

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 23 JUNE 2017, AT 9.30 AM*

Place: COMMITTEE ROOM 1, APPLETREE COURT,
LYNDHURST

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

PUBLIC PARTICIPATION:

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

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

Bob Jackson
Chief Executive

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

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

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meetings held on 24 March and 15 May 2017 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. TREASURY MANAGEMENT OUT-TURN REPORT 2016/17 (Pages 1 - 12)

To consider the performance of the Treasury Management function, and the revised prudential indicators for 2017/18-2018/29.

5. ANNUAL AUDITORS' OPINION REPORT (Pages 13 - 24)

To consider the annual report and opinion on the level of assurance on the adequacy of the Council's internal controls, risk management and governance systems.

6. LOCAL CODE OF GOOD GOVERNANCE REVIEW (Pages 25 - 32)

To note the outcomes of the review against the Local Code of Good Governance.

7. DRAFT ANNUAL GOVERNANCE STATEMENT (Pages 33 - 40)

To consider the draft annual governance statement for 2016/17.

8. DRAFT ANNUAL FINANCIAL REPORT (Pages 41 - 52)

To note the draft annual financial report.

9. EXTERNAL AUDIT PROGRESS REPORT (Pages 53 - 62)

To note a summary of progress against the internal audit plan.

10. FINAL ACCOUNTS BAD DEBTS WRITE OFF - 2016/17 (Pages 63 - 68)

To note the final accounts bad debts write off for 2016/17.

11. AUDIT COMMITTEE - ANNUAL REPORT (TO FOLLOW)

To agree the Audit Committee's annual report.

12. AUDIT COMMITTEE WORK PLAN (Pages 69 - 70)

To consider the Audit Committee's Work Plan.

13. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:

Councillors:

Councillors:

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

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

AUDIT COMMITTEE 23 JUNE 2017
CABINET 5 JULY 2017
COUNCIL 10 JULY 2017

TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2016/17

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 2016/17, 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 2016/17, 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 2016/17.

Economic Background

- 3.2. Politically, 2016/17 was an extraordinary 12 month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA.
- 3.3. UK inflation has been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year on year in April 2016 to 2.3% year on year in March 2017.
- 3.4. In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases.
- 3.5. Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016, and in February the unemployment rate dropped to 4.75%; its lowest level in 11 years.

Financial Markets

- 3.6. After recovering from an initial sharp drop in Quarter 2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March. Overnight money market rates have remained low since Bank Rate was cut in August.

Credit Background

- 3.7. Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

4. LOCAL CONTEXT

- 4.1. At 31/03/2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £147.9m, while usable reserves and working capital which are the underlying resources available for investment were £62.8m (principal invested plus gains on investments with a variable net asset value).

- 4.2. At 31/03/2017, the Council had £144.1m of borrowing and £62.0m of principal invested. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, however the Council will be looking to borrow up to a further £12m to part-finance direct commercial property investment in both 2018/19 and 2019/20.
- 4.3. The Council's General Fund's CFR is forecast to increase by £13.2m in the period to 31 March 2019; this is principally to allow for the potential of direct commercial property investment. The updated prudential indicators attached as appendix 1 take this revised CFR into account. The Council's 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.

5. **BORROWING STRATEGY**

- 5.1. At 31/03/2017 the Council held £144.1m of loans, (a decrease of £0.2m on 31/03/2016 due to repayment) with the vast majority of the loan being in relation to the resettlement of the HRA in 2012/13.
- 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 2016/17. 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 2016/17

	Balance on 31/03/2016 £m	Net New Borrowing £m	Balance on 31/03/2017 £m
CFR	147.8		147.9
Short Term Borrowing ¹	0.2	4.1	4.3
Long Term Borrowing	144.1	(4.3)	139.8
TOTAL BORROWING	144.3	(0.2)	144.1
TOTAL EXTERNAL DEBT	144.3	(0.2)	144.1
Increase/ (Decrease) in Borrowing £m			(0.2)

Debt Rescheduling

5.5. The premium charged 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 combined effect of the EU Bank Recovery and Resolution Directive 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. Since 2014/15 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 2016/17 the Council's investment balances have ranged between £57.0 and £88.9 million.

¹ Loans with maturities less than 1 year.

Table 2: Investment Activity in 2016/17

Investments	Balance on 31/03/2016 £m	Balance on 31/03/2017 £m	Average Rate/Yield on 31/03/17 %	Average Life on 31/03/17 years
Short term Investments				
- Banks and Building Societies:				
- Unsecured	8.3	7.0	0.61	0.14
- Secured	4.8	8.8	0.56	0.51
- Money Market Funds	11.0	12.3	0.25	0.00
- Local Authorities	8.0	12.0	0.82	0.45
- Corporate Bonds	1.0	2.6	0.54	0.50
- Government Bonds	3.0	-	-	-
	36.1	42.7	0.55	0.28
Long term investments				
- Banks and Building Societies:				
- Secured	9.5	11.8	0.80	1.74
- Local Authorities	7.0	3.0	1.40	1.40
	16.5	14.8	0.92	1.67
High yield investments				
- Pooled Property Funds	3.2	3.2	4.53	n/a
- Pooled Equity Funds	-	2.1	1.88*	n/a
	3.2	5.3	3.48*	n/a
TOTAL INVESTMENTS	55.8	62.8	0.88*	0.64
Increase/ (Decrease) in Investments £m		7.0		

* The yields provided for pooled funds include investments that were held for part of the year, and therefore do not represent a full 12 month yield.

- 6.4. Both the CIPFA Code and the government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.5. 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, and corporate bonds. The Council has also invested in further high yield investments by investing in pooled equity funds
- 6.6. The investments in pooled property and equity funds 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 but are more volatile in the

short-term. All of 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 them for at least 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 2016/17.
- 6.9. Counterparty credit quality was assessed and monitored with reference to credit ratings, for financial institutions analysis of funding structure and 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 0.25% since August 2016 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 £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).

7. COMPLIANCE WITH PRUDENTIAL INDICATORS

- 7.1. The Council confirms compliance with its Prudential Indicators for 2016/17, which were set in February 2016.

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 2016/17	Maximum during 2016/17	Compliance with limits:
Upper limit on fixed interest rate investment exposure	£25.0m	£9.0m	Yes
Upper limit on variable interest rate investment exposure	£90.0m	£83.9m	Yes
Upper limit on fixed interest rate borrowing exposure	£178.1m	£144.3m	Yes
Upper limit on variable interest rate borrowing exposure	£178.1m	£2.0m	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

	Upper	Lower	Actual
Under 12 months	25%	0%	3.0%
12 months and within 24 months	25%	0%	3.0%
24 months and within 5 years	25%	0%	9.0%
5 years and within 10 years	25%	0%	14.5%
10 years and above	100%	0%	70.5%

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:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£25m	£25m	£25m
Maximum invested during the financial year	£21.3m		

9. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

9.1. None arising directly from this report.

10. RECOMMENDATION

- (a) That the Committee consider the performance of the treasury management function detailed in this report.
- (b) That it be a recommendation to the Council that the revised prudential indicators for 2017/18 – 2018/19 as set out in the report be approved.

