

**27 JANUARY 2017**

**NEW FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held in Committee Room 1, Appletree Court, Lyndhurst on Friday, 27 January 2017

\* Cllr A D O'Sullivan (Chairman)

\* Cllr J G Ward (Vice-Chairman)

**Councillors:**

\* W G Andrews

\* M R Harris

\* J D Heron

**Councillors:**

\* Mrs E L Lane

\* R A Wappet

C A Wise

\*Present

**Also In Attendance:**

Mr A Boutflower, Hampshire County Council

Mrs H Thompson, Ernst and Young

Ms J Thorpe, Ernst & Young LLP

**Officers Attending:**

A Bethune, Miss G Chambers, Mrs R Drummond, Ms N Kitcher and A Rogers

**Apologies:**

Cllr Wise

**31 MINUTES**

**RESOLVED:**

That the minutes of the meeting held on 23 September 2016 be signed by the Chairman as a correct record.

**32 DECLARATIONS OF INTEREST**

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

**33 PUBLIC PARTICIPATION**

No issues were raised during the public participation period.

**34 SUMMARY STRATEGIC RISK REGISTER**

The Committee considered the revised strategic risk register. Members had received a briefing on the strategy prior to the meeting.

Members expressed an interest in seeing the service risk registers and which risks are reflected and actively managed at service level. Officers would make these available to members in due course.

The introduction of the new Corporate Plan for 2016-2020 necessitated a review of the strategy. The new strategy recognised that Government funding remained the overriding risk. Proposed actions to mitigate these risks were set out in the report, which included service plans and working with partners to achieve Council objectives.

**RESOLVED:**

That the revised strategic risk register as set out at Appendix 2 to the report be approved.

**35 TREASURY MANAGEMENT STRATEGY 2017/18**

The Audit Committee discussed the Treasury Management Strategy for 2017/18 - 2019/20, including proposed prudential indicators for 2017/18-2019/20. A further report detailing the prudential indicators for 2017/18-2019/20 relating to capital expenditure was to be included in a separate report to Cabinet on 1 February 2017.

The committee were informed that the strategy was in accordance with both the CIPFA Code and CLG Guidance requiring the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

Members supported the introduction of a larger investment limit (up to £20m) applicable but not limited to pooled property and equity fund investments, in order to improve the flexibility of the investment Portfolio, and better utilise the forecast underlying cash balance available for long-term investment.

**RECOMMENDED:**

***That it be a recommendation to Council that the treasury management strategy 2017/18-2019/20 and the treasury indicators contained within Annex A to the report be approved.***

**36 EXTERNAL AUDITOR - ANNUAL AUDIT LETTER**

The Committee considered the external auditor's annual audit letter for the year ended 31 March 2016.

The report concluded that the financial statements gave a true and fair record of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended. It is also concluded that other information published with the financial statements was consistent with the Annual Accounts,

and that there were proper arrangements in place to secure value for money in the use of the Council's resources.

**RESOLVED:**

That the report be noted.

**37 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16**

The Committee noted the external auditor's certification of claims and returns annual report for 2015/16.

The report covered the housing benefits subsidy claim with a total value of £43,088,594. Two minor errors were identified from samples of HRA cases. The External Auditor explained that this was a very good result for the Council, as it was very rare that councils were given unqualified certification of their returns, which was to the credit of the NFDC Housing Benefit Team. The Committee asked that the Team be congratulated on their excellent performance.

**RESOLVED:**

That the report be noted.

**38 INTERNAL AUDIT - PROGRESS AGAINST THE 2016/17 AUDIT PLAN**

The Committee received an update on progress made against the 2016/17 audit plan, which was approved in March 2016 by the Committee. The report covered resources, internal audit plan progress, progress on high priority recommendations, and corporate fraud.

Some audits had been rescheduled so that they could be undertaken at the most effective time, and reasons were given for delays of other audits.

It was noted that the decision for approval of waivers to contract standing orders had now been given to the Principal Auditor and Service Manager for Legal Services.

**RESOLVED:**

That the report be noted.

**39 EXTERNAL AUDITOR AUDIT PLAN FOR 2016/17**

The Committee noted the external auditor's audit plan setting out the work that it intended to undertake for the 2016/17 audit.

The plan covered financial statement risks, economy efficiency and effectiveness, the audit process and strategy together with the timetable, fees and communications.

**RESOLVED:**

That the report be noted.

**40 FUTURE EXTERNAL AUDIT APPOINTMENT**

The Committee considered options for external audit provision from April 2018.

The Council's current external auditors (Ernst and Young) were appointed when the Audit Commission was abolished in 2014. The current contract covers audits for up to and including the year 2017/18.

The Local Audit and Accountability Act 2014 established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government in England. In October 2015, these transitional arrangements were extended to include the 2017/18 financial year. In July 2016, the PSAA were specified as an 'appointing person' and as such can enter into a number contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in to such arrangements must be made by a meeting of Full Council.

After consideration of the options, the Committee favoured the arrangement offered by the Public Sector Audit Appointments (PSAA) body, which is supported by the Local Government Association. The benefits of the arrangement included suitably qualified staff from firms having a national presence, monitoring of contract delivery and compliance, and economies of scale.

The Committee agreed that the other alternative options (a joint, or independent, auditor panel) were unwieldy, more resource intensive and more costly.

Accordingly, in view of the clear benefits of the PSAA scheme, the Committee would recommend this option as being the most efficient, prudent, and effective from the Governance standpoint.

**RECOMMENDED:**

***That the Council accepts the Public Sector Audit Appointments' (PSAA) invitation to "opt in" to the sector-led option for the appointment of external auditors for 5 years commencing 1 April 2018.***

**41 AUDIT COMMITTEE WORK PLAN**

The Committee considered its draft work plan for 2017.

**RESOLVED:**

That the work plan as set out in the report be agreed.

CHAIRMAN