016-17 - <i>Local plan consultation and draft submission for adoption</i></p> <p>Current 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/article/3327/Constitution">http://www.newforest.gov.uk/article/3327/Constitution</a></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/i/Code_of_Corp.pdf">http://www.newforest.gov.uk/media/adobe/6/i/Code_of_Corp.pdf</a></p> <p>Review of Local Code of Good Governance – Annual Report</p> <p>Annual Performance and Provisional outturn report 2015/16  <a href="http://modern:9070/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10">http://modern:9070/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10</a></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	Local Plan Part 1 – Core Strategy for New Forest District (outside National Park)

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
	common vision of their work that is understood and agreed by all parties	<p><a href="http://www.newforest.gov.uk/index.cfm?articleid=14183">http://www.newforest.gov.uk/index.cfm?articleid=14183</a></p> <p>Corporate Plan 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a></p> <p>With the Service reviews to be undertaken in 16/17 there will be an opportunity to revisit this again</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 25<sup>th</sup> Sept 2015  <a href="https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10">https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10</a>  <a href="https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10">https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10</a></p> <p>External Audit Annual Results Report – Audit Committee 25<sup>th</sup> Sept 2015  <a href="https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10">https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10</a></p> <p>Medium Term financial Plan 2016 to 2020  <a href="https://democracy.newforest.gov.uk/documents/g232/Public%20reports%20pack%2006th-Jan-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g232/Public%20reports%20pack%2006th-Jan-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Medium Term Financial Plan/Annual Budget 16/17 Cabinet 3<sup>rd</sup> Feb 2016  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Annual Performance and Provisional outturn report 2015/16  <a href="https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10</a></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>Tenant Customer Satisfaction Survey 2014  <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=28906&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=28906&amp;p=0</a></p> <p>Health and Leisure undertake an annual online user survey.  Health and Leisure mystery shopper completed</p> <p>Review and changes to performance management and transparency reporting on the web updated Dec 2015.</p>

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
		<p><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 16/17 Cabinet 3<sup>rd</sup> Feb 2016  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Financial Monitoring Report – Forecast Outturn(Based on performance to Oct 2015)  <a href="https://democracy.newforest.gov.uk/documents/g230/Public%20reports%20pack%2004th-Nov-2015%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g230/Public%20reports%20pack%2004th-Nov-2015%2010.00%20Cabinet.pdf?T=10</a></p>
1.6	Put in place effective arrangements to identify and deal with failure in service delivery	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>

## 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 15/16
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>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/article/3327/Constitution">http://www.newforest.gov.uk/article/3327/Constitution</a></p> <p>Year Book 2015/16  <a href="http://www.newforest.gov.uk/article/9404/Year-Book-201516">http://www.newforest.gov.uk/article/9404/Year-Book-201516</a></p> <p>Standards  <a href="http://www.newforest.gov.uk/article/8681/Standards">http://www.newforest.gov.uk/article/8681/Standards</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> – structure prior to new structure, needs updating but not yet published.</p> <p>Codes of Conduct</p>

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
		<a href="http://www.newforest.gov.uk/article/1651/Codes-of-Conduct">http://www.newforest.gov.uk/article/1651/Codes-of-Conduct</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://www.newforest.gov.uk/CHttpHandler.ashx?id=17901&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=17901&amp;p=0</a>  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/article/3327/Constitution">http://www.newforest.gov.uk/article/3327/Constitution</a>
2.3	Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	Job description and Personal 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 Personal 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 Personal Development Interview Process  Roles and Responsibilities of the Monitoring Officer Protocol  Scheme of Delegation <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=17901&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=17901&amp;p=0</a>

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
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/CHttpHandler.ashx?id=17922&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=17922&amp;p=0</a> Regular meetings between EMT, Cabinet and Scrutiny Chairpersons
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 2016  Members Allowance Scheme <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=28400&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=28400&amp;p=0</a>  Management Structure <a href="http://www.newforest.gov.uk/index.cfm?articleid=8130">http://www.newforest.gov.uk/index.cfm?articleid=8130</a> – <b>needs updating</b>  Personnel procedures in place to cover employee remuneration.  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>  Any statutory performance indicators are forwarded and published each year.
2.9	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.	Corporate Plan 2016-2020 <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a> Delivery of the Corporate Plan to 2020 <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a>  Annual Report of the Overview & Scrutiny Panels – 2015/16 <a href="http://modern:9070/documents/s3367/Annual%20Report%20of%20the%20Overview%20Scrutiny%20Panels%202015-16.pdf">http://modern:9070/documents/s3367/Annual%20Report%20of%20the%20Overview%20Scrutiny%20Panels%202015-16.pdf</a>  Annual Performance and Provisional outturn report 2015/16 <a href="https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10</a>
2.10	When working in partnership: ensure that members are clear about their roles and	Established arrangements are in place for individual partnerships eg Project Integra (annually approved plan), NFNPA, East Dorset Council, PUSH.