Further information	Background papers
Please contact Andrew Bouflower (HCC), or Alan Bethune	The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance
	Local Government Act 2003
email: andrew.bouflower@hants.gov.uk alan.bethune@nfdc.gov.uk	SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
	<p>Treasury Management Strategy Report 2016/17 Audit Committee – 22 January 2016 Council - 22 February 2016</p> <p>Treasury Management Strategy Report 2017/18 Audit Committee – 27 January 2017 Council – 20 February 2017</p> <p>Treasury Management Mid-Year Monitoring Report 2016/17 Audit Committee – 23 September 2016</p> <p>Treasury Management Annual Outturn Report 2015/16 Audit Committee – 28 June 2016 Cabinet – 6 July 2016 Council – 11 July 2016</p>
	Published Papers

PRUDENTIAL INDICATORS 2016/17

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	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	4.1	6.4	4.2	7.9	20.4
HRA	16.6	13.4	13.9	15.4	21.3
Total Expenditure	20.7	19.8	18.1	23.3	41.7
Capital Receipts	1.3	3.0	4.4	3.0	3.0
Grants	1.6	2.4	1.4	3.9	3.3
Reserves	2.5	2.0	-	4.5	12.4
Revenue	13.7	10.6	10.5	9.1	9.1
Developers Contributions	0.8	0.4	0.7	0.9	0.4
Borrowing	0.8	1.4	1.1	1.9	13.5
Total Financing	20.7	19.8	18.1	23.3	41.7

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	31.03.17 Approved £m	31.03.17 Revised £m	31.03.17 Actual £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	3.5	3.5	3.3	4.0	16.5
HRA	144.6	144.6	144.6	140.5	136.4
Total CFR	148.1	148.1	147.9	144.5	152.9

The General Fund CFR is forecast to rise by £13.2m 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 £8.2m as the first instalments of the Self Financing Settlement borrowing are 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	31.03.17 Forecast £m	31.03.17 Revised £m	31.03.17 Actual £m	31.03.18 Estimate £m	31.03.19 Estimate £m
Borrowing	144.1	144.1	144.1	139.8	147.5

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	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	163.1	163.0	144.1	159.4	167.8

Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum

amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	178.1	178.0	144.1	174.4	194.8

The increase in authorised limit for external debt for 2018/19 is reflective of the total potential borrowing as a result of the Council's approved Commercial Property Investment strategy.

Ratio of Financing Costs to Net Revenue Stream

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

Ratio of Financing Costs to Net Revenue Stream	2016/17 Approved %	2016/17 Revised %	2016/17 Actual %	2017/18 Estimate %	2018/19 Estimate %
General Fund	0.6	0.6	0.1	0.8	2.3
HRA	0.0	0.0	0.0	0.0	(0.2)

In 2018/19 it is estimated that the ratio of financing costs to Net Revenue Stream for the HRA will be -0.2%. This reduction reflects the decrease in interest payable on the HRA loan, due to the commencement of repayment of principal from 2017/18.

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.

This page is intentionally left blank

EXECUTIVE MANAGEMENT TEAM – 12 JUNE 2017
AUDIT COMMITTEE – 23 JUNE 2017

ANNUAL INTERNAL AUDITOR'S OPINION REPORT 2016/17

1.0 INTRODUCTION:

- 1.1 The purpose of this report is to provide the Internal Auditors' opinion on the adequacy and effectiveness of the control environment and to review the effectiveness of Internal Audit.
- 1.2 This report is produced in compliance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter, which requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the control environment.
- 1.3 The Accounts and Audit (England) Regulations 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 Auditors 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. ANNUAL AUDIT OPINION

- 2.1 Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes over a four year period, although in practice the risk based audit plan is reviewed quarterly with changes (due to new or emerging risks) agreed with the Section 151 officer and Audit Committee during the year. Audit cannot review every decision and every transaction within the council therefore the opinion cannot provide absolute assurance.
- 2.2 The opinion concludes on the overall adequacy and effectiveness of the Councils' framework of governance, risk management and control.
- 2.3 Based on the work undertaken by Internal Audit during 2016/17, it is the opinion of the Principal Auditor 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 only one audit giving limited assurance 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. The Corporate Fraud Officer has undertaken a self-assessment against a new Counter Fraud Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Council is not currently fully compliant with the code. The key areas that have been identified are to implement a Counter Fraud Strategy and to also update the Fraud related policies. These reports will be presented to Audit Committee for approval.

2.6 **Appendix 1** details the results of all completed audits undertaken during 2016/17. The table below summarises the results for 2016/17 and a comparison to 2015/16:

Assurance Level	Number of Audits in 2015/16	Number of Audits in 2016/17
Substantial	0	1
Reasonable	19	12
Limited	1	1
None	None	None
Not Finalised	1	7
Audits not started	0	0

2.7 **Appendix 2** details all high priority recommendations that have resulted from Audits undertaken during 2016/17.

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
 Action: Agresso have recently released an upgrade for Income Manager which will comply with the requirements of PCI DSS. A report was brought to EMT in November 2016 from the ICT Service Manager confirming that an upgrade plan and details of all associated costs will be in place by the end of May 2017. The latest position is that the upgrade will take place in February/March next year and at this point in time the costs are unknown. New guidance documents on scoping and segmentation specifically around voice-over-IP installations (telephone systems) are due to be released mid-2017 and it could result in significant changes to compliance requirements. It has been decided to wait until the new guidance is issued before any further action with regard to telephone payments is taken. As at the end of May 2017 the new guidance has not been released.

- 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
 Action: The Service Manager for Business Improvement and Customer Services became responsible for this area in December and following training these points will be addressed. An audit of Business Continuity will take place during 2017/18.

- 2.9 Internal Audit will review these recommendations (para 2.8) 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 Seven audits have yet to be finalised; 4 are at draft report stage and 3 are work in progress, it is anticipated that these audits 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.

3 SUMMARY OF AUDIT WORK AND PERFORMANCE

Resources

- 3.1 The NFDC Internal Audit team provides the following resources to Christchurch Borough, East Dorset District and Purbeck District Councils:
 - 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 2016/17. This also includes the Employee costs for the Information Assurance Officer and Corporate Fraud Officer.

Title	Actual (£)
Employee Costs	235,600
Operational costs (excludes internal recharges)	5,600
Total costs	241,200
Income earnings	(59,900)
Net Cost of the service	181,300

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

Audits Outcomes

- 3.5 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.
- 3.6 **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.
- 3.7 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

- 3.8 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
 - to support the Section 151 Officer as required
 - providing independent verification of the actions taken following a significant data breach to minimise the reputational risk to the Council
 - to resolve queries with regard to procedure requirements and authorisation levels following the Management restructure
 - to verify the calculation of the NNDR3 grant claim
 - to assist with the review of the write off policy
- 3.8 In addition to the planned work Audit have experienced a significant increase of ad-hoc queries. There has been a range in the subject of queries received, but a high proportion have been with regard to procedural requirements and authorisation levels. This has impacted on the timely completion of the Audit Plan.
- 3.9 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.
- 3.10 There were 30 referrals of fraud during 2016/17 (5 in 2015/16). Investigations have been undertaken on 21 of these referrals with 9 needing no further action. 17 cases have been closed resulting in a Right to Buy application being withdrawn, a Right to Buy application refused, allocation of a 4 bedroom property not completed, backdated Business Rates of £1,852 and a weekly saving in HB/CTRS/CTax of £120.85. 4 cases are still under investigation.

Working with Partners

- 3.11 The team carried out all of the Benefit Subsidy grant work during 2016/17, resulting in a significant saving in external audit fees. This arrangement will continue into 2017/18 with all workbooks being undertaken by Internal Audit.
- 3.12 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.
- 3.13 Internal Audit also acted as the Internal Auditor for two Town Councils within the District boundaries during 2016/17. This work is completed for a small fee and has continued into 2017/18.

Summary of All Work Delivered

- 3.14 22 of the 26 audits were undertaken within the year (4 to be finalised), a completion rate of 85% against a target of 85%. 3 audits are work in progress. The remaining 2 audits will continue as part of the 2017/18 audit plan to align to planned Service Reviews.
- 3.15 All partner agreements were completed in full.

Maintaining Performance and Standards

- 3.16 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.
- 3.17 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 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. 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 implications arising directly from this report, although a robust internal audit function helps to protect the Council from financial losses.

