

23 JUNE 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, 23 June 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:

A Boutflower, Hampshire County Council (for item 4)

Officers Attending:

A Bethune, Miss G O'Rourke, Mrs L Conway, Miss G Chambers and Ms N Kitcher

Apologies

Apologies were received from Cllr W G Andrews, M R Harris, Mrs Lane and J G Ward.

3 MINUTES

RESOLVED:

That the minutes of the meetings held on 24 March and 15 May 2017 be signed by the Chairman as correct records.

4 DECLARATIONS OF INTEREST

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

5 PUBLIC PARTICIPATION

No issues were raised during the public participation period.

6 TREASURY MANAGEMENT OUT-TURN REPORT 2016/17

The Committee considered the annual treasury management outturn report for 2017, together with the proposed revisions to the Council's prudential indicators for 2017/18 to 2018/19 that relate to the treasury management function.

The report set out the performance of the treasury management function during 2016/17, the effects of the decisions taken and transactions executed in the past year. The Committee was pleased to note that the Council had complied with all of the prudential indicators set in its Treasury Management Strategy.

The Committee was made aware of some key influences on the economy, including the EU referendum, the US presidential election, the effect on inflation, sterling, bank rates, economic activity, financial markets and credit outlook.

As at 31 March 2017, the Council had £144.1m of borrowing and £62.0m of principal invested. The Council's current strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.

However the Council would be looking to borrow up to a further £12m to part-finance direct commercial property investment in both 2018/19 and 2019/20.

The Committee noted that the Council's General Fund's Capital Financing Requirement (CFR) was forecast to increase by £13.2m in the period to 31 March 2019; this was principally to allow for the potential of direct commercial property investment. The updated prudential indicators attached as Appendix 1 took this revised CFR into account.

The Council's Housing Revenue Account CFR was currently expected to reduce by £4.1m per year from 2017/18, as instalments of the HRA settlement become due for repayment.

The main objective when borrowing had been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds were required.

The report to the Committee outlined investment activity in 2016/17. The Council's average cash balances were £70.1m during the year and interest earned for the year was £0.670m, giving an average yield of 0.96% (in comparison to 0.91% in 2015/16).

Reference was made to the Council's recently established Investment Strategy, and it was noted that regular reports were being submitted to Corporate Overview and Scrutiny Panel.

RECOMMENDED:

That the revised prudential indicators for 2017/18 – 2018/19 as set out in Appendix 1 to this report be approved.

7 ANNUAL AUDITORS' OPINION REPORT

The Committee considered the annual report and opinion on the level of assurance on the adequacy of the Council's internal controls, risk management and governance systems for 2016/17.

The report detailed the results of audits completed in 2016/17, progress on high priority recommendations, audit work and performance, including work with partners.

In reference to Payment Card Industry Data Security Standards (PCI DSS), it was noted that Agresso had recently released a software upgrade which would allow compliance to be achieved by February / March 2018. Guidance on telephone systems was still awaited.

RESOLVED:

- (a) That the report be noted;
- (b) That the Committee confirms it is satisfied with the effectiveness of the system of internal control in line with Regulation 6 of the Accounts and Audit Regulations 2015.

8 LOCAL CODE OF GOOD GOVERNANCE REVIEW

The Committee noted the outcome of the review of the Local Code of Good Governance.

Reference was made to the 7 Core principles, specifically principle D, and it was felt the wording could be made clearer. Officers would look at this again and see if it could be improved.

RESOLVED:

The Audit Committee notes the assessment carried out by the Executive Head of Governance & Regulation and the Principal Auditor and the actions set out in Appendix 3.

9 DRAFT ANNUAL GOVERNANCE STATEMENT

The Committee considered the Annual Governance Statement for 2016/17.

RESOLVED:

That the Audit Committee approves the draft Annual Governance Statement for the Financial Year ended 31 March 2017 as reported in Appendix 1 to the report.

10 DRAFT ANNUAL FINANCIAL REPORT

The Committee received the draft annual financial report for 2016/17. The final version would be presented to the committee at its meeting in August.

The Council is required to include the following accounting statements within the Annual Financial Report:

- 1a) Comprehensive Income and Expenditure Statement
- 1b) Expenditure and Funding Analysis (in NFDC management format)
- 2) Movement in Reserves
- 3) Balance Sheet
- 4) Housing Revenue Account
- 5a) Collection Fund – Council Tax
- 5b) Collection Fund – Business Rates
- 6) Cash Flow Statement

In respect of the Expenditure and Funding analysis, it was noted that the Council was now delivering the same services for £1.9m less.

Budget reductions would continue but perhaps not on the same scales as in previous years.

RESOLVED:

That Members note the draft Accounting Statements set out in Appendices 1-6 which are a summary of the Annual Financial Report to be certified by the Responsible Financial (S151) Officer for submission to the external auditor by the deadline of 30 June.

11 EXTERNAL AUDIT PROGRESS REPORT

The Committee received the External Auditor's progress report.

The report set out the timetable for the 2016/17 audit.

Officers would work closely with Ernst and Young to achieve the timeline stated.

RESOLVED:

That the report be noted.

12 FINAL ACCOUNTS BAD DEBTS WRITE OFF - 2016/17

The Committee received a report setting out the total bad debts written off during the financial year 2016/17.

The total bad debt write off for 2016/17 was £780,398 (2015/16 £645,221). This represented 0.3% of the total annual income collected (£252m).

RESOLVED:

That the report be noted.

13 AUDIT COMMITTEE - ANNUAL REPORT

The Committee considered its draft annual report, which summarised work carried out in 2016/17.

The Chartered Institute of Public Finance and Accountancy (CIPFA) recommended that an annual report be produced setting out the work that the Audit Committee has undertaken during the preceding year, and that it be submitted to the Council.

RESOLVED:

That the Audit Committee's Annual Report be approved for submission to the Council.

14 AUDIT COMMITTEE WORK PLAN

The Committee reviewed its draft work plan for 2017/18.

RESOLVED:

That Committee's Work Plan be agreed.

CHAIRMAN