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
	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>Joint committees have agreed terms of reference.</p> <p>Each partnership has a written governance arrangement.</p> <p>With the Service reviews to be undertaken in 16/17 there will be an opportunity to revisit this again</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 15/16
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 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Induction programmes</p> <p>Executive Management Team briefing sessions</p> <p>Respect Campaign</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 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</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>

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
		<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://forestnet/article/2837/Employee-Handbook">http://forestnet/article/2837/Employee-Handbook</a></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>Respect Campaign</p> <p>Fraud policies, including Anti-Fraud, Bribery and Corruption Policy, Anti- Money Laundering Policy, Whistleblowing Policy &amp; Fraud Response Plan  <a href="http://www.newforest.gov.uk/committeedocs/auc/CDR08930.pdf">http://www.newforest.gov.uk/committeedocs/auc/CDR08930.pdf</a></p> <p><u>Action point to update both Fraud and whistleblowing policies to comply with CIPFA Code of Practice for counter fraud</u></p> <p>PDI's</p>
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>Employee Handbook  <a href="http://forestnet/article/2837/Employee-Handbook">http://forestnet/article/2837/Employee-Handbook</a></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> - action to update</p> <p>Standing Orders as to Contracts  <a href="http://www.newforest.gov.uk/media/adobe/5/t/Chapter_26.pdf">http://www.newforest.gov.uk/media/adobe/5/t/Chapter_26.pdf</a></p>

No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
		Procurement Strategy <a href="http://www.newforest.gov.uk/index.cfm?articleid=1070">http://www.newforest.gov.uk/index.cfm?articleid=1070</a>
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	Corporate Plan 2016-2020 <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a> Delivery of the Corporate Plan to 2020 <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a>  Employee Handbook <a href="http://forestnet/article/2837/Employee-Handbook">http://forestnet/article/2837/Employee-Handbook</a>  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>  There is an induction process for new staff which covers aspects such as Codes of Conduct, Fraud policies and the Procurement Strategy
3.5	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	New Code of conduct introduced 2012 under Localism Act 2011  Councillor complaints system  HR policies  Transparency Agenda complied with.
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 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	Corporate Plan 2016-2020 <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a> Delivery of the Corporate Plan to 2020 <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a>  Employee Handbook <a href="http://forestnet/article/2837/Employee-Handbook">http://forestnet/article/2837/Employee-Handbook</a>



No.	The code should reflect the requirement for local authorities to:	Evidence 15/16
		Respect Campaign  The authority has accepted a set of core values.  Employee comments in all Formal reports  Industrial Relations Committee
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.	Procurement Rules, Regulations & Contract Standing Orders <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=24837&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=24837&amp;p=0</a>  With the Service reviews to be undertaken in 16/17 there will be an opportunity to revisit this again

#### 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.	Constitution <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a>  Constitution and Functions of Cabinet, Committees, Panels and Sub-Committees - Committee Terms of reference (Year Book) <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=11858&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=11858&amp;p=0</a>  Audit Committee Terms of Reference  External Audit Annual Results Report – Audit Committee 25 <sup>th</sup> Sept 2015 <a href="https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10">https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10</a>  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>

No.	The code should reflect the requirement for local authorities to:	Evidence
		Agendas and minutes of meetings available on newforest website. <a href="https://democracy.newforest.gov.uk/ieDocHome.aspx?bcr=1">https://democracy.newforest.gov.uk/ieDocHome.aspx?bcr=1</a>
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	Newforest website, all Portfolio decisions published as soon as made.  Agendas and minutes of all formal meetings are made available (as soon as made) to the public via newforest website  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>
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	Registers of interests (Democratic Services)  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>  Procurement Rules, Regulations & Contract Standing Orders <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=24837&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=24837&amp;p=0</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	Constitution and Functions of Cabinet, Committees, Panels and Sub-Committees - Committee Terms of reference (Year Book) including Audit Committee terms of reference <a href="http://www.newforest.gov.uk/CHttpHandler.ashx?id=11858&amp;p=0">http://www.newforest.gov.uk/CHttpHandler.ashx?id=11858&amp;p=0</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>  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-	Report format/structure. Head of Service taking responsibility for content of reports  Constitution – Decision making

No.	The code should reflect the requirement for local authorities to:	Evidence
	relevant, timely and gives clear explanations of technical issues and their implications	<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="https://democracy.newforest.gov.uk/Data/Cabinet/20130904/Agenda/CDR08525.pdf">https://democracy.newforest.gov.uk/Data/Cabinet/20130904/Agenda/CDR08525.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 <b>Action plan – to update</b>
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 requirements of legislation and the general responsibilities placed on local authorities by public law	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>
4.12	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
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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	<p>Member and Officer Induction Programme</p> <p>Member Briefings and training programmes for Committees</p> <p>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></p>
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	<p>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></p> <p>Support provided through EMT. Any issues relating to support are also addressed through the PDI process.</p> <p>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></p> <p>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></p> <p>Job Descriptions, including Executive Management Team.</p>
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	<p>Member Development Programme (Democratic Services)</p> <p>List of topical briefing events (Democratic Services)</p> <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	External Audit Annual Results Report – Audit Committee 25 <sup>th</sup> Sept 2015

No.	The code should reflect the requirement for local authorities to:	Evidence
	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><a href="https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10">https://democracy.newforest.gov.uk/documents/g221/Public%20reports%20pack%2025th-Sep-2015%2010.00%20Audit%20Committee.pdf?T=10</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 outturn report 2015/16  <a href="https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10</a></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  <a href="http://www.newforest.gov.uk/haveyoursay">http://www.newforest.gov.uk/haveyoursay</a></p> <p>Corporate Plan 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</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>
5.7	Ensure that career structures are in place for members and officers to encourage participation and development	<p>People Strategy (HR)</p> <p>Workforce Planning (HR)</p> <p>Service Action Plans</p>