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:

Glenda Chambers – Principal Auditor

Tel: 02380 285588

Email: glenda.chambers@nfdc.gov.uk

Background Papers:

Audit Plan 2016/17 (Audit Committee March 2016)

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
Key Financials										
Main Accounting System inc bank reconciliation	15				WIP					
Treasury Management	5				Final	Reasonable	0	0	1	2
Accounts Payable	15			Final		Reasonable	0	3	1	0
Asset Management	15			Draft						
Payroll (inc NFNPA testing, T&S, Members Allowances & Expenses)	25				Draft					
Income	10			WIP						
Accounts Receivable	15				Draft					
Council Tax	15			Final		Reasonable	1	6	7	3
Business Rates	10			Final		Reasonable		4	5	8
Benefits	10				Final	Substantial	0	1	0	1
Landlord Services (Rents)	15				Draft					
Governance and Regulation										
Procurement - Contract Management Audit	15		Final			N/A	0	3	0	0
Information Governance	15					N/A				
Governance and corporate risks inc new standards	15	Final				N/A	N/A	N/A	N/A	N/A
Safeguarding	10	Final				Reasonable	0	6	0	3
Estates and Valuation	10		Final			Reasonable	1	8	2	4
Resources										
IT Audit (PSN/Security/DR)	20				Combined					
IT Audit (Inventory/Purchases/Contracts/Maintenance/Licences etc)	15				Final	Limited	1	16	3	13
Building Works - Reactive and Gas Servicing	15	WIP	WIP	Final		Reasonable	1	4	1	3
Economy, Planning and Housing										
Housing Needs/Homelessness/Housing Register/B&B	15	Final				Reasonable	0	7	3	6
Land Charges	10		Final			Reasonable	1	3	8	1
Operations										
Health and Leisure Centres	15					Cont 17/18				
Domestic Refuse and Commercial Waste and Recycling	15					Cont 17/18				
Engineering Design and Land Drainage	15					WIP				
Engineering Works	15									
Ground Maintenance	15		Final			Reasonable	1	10	1	1
Beach Huts	10		Final			Reasonable	0	6	1	0
Cemeteries and Amenities	10	Final				Reasonable	0	9	0	8
Landscape and Open Spaces	10	WIP	WIP	WIP	Final					

This page is intentionally left blank

High Priority Recommendations

Audit	Weakness Found	Risk Exposure	Priority	Recommended Action	Management Response	Officer Responsible	Agreed Date of Action	Follow up Comment
Grounds Maintenance	Spraying equipment and materials have not been procured in line with Contract Standing Orders	Contract Standing Orders are breached	High	It is recommended that the spraying equipment and materials either undergo a formal tender process or obtain a waiver to ensure that the service are adhering to Contract Standing Orders	We will await the results from the HCC Highways Term Maintenance Contract as this will impact on the amount of spraying equipment required. We will then assess the situation and look to comply with Contract Standing Orders	Service Manager – Open Spaces	January 2017	Completed
Land Charges	The Service Manager (Planning & Building Control) has been advised, by legal, that he needs to now start the process for setting new charges to come into effect, from 1 st April 2017, as part of fees and charges.	Non-compliance with Statutory legislation	High	1.1 That both the Local Authorities (England) (Charges for Property Searches) Regulations 2008 regulations and the DCLG Local Authority Property Search Services – Costing and Charging Guidance are reviewed and that fees and charges are set and reported accordingly.	Agreed, this will be done following advice from legal.	Service Manager – Planning & Building Control	31.03.17	Completed
Estates and Valuations	Work on the IPF Action points has revealed a backlog of reviews and renewal work.	Financial loss to the Authority. Reputation al damage.	High	That the backlog of outstanding Action points is addressed urgently, by looking at highest value agreements at the first point.	A list in value order has been produced and addressing this is the main task for the new Band 5 post holder. Cases have all been allocated to the Trainee Valuation Officer who will work on them with support from the E&V Team. High value cases are getting priority. There are now 67 cases on the list and not 127 as referred to above.	Estates & Valuation Manager	Work in progress to be completed by 31.3.18	Audit understands that this is time consuming work. About 20 cases out of the list have been identified as high priority and will be dealt with first.

Council Tax	IA are unable to place assurance that there are sound process documents and procedure notes for all Council tax process (which are kept up to date and accessible to all staff) Within the 2015-16 audit report management comments confirmed that office procedures for three key areas; refunds, checking the summons prelist and the backdating of discounts would be completed, to date this remains outstanding.	Inconsistency across accounts. Significant delays in continuing Service (in Business Continuity terms).	High	1.1 It is recommended that procedure notes and relevant policies are created and updated where necessary.	Agreed, the 3 outstanding policies will be completed	Revenues Manager	31 st May 2017	Not due
Building Works	Manual gas inspections have not been completed when planned	Breach of legislation / risk of injury or loss of life.	High	To ensure that all manual pending 3 rd appointments are progressed and completed as soon as possible.	About one third have been completed, the rest have scheduled appointments but the service are also cold calling hoping to get them completed sooner. Will be looking at the whole process in consultation with housing.	Service Manager (Building Works) / Operatives	ASAP	12 th May 2017 Total List 156 Properties 7 Properties which were identified as being (Gas isolated) for various reasons are at Case Review 129 have now been completed; 12 are at escalation stage and we

								are working with estate management and legal (where necessary) to gain access; 8 have appointments scheduled in the next two weeks
ICT	Server environment outdated and unsupported	Major impact to ATC, LTH or both sites in event of failure	High	ICT Services is required to issue a detailed project plan to Internal Audit outlining actions, planned procurements and timeframes. Issue to be added to ICT Risk Register.	Agreed	ICT Service Manager	June 2017	Part completed- Project plan completed and work undertaken to reduce risk

This page is intentionally left blank

EMT – 12 JUNE 2017
AUDIT COMMITTEE – 23 JUNE 2017

LOCAL CODE OF GOOD GOVERNANCE REVIEW ANNUAL REPORT OF THE MONITORING OFFICER AND PRINCIPAL AUDITOR 2016/17

1. INTRODUCTION

- 1.1 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. As a result of their review, in April 2016 CIPFA/SOLACE published a new Code – “Delivering Good Governance in Local Government Framework 2016” with the key focus on governance processes and the achievement of sustainable social economic and environmental outcomes.
- 1.2 This Council approved the revised Code in April 2017.
- 1.3 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.
- 1.4 This report brings together the outcomes of the review for 2016/17.

2. REVIEW OF COMPLIANCE

- 2.1 The good governance framework centres on the following 7 core principles.

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining how to best optimize the achievement of intended outcomes
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 2.2 The Council's compliance with the Code has been assessed, and a summary of the findings is detailed in Appendix 1.
- 2.3 This assessment also considered progress made against the prior year, 2015/16 action plan, which was reported to Audit Committee in June 2016. This previous year's action plan and reported progress 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.

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

For Further Information Please Contact:

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

Background Papers:

Local Code of Good Governance-
The New Framework March 2017

Grainne O'Rourke
Executive Head of Governance & Regulation
Tel: (023) 8028 5588
E-mail: grainne.orourke@nfdc.gov.uk

Summary of the Council’s compliance with its adopted Code of Good Governance

Principle	Assessment of Monitoring Officer and Principal Auditor and Evidence
<p>A. How does the organisation behave with integrity, demonstrating strong commitment to ethical values, and respect the rule of law?</p>	<p>Detailed and up to date Constitution on decision making including expected standards of conduct. Good emphasis on Member Induction and Member Development generally. Sound rules on Procurement and Contract Standing Orders. Comprehensive Scheme of Delegations and transparent decision making processes. Robust financial procedures ensuring probity in decision making. Protocols in place for statutory Chief Officers in carrying out their functions. Member and Officer Codes of Conduct in place, and robust complaints procedures. Register of Gifts and Hospitality for Members and Officers. Up to date whistleblowing policy, ICT Security policy and equality & diversity training modules in place. Updating work required on Financial Regulations to ensure fit for purpose.</p>
<p>B. How does the organisation ensure openness and comprehensive stakeholder engagement?</p>	<p>Detailed Constitution on how the Council makes decisions including rights of stakeholders. Well established overview and scrutiny panels. Council’s website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers; good FOI policies in place and sound system for dealing with requests for information and good emphasis on compliance with deadlines. Local Plan 2016 Consultation; robust Transparency Code; Annual Financial Report and Annual Governance Statement published. Good positive use of Social Media for Council business purposes i.e. Facebook; H&L, Annual Member Survey, Mystery Shopper; Annual User Survey; Council Tax leaflet survey. Partnership arrangements – needs to be reviewed to include Terms of reference, risks in collaborative working, added value of partnership working and up to date Partnerships Register. Engage with relevant charities to provide training on universal credit. We continue to work with libraries to assist with the digital champion programme and welfare reforms. Hometalk magazine produced twice a year.</p>

