

**25 AUGUST 2017**

**NEW FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held in Committee Room 1, Appletree Court, Lyndhurst on Friday, 25 August 2017

\* Cllr A D O'Sullivan (Chairman)  
Cllr J G Ward (Vice-Chairman)

**Councillors:**

\* W G Andrews  
\* M R Harris  
\* J D Heron

**Councillors:**

\* Mrs E L Lane  
\* R A Wappet  
\* C A Wise

\*Present

**Also In Attendance:**

Mr A Boutflower, Hampshire County Council  
Mrs H Thompson, Ernst and Young  
Ms J Thorpe, Ernst & Young LLP

**Officers Attending:**

A Bethune, Ms N Kitcher and Ms M Stephens

**Apologies**

Cllr J G Ward

**15 MINUTES**

**RESOLVED**

That the minutes of the meeting held on 23 June 2017 be signed by the Chairman as a correct record.

**16 DECLARATIONS OF INTEREST**

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

**17 PUBLIC PARTICIPATION**

No issues were raised during the public participation period.

**18 INTERNAL AUDIT - INTERIM COVER ARRANGEMENTS**

The Committee considered interim cover arrangements to manage the work of the Principal Auditor who had left the Council on 11 August 2017.

Interim arrangements were necessary, as an external recruitment exercise to fill the Principal Auditor position had been unsuccessful.

In order to ensure that this Council maintains an effective internal audit arrangement, it had become necessary to explore alternative arrangements with other audit partners on an interim basis, details of which were set out in paragraph 4 of the report to the Committee.

In considering the options, the Council had determined that accepting the offer from the Southern Internal Audit Partnership (operated by Hampshire County Council) was the best option to ensure appropriate interim cover arrangements until March 2018.

Members supported this approach to ensure the timely progression of the audit work plan. The Committee were informed that the interim arrangements would be kept under strict review by senior officers.

**RESOLVED:**

That the report be noted.

**19 TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2017/18**

The Committee received the Treasury Management Mid-Year Monitoring Report for 2017/18.

The report detailed the economic background, the Borrowing Strategy, Investment Strategy, as well as compliance with the Prudential and Treasury Management Indicators. It was noted that investments had been in line with the Treasury Management Strategy and there was no additional borrowing activity.

The Committee was informed that the European Union would be changing rules on how local authorities access regulated financial services through its Market in Financial Instruments Directive (MiFID 11). This would affect how financial services firms classified/treated local authorities. Currently local authorities were classified as 'professional clients' but from January 2018, they would default to 'retail clients'.

In order to maintain the most favourable investment position possible, the Council had been advised by Hampshire County to opt up to professional client status. The Committee supported this view.

Members discussed the management of short term unsecured investments and whether the Council could alter its approach in order to obtain a greater return rate. Some members felt that a review of the Treasury strategy was needed in order to determine the future approach to investment. Members suggested that a small treasury working group be established, to closely monitor the Council's treasury activities, and have a more active role into the development of future strategies, and investment decisions.

**RECOMMENDED:**

- (a) ***That the Cabinet notes the potential impact on investment strategy of defaulting to a retail client with effect from 3 January 2018;***
- (b) ***That the Cabinet agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy;***

- (c) *In electing for professional client status, the Cabinet acknowledges and agrees to forgo the protections available to retail clients attached as Appendix 1 to the Committee; and*
- (d) *That the Cabinet approves delegated responsibility to the Section 151 Officer for the purposes of completing the applications and determining the basis of the application as either full or single service.*

## 20 AUDIT RESULTS REPORT 2016/17

The Committee noted the External Auditor's Results Report for 2016/17. The report summarised the findings from the 2016/17 Audit.

This included:

- Areas of audit focus
- Audit differences
- Value for money
- Assessment of control environment
- Audit Certificate

Ms Thompson explained that the report set out the results of the Audit and included audit risks and assurances against these. She was pleased to inform the Committee that the External Auditors were able to give an unqualified opinion of the accounts and financial statements. She reported on two unadjusted account errors which were set out on page 21 of the report. There were no matters to report regarding the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Ms Thompson thanked Council officers for their assistance in helping the Audit go smoothly and ensuring the financial statements were well produced. Members of the Committee likewise thanked Council officers for their hard work.

### **RESOLVED:**

That the External Auditor's Audit Results Report for the year ended 31 March 2017 be noted.

## 21 ANNUAL FINANCIAL REPORT 2016/17

The Committee considered the Council's Statutory Annual Financial Report for 2016/17.

No changes to the 6 statements of accounts had been made since they were received by the Committee in June 2017.

The report showed that the Council's General Fund had an overall savings within service expenditure of £3.1 million. This figure was within the overall context of savings required to balance the 2017/18 budget. The principal reason for the underspend on the Housing Revenue Account (HRA) was in relation to delays in the delivery of the capital programme. These savings had been transferred to the Council's reserves meaning that the Council remained in a healthy position in financing its future capital programme.

The costs of termination benefits had increased from the previous year. However each case met the minimum required payback, in order to reduce annual spend on an ongoing basis. As the main tranche of service reviews had been completed, this figure would likely decrease in future years.

The Section 151 Officer wished to thank members of his team for their hard work in the production of the report. The Committee also wished to record their appreciation to the Council's finance and audit team members.

**RESOLVED:**

That the Annual Financial Report for 2016/17 as set out in the report be approved and signed by the Section 151 Officer and Chairman of the Audit Committee.

**22 ANNUAL GOVERNANCE STATEMENT**

The Committee considered the Annual Governance Statement for the financial year ended 31 March 2017.

**RESOLVED:**

That the Annual Governance Statement for the financial year ended 31 March 2017 be noted.

**23 AUDIT COMMITTEE MANAGEMENT REPRESENTATION LETTER**

The Committee received the Representation Letter to the External Auditor before it was signed by the Chairman and the Section 151 Officer.

**RESOLVED:**

That the Representation Letter to the External Auditor be signed by the Chairman and Section 151 officer.

**24 PROCUREMENT RULES, REGULATIONS AND CONTRACT STANDING ORDERS - WAIVERS 2016/17**

The Committee considered the waivers to procurement rules, regulations and contract standing orders approved during 2016/17.

There were 39 approved applications for waivers between 1 April 2016 and 31 March 2017, the total value of £2,964 million. Three of the waivers were over £100,000 in value. This compared with 36 applications submitted during 2015/16, totalling £786K.

The Committee noted that with the establishment of the Council's new procurement team and arrangements, there would be a decrease in the number of waivers in future years, although one high value waiver would re-occur as a standing item.

**RESOLVED:**

That the report be noted.

**25 PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2017/18**

The Committee noted progress made against the Internal Audit Plan for 2017/18 and progress made against high priority audit recommendations.

The Committee noted that despite changes to the internal team, the schedule was on target to complete the plan.

The Committee thanked the Council's Audit team for their continuing hard work and efforts in this matter.

**RESOLVED:**

That the report be noted.

**26 AUDIT COMMITTEE WORK PLAN**

The Committee noted its future Work Programme.

**27 DATES OF MEETINGS**

**RESOLVED:**

That the following dates be agreed for meetings in 2018/19 (at 9.30am):

Friday 26 January 2018

Friday 23 March 2018

Thursday 31 May 2018

Friday 27 July 2018

Friday 26 October 2018

Friday 25 January 2019

CHAIRMAN