## 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
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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	<p>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></p> <p>Corporate Plan 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p>
6.2	Produce an annual report on the activity of the scrutiny function	<p>Annual Report of the Overview &amp; Scrutiny Panels – 2015/16  <a href="http://modern:9070/documents/s3367/Annual%20Report%20of%20the%20Overview%20Scrutiny%20Panels%202015-16.pdf">http://modern:9070/documents/s3367/Annual%20Report%20of%20the%20Overview%20Scrutiny%20Panels%202015-16.pdf</a></p> <p><b>Constitution – Review Panels</b> <a href="http://www.newforest.gov.uk/index.cfm?articleid=3327">http://www.newforest.gov.uk/index.cfm?articleid=3327</a></p>
6.3	<p>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:</p> <p>Hold meetings in public unless there are good reasons for confidentiality</p> <p>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</p>	<p>Agendas and Minutes on Website  <a href="https://democracy.newforest.gov.uk/ieDocHome.aspx?bcr=1">https://democracy.newforest.gov.uk/ieDocHome.aspx?bcr=1</a></p> <p>Communications Strategy (HR)</p> <p>Member Briefings</p> <p>Formal Public report formats</p>
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	<p>Consultation – Policy &amp; Guidance (ForestNet)</p> <p>Communications Strategy (HR)</p>

No.	The code should reflect the requirement for local authorities to:	Evidence
6.5	On an annual basis publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	<p>Corporate Plan 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Annual Performance and Provisional outturn report 2015/16  <a href="https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g6253/Public%20reports%20pack%2001st-Jun-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>Medium Term Financial Plan/Annual Budget 16/17 Cabinet 3<sup>rd</sup> Feb 2016  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p>
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	<p>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></p> <p>Corporate Plan 2016-2020  <a href="http://www.newforest.gov.uk/corporateplan">http://www.newforest.gov.uk/corporateplan</a>            Delivery of the Corporate Plan to 2020  <a href="https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10">https://democracy.newforest.gov.uk/documents/g233/Public%20reports%20pack%2003rd-Feb-2016%2010.00%20Cabinet.pdf?T=10</a></p> <p>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></p> <p>Website containing all information, agendas and minutes.</p> <p>Service Equality Impact Assessments</p> <p>Equalities Standard Accreditation .</p>
6.7	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	<p>Reports showing employee side and staff consultation comments (intranet)</p> <p>EMT briefings to all staff</p>

**APPENDIX 2**

**Follow up to Actions Arising from the Local Code of Good Governance Review 2014/15**

<b>Topic</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Follow Up as of June 2016</b>
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>	<p>Executive Director (S151) Head of Legal and Democratic Services (Monitoring Officer) Internal Audit Manager</p>	<p>31.3.16</p> <p>(subject to CIPFA/SOLACE publication date)</p>	<p>CIPFA/SOLACE publication date April 2016.</p> <p>Action to be included in the 15/16 review action plan</p>
Financial Regulations	<p>To review and update Financial Regulations. To also link in comments from the Employee Working Groups.</p>	<p>Executive Director (S151) in consultation with the Head of Legal and Democratic Services, following review at HoS</p>		<p>Not completed due to changes in management structure</p> <p>New Service Manager in place. Action to be included in the 15/16 review action plan</p>



**APPENDIX 3**

**Actions Arising from the Good Governance Review 2015/16**

<b>Topic</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Governance Framework	To review and update the Council's Good Governance Framework in line with the 2016 edition of the Good Governance Framework.	Executive Head of Governance & Regulation (Monitoring Officer) Principal Auditor	March 2017
Financial Regulations	To review and update Financial Regulations.	Financial Services Manager (S151 Officer)	December 2016
Counter Fraud	To review the Councils Counter Fraud and Whistleblowing arrangements	Principal Auditor	March 2017
Management Structure	To update Financial Authorisations, Roles and Responsibilities to reflect the new management structure of the Council	Financial Services Manager (S151 Officer) Executive Head of Governance & Regulation Principal Auditor	December 2016

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**EXECUTIVE MANAGEMENT TEAM – 13 JUNE 2016**  
**AUDIT COMMITTEE – 28 JUNE 2016**

## **ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2015/16**

### **1.0 INTRODUCTION**

- 1.1 The purpose of this report is to provide the Internal Auditor's 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 2015, requires that a "relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes." Regulation 6 specifically requires the organisation to annually review the effectiveness of the system of internal control.
- 1.4 The key areas of this report are:
  - The Principal Auditor'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

### **2.0 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 Council's framework of governance, risk management and control.
- 2.3 Based on the work undertaken by Internal Audit during 2015/16, 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 one audit giving limited assurance compared to five in the previous year 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 are to be made. Therefore audit will be 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 2016/17 to undertake work in this area.
- 2.6 **Appendix 1** details the results of all completed audits undertaken during 2015/16. The table below summarises the results for 2015/16 and a comparison to 2014/15;

Assurance Level	Number of Audits in 2014/15	Number of Audits in 2015/16
Substantial	1	0
Reasonable	17	19
Limited	5	1
None	None	None
Not Finalised	1	1
Audits not started	0	0

- 2.7 **Appendix 2** details all high priority recommendations that have resulted from Audits undertaken during 2015/16.
- 2.8 Progress to implement high priority recommendations is monitored and any uncompleted recommendations are reported to Audit Committee. As at 3rd June 2016 the following were in progress:
- Payment Card Industry Data Security Standards (PCI DSS) compliance  
A report will be taken to Executive Management Team in June and will be presented to Audit Committee in September.
  - Asset Management  
It was recommended that the service (Estates and Valuations) undertake a reconciliation to ensure all expected leases had been charged and that the charges had been raised correctly.  
Action: This recommendation was reported as outstanding in last year's annual report and the service was awaiting the implementation of a case management system. This recommendation has been represented in this year's Asset Management report with a deadline for completion of 31st July 2016. Work is progressing on automating systems to ensure that the charges are raised at the correct time.
  - 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  
The Service Manager (Compliance and Coastal) now responsible for Business Continuity has recently been informed of these recommendations that remain outstanding.