<p>C. How does the organisation define outcomes in terms of sustainable economic, social and environmental benefits?</p>	<p>Good standard of Committee reports; Corporate Plan; The Delivery Plan 16/17; Local Plan 2016; risk management strategy; Annual Performance and Budget Outturn report; Procurement rules, Regulations and Contract Standing Orders; good compliance with Environmental Information Regulations (EIR); Medium Term Financial Plan; Capital Programme – all add to the achievement of positive economic, social and environmental benefit.</p>
<p>D. How does the organisation determine how to best optimize the achievement of intended outcomes</p>	<p>Evidence of well thought out processes involving key officers including EMT at correct stages of new projects/initiatives. Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Committees in place with stakeholder engagement also achieved through the bespoke task and finish group process. Clear decision making protocols in place. Corporate plan sets out the overall Council strategy and key priorities. Publication of Annual performance reporting including key performance indicators. Regular Medium Term Financial Planning sets overall context of financial challenges. Risk Register sets overall context for risk management. Delivery plan, supported by overview and scrutiny panels, sets clear service review objectives.</p>
<p>E. How does the organisation develop the entity's capacity, including the capability of its leadership and the individuals within it?</p>	<p>Detailed Constitution; good Member Induction and Member Development Programme; Annual Workforce report; Good emphasis on development of individuals generally. Well established annual appraisal process. Good emphasis on Secondments and Apprenticeship opportunities; Staff Performance Development Review; Continuing Professional Development Programmes; Benchmarking; Training programmes in existence including Health & Safety, Fire Safety, Safeguarding, Equalities, Social Media; Staff 1:1; Periodic staff surveys In recent years, reviews of senior management and structures have brought about positive changes to meet the challenges of the future with emphasis remaining on the delivery of quality services to the community. Regular EMT site visits and monthly Chief Executive communications.</p>

<p>F. How does the organisation manage risks and performance through robust internal control and strong public financial management?</p>	<p>Detailed and up to date Constitution. Well established reporting to Audit Committee and Overview and Scrutiny Committees in place with good emphasis on member induction and input. Risk Management Strategy in place, as well as Strategic and Service Risk Registers. Strong emergency response plan and suitable training of key officers on emergency planning scenarios. Financial regulations require review to ensure they are suitable and fit-for-purpose. Robust financial procedures ensuring probity in making decisions. Detailed Medium Term Financial planning and Financial Monitoring reporting throughout the year. Suitable level of expertise within the finance and audit functions. External Audit of Annual Financial Report including value for money opinion. Risk based internal auditing service/planning, with progress regularly reviewed by the Audit Committee. Key strategies and policies in place; Anti-Fraud and Corruption Strategy; Information Governance Policy; Information Asset Register; ICT Security Policy; GDPR Action Plan.</p>
<p>G. How does the organisation implement good practices in transparency, reporting and audit to deliver effective accountability?</p>	<p>Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Committees. Council website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers. Transparency pages on website gives information on contracts, payments to suppliers, access to information and other useful information. Clear decision making protocols and detailed Scheme of Delegation so that accountability for decisions is clear. Financial responsibility and accountability understood by senior management and members alike. Principal auditor prepares and presents independent annual opinion report, and regular updates on audit plan progress. Sound and suitably resourced internal audit service. Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. Regular financial updates provided by finance service to accountable officers. Peer review will take place during 2017. Annual Governance Statement reviewed by Audit Committee and external audit.</p>

APPENDIX 2

Follow up to Actions Arising from the Local Code of Good Governance Review 2015/16

Topic	Action	Responsible Officer	Deadline	Follow Up as of June 2017
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	March 2017	Completed March 2017
Financial Regulations	To review and update Financial Regulations.	Financial Services Manager (S151 Officer)	December 2016	This review has been rescheduled to complete during 2017/18. This will give the S151 Officer a full year in post to fully assess the requirements of the Council prior to revising the Financial Regulations.
Counter Fraud	Review the Councils Counter Fraud and Whistleblowing arrangements	Principal Auditor/Corporate Fraud Officer	March 2017	Work in progress- to be presented to next Audit Committee
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	Authorisations, Roles and Responsibilities have been updated and the actions resulting from this will also inform the update of Financial Regulations

Actions Arising from the Good Governance Review 2016/17

Topic	Action	Responsible Officer	Deadline
Financial Regulations	To review and update Financial Regulations.	Financial Services Manager (S151 Officer)	March 2018
Partnerships	To review partnership arrangements to include: terms of reference, identify risks in collaborative working, ensure added value of partnership working is explicit, produce accurate and up to date Partnerships Register	Executive Head – Resources working with EMT	March 2018

This page is intentionally left blank

EMT – 12 JUNE 2017
AUDIT COMMITTEE – 23 JUNE 2017

DRAFT ANNUAL GOVERNANCE STATEMENT – 2016/17

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 Annual Financial Report 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 itself, the 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 1st April 2016 to 31st March 2017, the document remains open for update until it is approved at the end of August 2017 and can make reference to any significant matters that arise.
- 2.5 The statement has been reviewed by the Executive Management team. The draft AGS for 2016/17 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 31st March 2017 as reported in Appendix 1.

For Further Information Contact

Alan Bethune
Service Manager – Finance (S151) &
Audit
alan.bethune@nfdc.gov.uk

Grainne O'Rourke
Executive Head – Governance &
Regulation
grainne.orourke@nfdc.gov.uk

Background Papers

Delivering Good Governance in Local
Government Framework 2016

**THE ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2016/17**

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, as well as the 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 services.

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 in delivery of policies, achieving 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 good governance framework centres on the following 7 core principles:

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimize the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council's Corporate Plan "Delivering for our Communities", sets out the Council's overarching vision, values and strategy and sets out what the Council aims to achieve for the period 2016 - 2020. The Council aims to deliver good quality services that provide value for money and which are aligned to the needs and priorities of the local community.

The Council has in place a delivery plan of corporate plan aims, for which responsibility rested with the Service Managers during 2016/17 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. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation), in order to protect the front-line service delivery, underpinned by the healthy General Fund reserve will enable the Council to respond to changes accordingly.

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 2016/17 with the New Forest National Park Authority, the Ringwood Gateway 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 in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. 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.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014. As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE 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 senior 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 implemented including:
 - Service Risk Registers developed in line with Service restructure
 - Development of the Local Plan
 - Counter Fraud Strategy and Policy
2. Following the review initially conducted in 2015/16, the final appointments to the Council's new Executive and Service Management Team were made during 2016/17. Two adaptations were made within the year to the previously adopted structure, demonstrating the Council's willingness to be flexible and adapt to specific needs and requirements:
 - Due to the important work being undertaken in the Estates & Valuations Team, specifically with regard to income generation strategies being developed, a temporary Service Manager appointment was made in this area utilising existing in-house expertise from within the Legal Team.
 - An opportunity to realise an additional efficiency saving resulted in the 'Service Manager – Compliance & Coast' leaving the authority.
3. The Council's arrangements for financial management and reporting are sound and are well documented. Proposals for expenditure and income are supported by a business case. These are scrutinised initially by EMT and 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.
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.
6. Following appointment in April the responsibility of S151 (Chief Financial Officer) was placed with the Service Manager – Finance & Audit. 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 (who is also the Council's 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). A review of the Council's Financial Regulations has been included on previous Annual Governance Statements. The Council's new Chief Financial Officer, having now been in post for a full 12 month period (a full cycle from budget setting to closedown), will complete this review with a targeted completion date of March 2018.

8. The Performance Management framework ensures strategic monitoring with a focus on organisational and service based indicators reflecting the aims and objectives 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. 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 Auditor's 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 some 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 aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls
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 have 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
 - Business Continuity- whilst some Services have a Business Continuity plan a stronger Corporate approach is required.