- 2.9 Internal Audit will review these recommendations again prior to reporting to Audit Committee in September with an update.
- 2.10 All other recommendations are completed or substantially completed and no longer pose a high risk to the achievement of objectives.
- 2.11 One Audit has not yet been finalised, Rent Accounting, it is anticipated that this audit will be given reasonable assurance.
- 2.12 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.
- 2.13 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 independent Lexcel accreditation. No other third party assurances have been used.
- 2.14 **Appendix 3** details for Committee the work undertaken against the Assurance Framework (wider controls environment).

### **3.0 SUMMARY OF AUDIT WORK AND PERFORMANCE**

#### **Resources**

- 3.1 The number of Management days provided by NFDC to the other Authorities has been reduced and each Authority now has a Senior Auditor that will take on more management responsibility. Previously NFDC had a Service level Agreement (SLA) with Christchurch and East Dorset Partnership which included the provision of Audit Management days to Purbeck District Council. Under the new arrangements NFDC now has a direct SLA with Purbeck District Council.
- 3.2 The provision within the 2 SLA's is:

Audit Management	38 days
NFDC Senior Auditor	20 days
NFDC Auditor	30 days
- 3.3 Further NFDC Auditor days are provided across the partnership, these days are calculated when the Audit Plan for the forthcoming year is developed. These days are charged separately to the SLA.

3.4 The table below provides a summary of the internal audit budget for 2015/16.

<b>Title</b>	<b>Actual (£)</b>
Employee Costs	209,628
Supplies and Service costs (excludes internal recharges)	1,363
Total costs	210,991
Income earnings	62,288
Cost of the service	148,703

In addition to the internal audit budget above, the team also undertook work on behalf of the external auditor, reducing their fees.

3.5 The Principal Auditor was content that there was adequate resources and skills within the audit team to deliver an effective service for New Forest District Council.

### **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 two have yet to be finalised (Accounts Receivable and Landlord Services) 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 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:

- to help develop more efficient systems and savings (i.e. banking, procurement cards)
- on corporate projects to help meet Council objectives. (i.e. Affordable Housing)
- in developing improved policies and ways of working (i.e. Procurement 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 as assessing the risk of fraud in its planning and reviewing and recommending improvement to related fraud policies and undertaking fraud investigations.
- 3.11 The audit service also undertook work in relation to the completion of the annual Fraud Survey.
- 3.12 There were 5 fraud cases (3 in 2014/15) investigated by Internal Audit (2 as a result of NFI).

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

- 3.13 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 2015/16, resulting in improved skills within the team but also a significant saving in external audit fees. This arrangement will continue into 2016/17 with all workbooks being undertaken by Internal Audit.
- 3.14 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.
- 3.15 Internal Audit also acted as the Internal Auditor for two Town Councils within the District boundaries during 2015/16. This work is completed for a small fee and will continue into 2016/17.

### **Summary of All Work Delivered**

- 3.16 21 of the 22 audits were undertaken within the year, a completion rate of 95% against a target of 85%.
- 3.17 All partner agreements were completed in full.

### **Maintaining Performance and Standards**

- 3.18 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.
- 3.19 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) Only four questionnaires were returned. Each questionnaire contains 11 questions. Of the 4 individual responses:

Rating Score	Number Received
4 & 5 (Good and Totally Satisfied)	40
3 (Average)	2
2 (Not satisfied)	None
1 (Poor and Totally Dissatisfied)	None
0 Unable to comment	2 (Service Manager was not responsible for the area of audit at time of commencement)

It is important to improve the return rate to provide the Principal Auditor with more feedback on auditor performance.

- 3.20 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 Principal Auditor.

#### **4.0 EFFECTIVENESS OF INTERNAL AUDIT**

- 4.1 The Accounts and Audit (England) Regulations 2015, requires that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.” Regulation 6 specifically requires the organisation to annually review the effectiveness of the system of internal control. In order to determine the effectiveness of Internal Audit, Members need to consider the contents of this Auditor’s Annual Report.

#### **5.0 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 That the Committee confirms that it is satisfied with the effectiveness of the system of internal control in line with Regulation 6 of the Accounts and Audit Regulations 2015

For Further Information Contact:

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Background Papers:

Audit Plan 2015/16 (Audit Committee March 2015)

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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			Completed		Reasonable	0	2	1	3
Income	15		WIP	WIP	Completed	Reasonable	0	10	3	7
Accounts Payable	10				Completed	Reasonable	0	3	3	0
Accounts Receivable	10			WIP	Completed	Reasonable	1	11	2	8
Asset Management	10				Completed	Reasonable	1	3	4	3
Landlord services (rents)	10				Draft					
Business Rates	15			Completed		Reasonable	0	3	0	1
Council Tax	10				Completed	Reasonable	1	1	7	2
Payroll (inc NFNPA testing) (Inc T&S, Members	25				Completed	Reasonable	0	4	1	0
Treasury Management	2				Completed	Reasonable	0	0	2	1
Main Accounting System inc bank reconciliation	15			Completed		Reasonable	0	2	0	1
<b>IT Audit</b>										
IT Audit	15		Completed			Reasonable	0	5	2	3
<b>Governance</b>										
Governance (including new standards)	15	Completed								
Information Governance	15		Completed			Reasonable	0	1	4	0
<b>Assurance/Risk Based Service Areas</b>										
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	10	Completed				Reasonable	0	3	3	9
Coastal & Regional Monitoring/ Financial Appraisals completed	10				Completed					
Licensing	15				Completed	Reasonable	0	1	1	1
Housing Development inc Affordable Housing, <b>Private Sector Leasing</b> & Empty Properties	15			WIP	Completed	Limited	5	16	1	0
Community Grants/Ward Budgets/Other Grants	15		Completed			Reasonable	1	5	0	6