- 17. The Council will need to develop an accurate and up to date partnership register to ensure the terms of reference, the risks of collaborative working and the added value of partnership working is reviewed and suitably documented.
- 18. The Council's access to information policy requires updating in term of roles and responsibilities.
- 19. A review of the Council's publication scheme is required to ensure information available online reflects current policies, working practices, and responsibilities.

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 significant areas will be included in the action plan:

- 1. Completion of the Financial Regulations review
- 2. Implementation of uncompleted high priority audit recommendations
- 3. Review and develop the ICT Security Policy to include emerging Cyber Security risks

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 31st March 2017 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 arrangements. 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: *Signed:*

Leader of the Council

Chief Executive

Date: *Date:*

Annual Governance Statement 2016/17 Action Plan

Financial Regulations	To review and update Financial Regulations	Financial Services Manager (S151 Officer)	March 2018
Business Continuity Arrangements	To review Business Continuity arrangements	Service Manager (Business Improvement & Customer Services) Civil Contingencies and CCTV Manager	December 2017
Audit Recommendations	Implementation of uncompleted high priority audit recommendations	Relevant Service Managers	September 2017
ICT Security Policy/ Cyber Risk	Review and develop the ICT Security Policy to include emerging Cyber Security risks	ICT Security Manager Principal Auditor	March 2018
Partnerships	To review partnership arrangements to:- develop terms of reference, identify risks in collaborative working, ensure added value of partnership working is explicit, produce accurate and up to date Partnerships Register	Executive Head – Resources	March 2018
Access to Information	To update Roles and Responsibilities	Service Manager (Legal)	December 2017
Publication Scheme	Review and update	Service Manager (Legal)	December 2017

EMT – 20 JUNE 2017

AUDIT COMMITTEE – 23 JUNE 2017

PORTFOLIO: FINANCE & EFFICIENCY/ALL

DRAFT ANNUAL FINANCIAL REPORT 2016/17

1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee in August, 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 2017.

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:

- 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

- 3.2 The draft Accounting Statements for 2016/17, prior to external audit, are set out in Appendices 1 – 6.

4. Accounting Policy Changes and Other Key Issues

- 4.1 There has been no requirement to change any Accounting Policies for 2016/17.
- 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 2016 the total provision was £12.025 million, of which the Council's share totalled £4.810 million (40%). The table below confirms the movements in the provision during 2016/17, and the revised balances as at 31 March 2017:

	Total	NFDC
	£'000	£'000
Appeal Provision 1 April 2016	(12,025)	(4,810)
Amounts Used 2016/17	4,465	1,786
Unused Amounts reversed 2016/17	1,595	638
Appeal Provision 31 March 2017	(5,965)	(2,386)

- 4.3 The strategy to increase our longer term investments in a variety of pooled funds has continued in 2016/17. Despite a reduction in the base rate from August 2016, interest earnings have increased to £670,000 in 2016/17 at an average yield of 0.96%, in comparison to £630,000 in 2015/16 (0.91%).
- 4.4 The deadline for completion of the Annual Statement of Accounts is 31 May from 2017/18. The Accountancy team undertook a trial run of this date for the completion of the 2016/17 accounts. Final adjustments were completed by 8 June, so although not quite in line with the revised trial timetable, still represents a considerable reduction in time as against the previous deadline (30 June).

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 £46.486 million during 2016/17 (of which £7.477 million 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		48.059		
Increase in Short Term Investments		7.079		
Increase in Short Term Debtors		1.116		
Increase in Short Term Creditors		(1.924)		
Decrease in Provisions		2.514		
Increase in Pensions Liability		(10.075)		
Net Other		<u>(0.283)</u>		
		46.486		
Usable Reserves			Unusable Reserves	
Earmarked	4.271		12.412	Revaluation Reserve
HRA Balance	(0.043)		35.473	Capital Adjustment Account
Capital Programme	2.337		0.113	Available For Sale Financial Instruments
Capital Receipts	0.189		0.056	Deferred Capital Receipts
CIL	0.507		(10.075)	Pensions Reserve
Developers' Contributions	0.216		0.996	Collection Fund Adjustment Account
			0.034	Accumulating Absences Adjustment Account
	<u>7.477</u>		<u>39.009</u>	

- 5.2 The increase in the value of PPE assets is principally down to an increase in the value of Council Dwellings (£45.307 million), due to two elements;
1. The Beacon Indices applied to all Council Dwellings as deduced by the Council's Valuer was 11% for the year.
 2. The Social Housing Existing Use Valuation percentage has increased to 33% in 2016/17, in comparison to 32% used over the previous years, resulting in a lower discount factor from full market value, therefore increasing the net book value.
- 5.3 The net Pensions Liability has increased as a result of the actuarial review of Pension Fund assets and liabilities undertaken in 2016/17. As a result, the Council's employer contributions are set to increase by 1% per annum between 2017/18 and 2020/21.

- 5.4 There were service variations in the year against the original General Fund budget of £3.108 million (a slight increase from the position as included in the annual performance report @ £3.084 million), and other savings of £145,000. Additional Business Rates collected during 2016/17 resulted in an increase in redistribution payments of £557,000. The originally budgeted contribution from reserves to the revenue budget of £389,000 was not required. The overall General Fund performance for the year has enabled a net transfer of £2.337 million into the Capital Programme reserve.
- 5.5 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 during 2015/16. Each newly appointed Service Manger has then in turn conducted a fundamental review of their service areas, with all initial reviews completed during 2016/17. This transition increased costs of one-off Termination Benefits 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 2016/17.
- 5.6 The Housing Revenue account surplus for 2016/17 was £4.175 million compared with an originally budgeted break-even position. This was mainly due to a reduction of £3.127 million in the revenue contribution to fund capital expenditure, due to rephasing of capital schemes and a higher level of the programme being funded by Capital Receipts and Developers' Contributions, in order to maximise resources. In addition, there was an under-spend of £534,000 in maintenance costs, £426,000 savings in supervision and management costs and other net budget savings were £88,000. The balance on the account as at 31 March 2017 was £1 million, after allowing for the transfer of £4.143 million to the earmarked Housing Acquisitions and Developments Reserve and £75,000 to the ICT Reserve. The budget for 2017/18 anticipates a break-even position for the year.

6. Recommendations

- 6.1 That Members note the draft Accounting Statements set out in Appendices 1-6 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:

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

This page is intentionally left blank

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16				2016/17			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
11,942	(2,563)	9,379	Environment		13,745	(2,673)	11,072
48,902	(44,737)	4,165	Finance and Efficiency		46,814	(43,691)	3,123
1,345	(571)	774	General Purposes and Licensing Committee		1,230	(622)	608
10,075	(7,114)	2,961	Health and Leisure		9,256	(6,784)	2,472
5,076	(2,793)	2,283	Housing and Communities		5,124	(3,974)	1,150
1,088	(371)	717	Leader's		847	(250)	597
4,528	(4,513)	15	Planning and Transportation		4,334	(4,166)	168
1,795	(651)	1,144	Planning Development Control Committee		1,755	(771)	984
84,751	(63,313)	21,438	General Fund		83,105	(62,931)	20,174
16,105	(28,280)	(12,175)	Housing Revenue Account		(16,279)	(28,028)	(44,307)
100,856	(91,593)	9,263	Cost of Services	5	66,826	(90,959)	(24,133)
			Other Operating Expenditure				
4,840			Town and Parish Council Precepts		5,135		
584			Payments to the Government Housing Capital Receipts Pool		579		
	(1,374)		(Gains)/Losses on the disposal of Non-Current Assets			(1,783)	
		4,050	Total Other Operating Expenditure				3,931
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
46			- General Fund		40		
4,466			- HRA		4,467		
	(695)		Other Investment Income			(735)	
2,520			Net interest on the net defined benefit liability/(asset)	42	2,530		
	(170)		Income, expenditure and changes in the fair value of Investment Properties	12		(300)	
		6,167	Total Financing and Investment Income and Expenditure				6,002
			Taxation and Non-Specific Grant Income				
	(15,808)		Council Tax Income (incl. Parish precepts)			(16,378)	
	(4,139)		Non-Domestic Rates Income and Expenditure	44		(4,624)	
	(5,051)		Unringfenced Government Grants	44		(4,089)	
	(2,082)		Capital Grants and Contributions	44		(1,795)	
		(27,080)	Total Taxation and Non-Specific Grant Income				(26,886)
113,312	(120,912)	(7,600)	(Surplus)/Deficit on the Provision of Services		79,577	(120,663)	(41,086)
	(59)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(12,657)	
	(100)		(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			(113)	
	(7,280)		Re-measurement of the defined benefit liability/(asset)	42	7,370		
		(7,439)	Other Comprehensive Income and Expenditure				(5,400)
		(15,039)	Total Comprehensive Income and Expenditure	5			(46,486)

Total Comprehensive Income and Expenditure has moved by £31.447 million between 2015/16 and 2016/17. The reasons for this are detailed in Note 6.