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**High Priority Recommendations**

<b>Audit</b>	<b>Weakness Found</b>	<b>Risk Exposure</b>	<b>Priority</b>	<b>Recommended Action</b>	<b>Management Response</b>	<b>Officer Responsible</b>	<b>Agreed Date of Action</b>	<b>Follow up Comment</b>
Accounts Receivable	3 outstanding invoices were found to have extended periods on hold. IA have been advised that there is currently no bailiff collection contract for non-council tax debts. The Revenues Manager advised IA that he had prepared/drafted contract and is currently at the invitation to tender stage.	Loss of income collected, no formal and approved arrangement for the collection of monies due, failure to ensure adequate recovery procedures could lead to loss of revenues	High	5.1 That the Revenues Manager actively pursues the adoption of a new collection agency contract to enable cases/invoices to be referred and collected on; liaising with the Councils procurement team.	We will shortly issue the ITT to the 5 companies named in Lot 3 of the Portsmouth Framework. We are looking for a July contract commencement date.	Revenues Manager  (Service Manager – Community)	July	
Asset Management	<b>Previous Audit Recommendation</b> Accounts Receivable not reconciled with IPF system	Lack of regular reconciliation between Accounts Receivable and the IPF system	High	Perform initial baseline reconciliation followed by regular monthly reconciliation reporting	Agreed.	Estates & Valuations Manager  (Service Manager – Legal)	End July 2016	
Council Tax	No SPD review has been completed since 2012.	Fraudulent SPD continue, Council Tax Discounts are not valid, loss of income.	High	That a complete Single Person Discount review is undertaken for all accounts with the discount and evidence of the	There are in excess of 24,000 single occupier households in the District, so this is a very significant undertaking.	Revenues Manager  (Service Manager – Community)	31 March 2017	Look at using NFI data match (SPD to Electoral Reg) to assist in SPD data match.

				eligibility is requested and retained.	We simply don't believe we will have the resource capacity to complete a full review during 2016/17 and we would suggest completing a full review over 2 years. Please note that Northgate does cross check CTR/HB household composition against SPD status			
Clinical Waste	There are potentially multiple users who could access the clinical waste system).  Status has confirmed that they do not track the installation of the clinical system.	Not all software changes are supported by documentation. Difficulty to identify software changes to lap top/desk top PC's. Inappropriate access.	High  High	3.3 That Status informs ICT Services of installations and that ICT Services retain a central log of all CRM related installations and users/logins.  3.4 That users have a unique user name and password.	Audit to raise the issues (3.4 & 3.5) with ICT Services.	Status/ICT Services	31/03/2016	Previously being dealt with by ICT Head of Service. Will follow up with ICT Service Manager in July
Private Sector Leasing	Landlords have responsibilities to ensure that annual gas safety checks are undertaken under the Gas Safety (Installation and Use) Regulations 1998. An issue with a hand-held device meant that the annual reminder on the Orchard system	That gas safety checks are not done in line with Legislation.	High	That all PSL property records are checked, to ensure that a gas safety check, where the property has a gas supply, has been undertaken in the last 12 months.	Statutory Checks on PSLs will be brought in line with our own Council Properties. Programmes already exist for this. These can be periodically checked.	Strategic Manager – Housing Maintenance  Senior Housing Performance Officer  (Service Manager – Housing)	September 2016	

	had been removed on 1/20 PSL properties tested. As a result the gas safety check had not been done for over 12 months. Audit cannot give assurance that no other PSL property was affected.							
Private Sector Leasing	The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 require that landlords ensure alarms are installed in their properties and that the landlord (or someone acting on their behalf) must ensure that all alarms are in working order at the start of each new tenancy. Property owners do not know when tenants are moving into PSLs. As NFDC deal with all tenancy management, it is reasonable that the landlord's expectation would be that NFDC would undertake these checks on their behalf. There were no records of alarm checks for some	Alarms not checked or repaired in line with Regulations. Risk to tenants. Records not in place.	High	That PSL properties where checks on smoke alarms (and carbon monoxide alarms where applicable) are not recorded on Orchard, are checked urgently, to ensure that the correct alarms have been installed and are working in line with new Legislation.	Statutory Checks on PSLs will be brought in line with our own Council Properties. Programmes already exist for this. These can be periodically checked.	Strategic Manager – Housing Maintenance  Senior Housing Performance Officer  (Service Manager – Housing)	September 2016	

	PSLs.							
Private Sector Leasing	Under the Control of Asbestos Regulations 2012, if maintenance work is to be done on premises that might contain asbestos, the presence and condition of any asbestos needs to be determined to assess, manage and control risks. Audit testing demonstrated that asbestos surveys had not been done in every case. In some cases there was no record of the asbestos survey.	Checks are not done in line with Legislation. Risk to maintenance officers and tenants if unidentified asbestos is disturbed during maintenance work. Records are not in place.	High	That asbestos surveys are undertaken on PSLs that have not been surveyed. That all asbestos surveys are scanned onto the Housing Dip system where they are currently not scanned on.	All existing & New PSL properties require an Asbestos Survey with results recorded on our Dip system.	Strategic Manager – Housing Maintenance  Homelessness & Housing Advice Manager  Private Sector Leasing officer  Senior Housing Performance Officer  (Service Manager – Housing)	July 2016	
Private Sector Leasing	From 9.1.13 landlords have to provide an Energy Performance Certificate to new tenants under 'The Energy Performance of Buildings (Certificates and Inspections)(England and Wales)(Amendment) Regulations 2012'. Audit testing demonstrated that some EPCs for PSLs had not been done.	Energy Performance Certificates are not being provided to PSL tenants in line with Legislation.	High	That Energy Performance Certificates are put in place for all PSL properties.	All existing & New PSL properties require an EPC Survey with results on recorded on our Dip system and provided to Tenant.	Strategic Manager – Housing Maintenance  Homelessness & Housing Advice Manager  Private Sector Leasing officer  Senior Housing Performance Officer  (Service Manager – Housing)	September 2016	
Private Sector Leasing	Schedules of Condition (SOC) review the condition	Health and safety risks to tenants. Claims	High	That health and safety risk assessments	Responsibility of Communal areas needs to be agreed	Strategic Manager – Housing	September 2016	



	of each PSL property internally and externally, but in the case of flats do not focus on communal areas. Audit could not find evidence that any form of health and safety or fire risk assessment had been done, where there were communal areas associated with PSL properties.	against the authority if a tenant is injured.		(including fire risk assessments) are carried out on communal areas on a periodic basis.	at start of lease.  Annual check could be completed around start date of lease	Maintenance  Homelessness & Housing Advice Manager  Private Sector Leasing officer  (Service Manager – Housing)		
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## ASSURANCE FRAMEWORK

Assurance	Internal Audit Assurance Work
Internal Audit Reports	Sufficient coverage undertaken, including all fundamental systems and across all service areas. 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.
Asset Management	Audit undertaken, whilst some improvements have been made a high priority recommendation remains outstanding to ensure all expected leases had been charged and that the charges had been raised correctly. This recommendation was reported as outstanding in last years annual report and the service were awaiting the implementation of a case management system. This recommendation has been represented in this years Asset Management report with a deadline for completion of 31 <sup>st</sup> July 2016.
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
Performance Management	There was some 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	A separate audit was undertaken on this area. The following High priority recommendations remain outstanding: 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 The Service Manager for these areas has recently been informed of these recommendations.
Health and Safety	Covered lone working within all relevant audits. Health and Safety audit will be completed as part of 16/17 audit plan.
Corporate Governance	Local Code review in place which included recommendations made by the Monitoring Officer and review by Performance Improvement Manager. Council minutes in place. Annual complaints report is produced. AGS approved by Section 151 Officer with findings from Internal Audit included.
Information Governance	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.
HR/Recruitment etc.	Starters testing undertaken in payroll audit (annual test). Training programmes for Poor performance and Recruitment and Selection are in place. HR included within the risk assessment of all audits.

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**EMT – 13 JUNE 2016**  
**AUDIT COMMITTEE – 28 JUNE 2016**

## **DRAFT ANNUAL GOVERNANCE STATEMENT – 2015/16**

### **1.0 INTRODUCTION**

- 1.1 As prescribed by the Account and Audit Regulations 2015, regulation 6, 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 the Council's 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, 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 the Council's Executive Management Team and Audit Committee.
- 2.4 Whilst the AGS covers the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016, the document remains open for update until it is approved at the end of September 2016 and can make reference to any significant matters that arise up to that time.
- 2.5 The statement has been reviewed by the Executive Management team. The draft AGS for 2015/16 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 2016 as reported in **Appendix 1**.

*For Further Information Contact*

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*Background Papers*

Code of Good Governance – 23/3/08

**THE ANNUAL GOVERNANCE STATEMENT  
NEW FOREST DISTRICT COUNCIL  
2015/16**

**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". This statement explains how New Forest District Council has complied with the code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 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.

**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 2015/16 was contained in the Corporate Plan "Delivering for our Communities" which set out what the Council aimed to achieve for the period 2012 - 2016. 2015/16 is the last year for this plan and the development of the Council's new Corporate plan 2016-2020 has been undertaken and is effective from April 2016.

The Council has in place a delivery plan of corporate plan aims, for which responsibility rested with Heads of Service during 2015/16 to deliver with their teams. The Executive Management Team oversees the performance and progress made against the delivery plan.

The Council is concerned to ensure quality of service delivery and uses a variety of mechanisms to assess this, including consultation. This helps inform future service delivery.

The Council has Medium Term Financial Plan (MTFP) which sets out the Council's spending plans, 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 2015/16, for example, with the New Forest National Park Authority (with regards to financial services, IT services, HR and Payroll, and 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 three 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 the Local Code of Good Governance framework was reviewed and updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC). Following further consultations it was identified that CIPFA and SOLACE would also develop a further joint Good Governance Framework for the Public Sector during 2015. This has now been completed however this was not published until April 2016. The Council's Good Governance Framework will be reviewed and updated in line with the 2016 edition of the Good Governance 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.

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 made including;
  - Updating Procurement Rules following the Public Contract Regulation 2015.
  - Development of the Local Plan
  - Developed new Corporate Plan 2016-2020
  - Introduced the Respect Campaign
  - Updated the Capability Procedure for employees
  
2. The Chief Executive has undertaken a review of the senior management team, including the roles of the Executive Management Team and Heads of Service. The relevant issues that formed the basis of the review are:
  - Ensuring service continuity and resilience following staffing changes in senior management.
  - Establishing a structure which is coherent, with clear lines of accountability and that works cross-service to achieve a shared direction.
  - Helping ensure the New Forest as a special "place" is reflected within the operations of the Council.
  - Contributing towards the requirements of the Medium Term Financial Plan. Helping to improve capacity within the leadership team.
  - Seeking to locate services in places where they can have the best effect and where existing synergies can be exploited.