Mr A Bethune ACCA – Responsible Financial (s151) Officer

23 June 2017

EXPENDITURE AND FUNDING ANALYSIS

	Net Expenditure chargeable to General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expend in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
2016/17:			
Environment	8,892	2,180	11,072
Finance and Efficiency	4,234	(1,111)	3,123
General Purposes and Licensing Committee	536	72	608
Health and Leisure	2,120	352	2,472
Housing and Communities	905	245	1,150
Leader's	550	47	597
Planning and Transportation	(12)	180	168
Planning Development Control Committee	831	153	984
General Fund	18,056	2,118	20,174
Housing Revenue Account	(13,725)	(30,582)	(44,307)
Cost of Services	4,331	(28,464)	(24,133)
Total Other Operating Expenditure	5,135	(1,204)	3,931
Total Financing and Investment Income and Expenditure	3,772	2,230	6,002
Total Taxation and Non-Specific Grant Income	(25,091)	(1,795)	(26,886)
(Surplus)/Deficit on the Provision of Services	(11,853)	(29,233)	(41,086)
Other Comprehensive Income and Expenditure	5,288	(10,688)	(5,400)
Total Comprehensive Income and Expenditure	(6,565)	(39,921)	(46,486)
Opening General Fund and HRA Balances	(4,043)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(6,565)		
Transfer to/ (from) Earmarked Reserves	6,608		
Closing General Fund and HRA Balances	(4,000)		
2015/16:			
Environment	8,220	1,159	9,379
Finance and Efficiency	5,333	(1,168)	4,165
General Purposes and Licensing Committee	675	99	774
Health and Leisure	2,566	395	2,961
Housing and Communities	1,874	409	2,283
Leader's	540	177	717
Planning and Transportation	(289)	304	15
Planning Development Control Committee	946	198	1,144
General Fund	19,865	1,573	21,438
Housing Revenue Account	(13,538)	1,363	(12,175)
Net Cost of Services	6,327	2,936	9,263
Total Other Operating Expenditure	4,840	(790)	4,050
Total Financing and Investment Income and Expenditure	3,817	2,350	6,167
Total Taxation and Non-Specific Grant Income	(24,998)	(2,082)	(27,080)
(Surplus)/Deficit on the Provision of Services	(10,014)	2,414	(7,600)
Other Comprehensive Income and Expenditure	3,630	(11,069)	(7,439)
Total Comprehensive Income and Expenditure	(6,384)	(8,655)	(15,039)
Opening General Fund and HRA Balances	(3,050)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(6,384)		
Transfer to/ (from) Earmarked Reserves	5,391		
Closing General Fund and HRA Balances	(4,043)		

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	£000
Balance at 31 March 2015	(2,036)	(14,936)	(1,014)	(9,867)	(6,032)	0	(2,845)	(36,730)	(165,138)	(201,868)
<i>Movement in reserves during 2015/16</i>										
(Surplus)/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)
Total Comprehensive Income and Expenditure	2,341	0	(9,941)	0	0	0	0	(7,600)	(7,439)	(15,039)
Adjustments between accounting basis and funding basis under regulations (note 8)	(4,485)	0	5,701	0	(1,340)	(267)	(203)	(594)	594	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(2,144)	0	(4,240)	0	(1,340)	(267)	(203)	(8,194)	(6,845)	(15,039)
Transfers to/(from) earmarked reserves (note 9/10)	1,180	(5,519)	4,211	128	0	0	0	0	0	0
(Increase) / Decrease in Year	(964)	(5,519)	(29)	128	(1,340)	(267)	(203)	(8,194)	(6,845)	(15,039)
Balance at 31 March 2016	(3,000)	(20,455)	(1,043)	(9,739)	(7,372)	(267)	(3,048)	(44,924)	(171,983)	(216,907)
<i>Movement in reserves during 2016/17</i>										
(Surplus)/deficit on the provision of services	297	0	(41,383)	0	0	0	0	(41,086)	0	(41,086)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(5,400)	(5,400)
Total Comprehensive Income and Expenditure	297	0	(41,383)	0	0	0	0	(41,086)	(5,400)	(46,486)
Adjustments between accounting basis and funding basis under regulations (note 8)	(2,687)	0	37,208	0	(189)	(507)	(216)	33,609	(33,609)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(2,390)	0	(4,175)	0	(189)	(507)	(216)	(7,477)	(39,009)	(46,486)
Transfers to/(from) earmarked reserves (note 9/10)	2,390	(4,271)	4,218	(2,337)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(4,271)	43	(2,337)	(189)	(507)	(216)	(7,477)	(39,009)	(46,486)
Balance at 31 March 2017	(3,000)	(24,726)	(1,000)	(12,076)	(7,561)	(774)	(3,264)	(52,401)	(210,992)	(263,393)

BALANCE SHEET AS AT 31 MARCH

2015/16				2016/17	
£000	£000		Notes	£000	£000
		Long-Term Assets			
		Property, Plant and Equipment:			
322,214		Council Dwellings	11	367,521	
62,530		Other Land and Buildings	11	65,932	
3,951		Vehicles, Plant and Equipment	11	3,926	
5,019	393,714	Infrastructure	11	4,394	441,773
	2,367	Investment Property	12		2,533
	19,677	Long-Term Investments	13		20,074
	1,956	Long-Term Debtors	14		1,787
	<u>417,714</u>	Total Long-Term Assets			<u>466,167</u>
		Current Assets			
242		Assets Held For Sale - Property	54	0	
22,381		Short-Term Investments	15	29,459	
395		Inventories	16	371	
8,679		Short-Term Debtors	17	9,795	
(2,249)		Bad Debt Provision	17	(2,238)	
12,441		Cash and Cash Equivalents	18	11,850	
	<u>41,889</u>	Total Current Assets			<u>49,237</u>
	459,603	Total Assets			515,404
		Current Liabilities			
(251)		Short-Term Borrowing	19	(4,351)	
(14,616)		Short-Term Creditors	20	(16,540)	
(2)		Developers' Contributions - Receipts in Advance	21	(50)	
	<u>(14,869)</u>	Total Current Liabilities			<u>(20,941)</u>
		Long-Term Liabilities			
(144,109)		Long-Term Borrowing	22	(139,808)	
(5,427)		Provisions	23	(2,913)	
(204)		Capital Grants - Receipts in Advance	24	(341)	
(1,506)		Developers' Contributions - Receipts in Advance	25	(1,352)	
(76,581)		Net Pensions Liability	42	(86,656)	
	<u>(227,827)</u>	Total Long-Term Liabilities			<u>(231,070)</u>
	216,907	Net Assets			263,393
		Usable Reserves			
3,000		General Fund Balance		3,000	
20,455		Earmarked Reserves	9	24,726	
1,043		Housing Revenue Account Balance		1,000	
9,739		Capital Programme Reserve	10	12,076	
7,372		Capital Receipts Reserve	26	7,561	
267		Community Infrastructure Levy Unapplied	27	774	
3,048	44,924	Developers' Contributions Unapplied	27	3,264	52,401
		Unusable Reserves			
21,125		Revaluation Reserve	28	33,537	
227,441		Capital Adjustment Account	29	262,914	
140		Available For Sale Financial Instruments Reserve	30	253	
511		Deferred Capital Receipts Reserve	31	567	
(76,581)		Pensions Reserve	32	(86,656)	
(402)		Collection Fund Adjustment Account	33	594	
(251)	171,983	Accumulating Absences Adjustment Account	34	(217)	210,992
	216,907	Total Reserves			263,393