This has resulted in a new team comprising of 4 Executive Heads with 18 Service Manager posts with the deletion of a number of senior posts within the Council. An update of Financial Authorisations, Roles and Responsibilities to reflect the new structure is now required following the completion of this review.

3. 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. 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. It is recognised that the Councils Financial Regulations need to be reviewed, this has been included within the action plan.
4. 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.
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. Formal training for Members was provided following the elections in May 2015.
6. Following appointment in October the responsibility of S151 (Responsible Financial Officer) remained with the Chief Executive. This responsibility will be changing during 16/17 with the new appointment of the Finance and Audit Service Manager. The Executive Head of Governance and Regulation is the Monitoring Officer. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Executive Head of Governance and Regulation also the Councils Solicitor, prior to any decisions being made. This safeguards the Council to ensure legal decisions are taken and that decisions consider the Council's 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 organisational indicators and the achievement of the Corporate Plan. Performance indicators are reviewed during the year.
9. The Audit Committee met regularly and training has been provided. Training is available to all 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 2015.
10. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer'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.
12. The Principal Auditors 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 to comply with the CIPFA Counter Fraud Code of Practice.

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. There has been no significant governance or internal control issues raised by Senior Management.
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 will work together to review and develop the ICT Security Policy to include emerging Cyber Security risks.
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  
*To ensure compliance with the Data Security Standards.*  
The Council's Executive Management Team is due to receive a report detailing the work that the Council needs to put in place in order to meet the Data Security Standards
  - Asset Management.

*It was recommended that the service (Estates and Valuations) undertake a reconciliation to ensure all expected leases had been charged and that the charges had been raised correctly.*

This is now in hand and work is progressing to ensure this is actioned.

- **Business Continuity**

*To ensure that all business units, that are deemed to have Critical Activities, have up to date Business Continuity and Disaster Recovery Plan.*

The Service Manager responsible for Business Continuity will now progress this recommendation.

## **5. Significant Governance Issues**

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following areas will be included in the action plan:

1. Completion of the Financial Regulations review (Section 4, point 3)
2. Implementation of uncompleted high priority audit recommendations (Section 4, point 16)
3. That the Council's Good Governance Framework be reviewed and updated in line with the 2016 edition of the Good Governance Framework (Section 3)
4. To update Financial Authorisations, Roles and Responsibilities to reflect the new Management structure of the Council (Section 4, point 2)
5. Improvements to Counter Fraud arrangements (Section 4, point 12)
6. Review and develop the ICT Security Policy to include emerging Cyber Security risks. (Section 4 , point 16)

## **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 2016 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.

Signed: .....

**Leader of the Council**

Signed: .....

**Chief Executive**

Date: .....

Date: .....

**Annual Governance Statement 2015/16 Action Plan**

Financial Regulations	To review and update Financial Regulations.	Financial Services Manager (S151 Officer)	Dec 2016
Audit Recommendations	Implementation of uncompleted high priority audit recommendations	Service Managers	Sep 2016
Governance Framework	That the Council's Good Governance Framework be reviewed and updated in line with the 2016 edition of the Good Governance Framework.	Executive Head of Governance & Regulation (Monitoring Officer) Principal Auditor	Mar 2017
Management Structure	To update Financial Authorisations, Roles and Responsibilities to reflect the new Management structure of the Council	Financial Services Manager (S151 Officer) Executive Head of Governance & Regulation Principal Auditor	Dec 2016
Improve Counter Fraud Arrangements	To review and update Counter Fraud and Whistleblowing Policies	Principal Auditor	Mar 2017
ICT Security Policy/ Cyber Risk	Review and develop the ICT Security Policy to include emerging Cyber Security risks.	ICT Security Manager Principal Auditor	Mar 2017

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**EMT – 13 June 2016**

**AUDIT COMMITTEE – 28 June 2016**

## **PROGRESS AGAINST THE 2016/17 AUDIT PLAN**

### **1. INTRODUCTION**

- 1.1 The purpose of this report is to inform members of the Audit Committee of progress made against the 2016/17 audit plan, which was approved in March 2016.

### **2. RESOURCES**

- 2.1 With effect from July 2016 Internal Audit will be responsible for Information Governance. This responsibility will be covered by a new post, Information Governance Officer and ICT Auditor. A further change within the Service has been to update the Job Description of an Auditor to Corporate Fraud and Compliance Officer, which will not result in a change to working practice as the role is currently being completed within Internal Audit and the new Job description will agree to the work already undertaken.
- 2.2 The changes above have resulted in the need to back fill an Auditor Post. This has been agreed as part of the Service Managers new structure for Internal Audit and Accountancy.
- 2.3 The new Internal Audit Structure can be found at Appendix 1.

### **3. INTERNAL AUDIT PLAN 2016/17 PROGRESS**

- 3.1 Appendix 2 shows the progress made against the 2016/17 internal audit plan to June 2016. 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 2 shows the audits planned for each quarter of the year.
- 3.3 The plan is on schedule. The majority of work undertaken in the first three months includes;
- Assurance and risk based service areas
  - Real time exception testing (creditors)
  - Attendance at projects including Affordable Housing and Procurement Review
  - Follow up of audit recommendations
  - Work with third parties including :
    - Completed 2 Town Council audits
    - External Auditor's Subsidy testing
    - Dorset Audit Partnership
- 3.4 There are no frauds that need to be brought to your attention at this time.

### **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  
A report will be taken to Executive Management Team in June and will be presented to Audit Committee in September.
- Asset Management  
It was recommended that the service (Estates and Valuations) undertake a reconciliation to ensure all expected leases had been charged and that the charges had been raised correctly.  
Action: This recommendation was reported as outstanding in last year's annual report and the service was awaiting the implementation of a case management system. This recommendation has been represented in this year's Asset Management report with a deadline for completion of 31<sup>st</sup> July 2016. Work is progressing on automating systems to ensure that the charges are raised at the correct time.
- 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  
The Service Manager (Compliance and Coastal) now responsible for Business Continuity has recently been informed of these recommendations that remain outstanding.

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

- 5.1 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.

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

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

## **7. RECOMMENDATION**

- 7.1 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:**

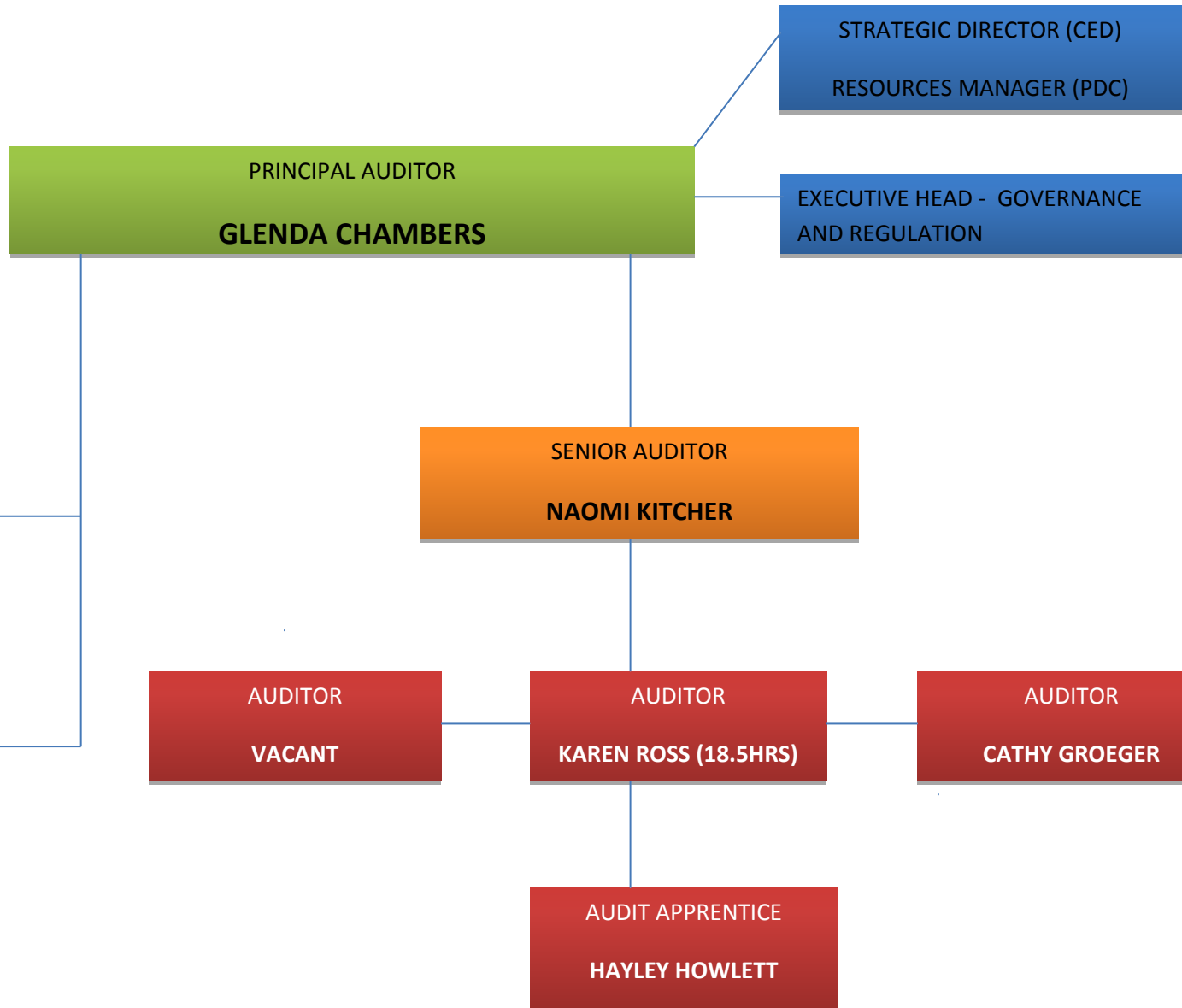
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### **Background Papers:**

Internal Audit Plan 2015/16





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Environmental Heal - Dog Wardening	10									
Building Continuity and Emergency Planning	15									
Health and Safety	15									
Landscape and Open Spaces	10	WIP								

## AUDIT COMMITTEE – 28 JUNE 2016

### AUDIT COMMITTEE – ANNUAL WORK PLAN

#### 1.0 WORK PLAN

- 1.1 This report details the draft work plan for the Audit Committee for 2016/17.
- 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
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
27 January 2017	External Audit Annual Audit Letter for 2015/16 External Audit – Certification of Grant and Returns Report 2015/16 Governance Action Plan Internal Audit Progress report against the audit plan and Outstanding high priority audit recommendations Annual RIPA report Treasury Management Strategy
March 2017	External audit progress report on 16/17 audit External audit fees for 17/18 Internal Audit Progress report against the audit plan and Outstanding high priority audit recommendations Internal Audit Charter, Assurance Framework & Internal Audit Plan 17/18 Response to the external auditor on the management and controls in the organisation Counter Fraud Update Report
June 2016	External Audit Annual Plan for 2015/16 External Audit Fees 2016/17 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 Internal Audit Progress report against 16/17 Q1