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT**

2015/16		2016/17
£000	Notes	£000
	Income	
(26,518)	Dwelling rents	(26,286)
(699)	Non-dwelling rents	(721)
(735)	Charges for services and facilities	(743)
(328)	Contributions towards expenditure	(279)
(28,280)		(28,029)
	Expenditure	
4,220	Repairs and maintenance 3	4,236
5,193	Supervision and management	4,633
36	Rents, rates, taxes and other charges	43
6,503	Depreciation, impairment and revaluation of non-current assets 4	(25,349)
18	Debt Management Costs	17
61	Movement in the allowance for bad debts	66
16,031		(16,354)
(12,249)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(44,383)
74	HRA services' share of Corporate and Democratic Core	76
(12,175)	Net Expenditure for HRA Services	(44,307)
	HRA share of the Operating Income and Expenditure included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	
(1,346)	(Gain) / Loss on sale of HRA non-current assets	(1,638)
4,466	Interest payable and similar charges	4,467
(64)	Interest and investment income	(90)
451	Net interest on the net defined benefit liability / (asset) 5	477
(13)	Income and expenditure in relation to investment properties and changes in their fair value	(13)
(1,260)	Capital Grants and Contributions Receivable	(279)
(9,941)	(Surplus) or Deficit for the year on HRA services	(41,383)

COLLECTION FUND

The Collection Fund is an agent's statement that shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements have been shown for council tax and non-domestic rates due to the additional complexity of non-domestic rates transactions following the introduction of the Retention Scheme in 2013/14.

COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and local town and parish councils.

2015/16			2016/17	
£000	£000		£000	£000
	(103,945)	Income		
		Income from Council Tax		(108,437)
		Transfers to / (from) General Fund:		
(9)		Flood Relief	(4)	
(39)		Family Annex Relief	(50)	
1	(47)	Transitional Relief	1	(53)
	(103,992)	Total Income		(108,490)
		Expenditure		
		Precepts:		
71,815		Hampshire County Council	75,153	
10,886		Police and Crime Commissioner for Hampshire	11,173	
4,247		Hampshire Fire And Rescue Authority	4,359	
15,618	102,566	New Forest District Council (including town and parish council requirements)	16,162	106,847
		Bad and Doubtful Debts		
183		Write-offs	208	
(2)	181	Increase / (decrease) in provisions	7	215
		Contributions:		
	1,546	Previous year's estimated council tax surplus		928
	104,293	Total Expenditure		107,990
	301	Movement on fund balance		(500)
(1,264)		(Surplus) / Deficit at 1 April		(963)
301		Movement on fund balance for year		(500)
	(963)	(Surplus) / Deficit at 31 March		(1,463)

COLLECTION FUND

COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire Fire and Rescue Authority.

2015/16			2016/17	
£000	£000		£000	£000
		Income		
	(63,593)	Income collectable from Business Ratepayers Current System		(61,495)
	(1,614)	Transitional Protection Payments		(36)
	(65,207)	Total Income		(61,531)
		Expenditure		
31,865		Payments to DCLG - Business Rates Retention	32,806	
25,492		New Forest District Council	26,245	
5,735		Hampshire County Council	5,905	
637		Hampshire Fire And Rescue Authority	656	
280		Costs of Collection	282	
35		NFDC - Renewable Energy Schemes	25	
	64,044			65,919
		Bad and Doubtful Debts		
168		Write-offs	228	
18		Increase / (decrease) in provisions	66	
1,725		Appeals Provision	(6,060)	
	1,911			(5,766)
	41	Contributions:		
		Previous year's estimated business rates surplus		(927)
	65,996	Total Expenditure		59,226
	789	Movement on fund balance		(2,305)
248		(Surplus) / Deficit at 1 April		1,372
789		Movement on fund balance for year		(2,305)
335		Government safety net contribution - New Forest District Council		0
1,372		(Surplus) / Deficit at 31 March		(933)

CASH FLOW STATEMENT

2015/16		Notes	2016/17
£000			£000
(7,600)	Net (surplus) or deficit on the provision of services		(41,086)
(9,324)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	21,026
3,663	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	5,083
(13,261)	Net cash flows from Operating Activities		(14,977)
18,773	Investing Activities	36	16,997
1,523	Financing Activities	37	(1,429)
7,035	Net (increase) or decrease in cash and cash equivalents		591
(19,476)	Cash and cash equivalents at the beginning of the reporting period		(12,441)
(12,441)	Cash and cash equivalents at the end of the reporting period	18	(11,850)

New Forest District Council

Audit Committee Progress Report

June 2017



23 June 2017

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Audit Committee in March 2017. The purpose of this report is to provide the Committee with an update of our plans for the 2016/17 audit, to ensure they are aligned with your 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 on behalf of Ernst & Young LLP
Enc.

Contents

2016/17 audit.....	2
Looking ahead	3
Appendix 1 – Timetable for the 2016/17 audit	4

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 \(www.psa.co.uk\)](http://www.psa.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 Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

2016/17 audit

Financial statements audit

We issued our 2016/17 Audit Plan in January 2017 where we outlined how we intend to carry out our responsibilities as auditor, including our proposed audit approach. Our Plan was presented to the January meeting of the Audit Committee.

Interim visit

We carried out our interim visit in February 2017, to undertake outstanding documentation and walkthroughs of material systems, complete controls testing and undertake early substantive testing. We have not identified any additional risks from this work that we need to make the Committee aware of, nor are there any issues arising from our work that we need to report to you at this stage.

Post Statements audit

Anticipating the move to faster closing, whereby the Council will have to publish its audited statement of accounts by 31 July 2018 for the 2017/18 financial year, we are looking to start our post statements work on the 2016/17 statement of accounts on 3 July, which is earlier than has traditionally been the case for the Council. The Council has also moved the Audit Committee, which was traditionally towards the end of September, to 25 August 2017.

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

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

Our audit results report, setting out the findings of our work and overall conclusions, will be presented to the Audit Committee at its August meeting.

We have set out an outline timetable for the audit in Appendix 1.

Value for money assessment

We have identified one significant risk to our value for money conclusion, as reported in our Audit Plan in January 2017.

We expect to complete our detailed work during our post statements audit visit.

2016/17 Grant Certification Work

Internal audit are carrying out the initial testing of cases for the 2016/17 housing benefit subsidy claim in in June and July 2017. The remaining aspects of our certification work will be carried out in September and October 2017.

We will present our grant claims certification report to the January 2018 meeting of the Audit Committee.

Looking ahead

Local appointment of auditors for financial statements audits

As previously reported to the Committee, the Council has joined the PSAA Ltd sector-led process to carry out the procurement and appointment of external auditors on behalf of local government bodies for 2018/19 onwards.

Firms meeting the qualification criteria for the procurement process submitted tenders for the local government audit contract in May 2017. The contract is divided into six lots, with each firm eligible to win a maximum of one lot. The precise make-up of each lot will be determined in the period following the outcome of the tendering process and will be based principally on ensuring auditor independence, trying to achieve continuity of appointed auditor where possible, and appointing a common auditor for bodies with a close association between them.

Tenders are evaluated based on an assessment of audit quality and price, with a 50/50 weighting between these criteria.

The outcome of the tender is expected to be confirmed in June 2017.

Existing external audit arrangements for the financial statements remain unchanged for the 2016/17 and 2017/18 financial years.

Local appointment of auditors for grant claim certification

As noted above, from 2018-19, the Council will be responsible for appointing their own auditor, including making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP. This process will be outside the PSAA Ltd sector-led process described above, so the Council will need to make its own individual arrangements to appoint an auditor for this work. The appointment process will need to be completed by the end of February 2018.

Further information can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585740/s1-2017.pdf

Existing external audit arrangements for housing benefit grant claim certification will remain unchanged for the 2016/17 and 2017/18 financial years.

Appendix 1 – Timetable for the 2016/17 audit

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 2016/17 Committee cycle. We will provide formal reports to the Audit Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Audit Committee	Status
High level planning	Ongoing	Audit Fee Letter	June 2016	Complete
Risk assessment and setting of scope of audit	December 2016 – January 2017	Audit Plan	January 2017	Complete
Testing of routine processes and controls	December 2016 – June 2017	Audit Plan and Progress Report	January 2017 and June 2017	Substantially complete
Year-end audit	July – August 2017	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	August 2017	Not yet started
Annual Reporting	October 2017	Annual Audit Letter	December 2017	Not yet started
Grant Claims 2016/17	March - October 2017	Annual certification report	February 2018	In progress

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

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

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

ey.com

This page is intentionally left blank

AUDIT COMMITTEE – 23 JUNE 2017

FINAL ACCOUNTS 2016/17 BAD DEBTS WRITE OFF

1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2016/17.
- 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 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
 - Enforcement Agent unable to collect/levy
 - Foreign Vehicles
 - Obsolete items
- 2.3 The total bad debt write off for 2016/17 was £780,398 (2015/16 £645,221). This represents 0.3% of the total income collected.
- 2.4 The total written off by service is detailed in Appendix 1 (A comparison for values written off during 2015/16 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 2016/17 year, together with comparative figures for 2015/16.

CATEGORY OF DEBT	2016/17 £	2015/16 £
COUNCIL TAX	17,998	27,441
NNDR	20,170	21,665
HOUSING BENEFIT incl. OVERPAID INVOICES	721	1,474
ACCOUNTS RECEIVABLE	2,744	4,509
HOUSING AND GARAGE RENTS	1,151	3,851
PARKING PENALTY CHARGES	Nil	Nil
STORES	Nil	1,603

- 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 The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level. For 2016/17, the NFDC provision is £2.238m (£2.249m in 2015/16).
- 3.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2017 is also shown in Appendix 1.

4. AUTHORITY TO APPROVE

- 4.1 Service Managers have authority to approve write offs up to certain limits and the Council's statutory financial officer has authority to approve write offs of any limit, in accordance with the Code of Practice approved by Cabinet. Details of the approval limits are shown in Appendix 3.

5. RECOMMENDATIONS

- 5.1 That this report be noted.

For Further Information Please Contact:

Ryan Stevens – Service Manager Housing & Community
 Tel: (023) 8028 5588
 Email: ryan.stevens@nfdc.gov.uk

Alan Bethune – Service Manager Finance (S151) & Audit
 Tel: (023) 8028 5588
 Email: alan.bethune@nfdc.gov.uk

Background Papers;

Accountancy Working Papers

APPENDIX 1 CATEGORIES OF WRITE OFFS 2016/17

Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2017 £	Arrears Balance as at 31/3/2017 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	247,653	859	288	108,437,000	1,148,700	2,704,000	0.2	Abscond, bankruptcy, debt relief order, deceased, no goods on which to levy, other, small balance.
NDR	252,791	86	2939	61,495,000	447,000	1,220,000	0.4	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	52,631	198	266	43,159,000	693,230	1,000,000	0.1	Abscond, bankruptcy, debt relief order, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	64,823	227	286	6,684,000	523,490	1,697,000	1.0	Abscond, bankruptcy, deceased, over 6 years old, small balance, uneconomical to pursue.
Housing and Garage Rents	148,662	323	460	29,061,000	380,000	572,000	0.5	Abscond, bankruptcy or debt relief order, collection agency unable to collect, deceased, small balance
Parking Penalty Charges	13,778	190	73	2,970,000	-	-	0.5	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	60							Picking errors, products past use-by date.
Total	780,398	1,883		251,806,000				

APPENDIX 2 CATEGORIES OF WRITE OFFS 2015/16

Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2016 £	Arrears Balance as at 31/3/2016 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	233,556	959	244	103,946,000	1,182,520	2,782,000	0.2	Abscond, bankruptcy, debt relief order, deceased, no goods on which to levy, other, small balance.
NDR	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.
Housing Benefit incl Overpaid Invoices	47,135	261	181	42,934,000	647,550	968,000	0.1	Abscond, bankruptcy, debt relief order, collection agency unable to collect, deceased, Local Authority/DWP error, small balance
Accounts Receivable	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.
Housing and Garage Rents	59,533	387	154	29,230,000	463,000	677,000	0.2	Abandoned property, bankruptcy, debt relief order, deceased, small balance, over 6 years old.
Parking Penalty Charges	15,057	247	61	2,866,000	-	-	0.5	Abscond, bailiff unable to collect/ no goods on which to levy, deceased, foreign vehicle.
Stores	3,060							Out of date/not used (i.e. obsolete items).
Total	645,221	2,211		250,064,000				

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER £ LIMIT PER DEBTOR
Council Tax	Housing & Community	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Business Rates	Housing & Community	Bankruptcy/Liquidation/Indiv vol agreement Abscond Small Balance (up to £500) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Housing Benefit (including Fraudulent cases)	Housing & Community	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased LA Error DWP Error Collection Agency unable to collect	£3,500
Housing Rents	Housing & Community	Bankruptcy/Debt relief order Abscond Small Balance (£500) Deceased Collection Agency unable to collect	£3,500
Accounts Receivable	Housing & Community	Bankruptcy/Indiv. Vol. Agreement / Debt Relief Order Abscond Small Balance (up to £500) Deceased Uneconomic to pursue through the court	£1,500
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£1,500
Garages	Housing & Community	Bankruptcy Abscond Small Balance Deceased	£1,500
Stores	Building Works	Obsolete stock / Damaged stock Picking Error	£1,500
Health and Leisure Centres	Health & Leisure	Small Balance (up to £500) Missing Membership Proofs	£1,500
Estates & Valuations	Legal / Estates	Bankruptcy Abscond Small Balance (up to £500) Deceased	£1,500
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

This page is intentionally left blank

AUDIT COMMITTEE – 23 JUNE 2017

AUDIT COMMITTEE - WORK PLAN

1.0 WORK PLAN

- 1.1 This report details the draft work plan for the Audit Committee for 2017/18.
- 1.2 The work plan may evolve during the year, due to, for example, any changes in legislation, change relating to the External Auditor timetables, or new reports which need to be brought to the attention of the Committee.

2.0 FINANCIAL IMPLICATIONS

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

3.0 EQUALITY & DIVERSITY, CRIME AND DISORDER AND ENVIRONMENTAL MATTERS

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

4.0 RECOMMENDATIONS

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

For Further Information Contact:

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

Audit Committee Work Plan 2017/18

DATE	WORK / REPORTS
23 June 2017	External Audit Progress Report Annual Work Programme Treasury Management Outturn Report 2016/17 Review of the Local Code of Good Governance Response to the external auditor on the management and controls in the organisation Annual Internal Auditors Report Annual Governance Statement Internal Audit Progress report against Q1 Write-Offs Draft Annual Financial Report 2016/17 Audit Committee Annual Report
25 August 2017	External Auditor – Audit Results Reports External Auditor - Opinion on the Statement of Accounts & Value for Money Statement of Accounts Annual Governance Statement Governance Action Plan Follow up Treasury Management Mid Year Monitoring Report 2017/18 Internal Audit Progress report against the audit plan Q2 Outstanding high priority audit recommendations Annual Waivers - Procurement
26 January 2018	External Auditor Grant Claim Certification External Audit 2017/18 Audit Plan External Auditor's Annual Audit Letter Treasury Management Strategy 18/19 Internal Audit Progress report against the audit plan Q3 Outstanding high priority audit recommendations Annual RIPA Report Strategic Risk Register
23 March 2018	External Audit Progress Report Internal Audit Progress report against the audit plan Q4 (provisional) Internal Audit Charter & Internal Audit Plan