

26 JANUARY 2018

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held in Committee Room 1, Appletree Court, Lyndhurst on Friday, 26 January 2018

* Cllr A D O'Sullivan (Chairman)

* Cllr J G Ward (Vice-Chairman)

Councillors:

* A R Alvey
* W G Andrews
* J D Heron

Councillors:

Mrs E L Lane
R A Wappet
* C A Wise

*Present

Also In Attendance:

Mr A Boutflower, Hampshire County Council
Ms J Thorpe, Ernst & Young LLP
Mr N Pitman, Southern Internal Audit Partnership (SIAP)

Officers Attending:

A Bethune, Mrs R Drummond, A Harvey, Ms N Kitcher and A Rogers

Apologies:

Cllr Wappet

28 MINUTES

That the minutes of the meeting held on 25 August 2017 be signed by the Chairman as a correct record.

29 DECLARATIONS OF INTEREST

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

30 PUBLIC PARTICIPATION

No issues were raised during the public participation period.

31 EXTERNAL AUDITOR GRANT CLAIM CERTIFICATION

The Committee noted the certification of Claims and Returns Annual Report 2016/17.

The value of the claim presented for certification for housing benefits subsidies was £41,741,865. A qualification letter had been issued confirming that extended testing had been required resulting in an extrapolated error amounting to £8,618. Given the significant sums involved and the complexity of the legislation, the external auditor felt this was a good result for the authority.

RESOLVED:

That the report be noted.

32 2018 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER

The Committee received a summary of the external auditor's audit letter from the year ended 31 March 2017, which was received by the Committee at the last meeting. The report covered opinion on the Council's financial statements, use of resources, governance statement, and public interest report, all of which were concluded satisfactorily, with no weaknesses having been identified. The Committee thanked the officers for their efforts in producing this result.

RESOLVED:

That the report be noted.

33 TREASURY MANAGEMENT STRATEGY 2018/19

The Committee considered the proposed Treasury Management Strategy for 2018/19.

The report outlined and recommended the Council's prudential indicators for 2018/19 – 2020/21 that related to the treasury management function, and also set out the expected treasury operations for that period.

A further report detailing the prudential indicators for 2018/19 – 2020/21 relating to capital expenditure would be included in a separate report to Cabinet on 7 February 2018.

RECOMMENDED:

- (a) ***That the Treasury Management Strategy 2018/19 – 2020/21 and the treasury indicators contained within Annex A of the report be approved; and***
- (b) ***That Authority be delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Resources, as agreed in the Service Level Agreement, to manage all Council investments (other than the high yield investment portfolio) according to the risk assessment process in the Investment Strategy as appropriate.***

34 INTERNAL AUDIT PROGRESS REPORT AGAINST THE AUDIT PLAN Q3

The Committee noted progress made in delivering the 2017/18 Audit Plan, which was approved in March 2017. The report also provided an update on the progression of implementing high priority, overdue audit recommendations. These were:

- **Payment Card Industry Data Security Standards (PCI DSS) Compliance**
This was very much reliant on software and telephony issues
- **Business Continuity**
Progress on this was noted and an action plan would be brought to the Executive Management Team in due course.

The committee were pleased to note the considerable progress to date against the work plan.

RESOLVED:

That the content of the report be noted.

35 INTERNAL AUDIT - FUTURE SERVICE DELIVERY

The Committee had received a report at its meeting in August confirming the Council's interim audit arrangements and the need to review its internal audit delivery model from 1 April 2018, following the resignation of the Principal Auditor, and unsuccessful recruitment of a replacement.

The report provided the Committee with an update on the agreed approach for delivery of the internal audit with effect from 1 April 2018.

Members noted that the review to establish the most effective internal audit service for New Forest District Council, following the departure of the previous Principal Auditor, had concluded that joining the Southern Internal Audit Partnership (SIAP) was the best option for the Council.

The Head of the Partnership, Neil Pitman, summarised the document, which gave an overview of SIAP, attached to the report as Appendix 1.

The Committee noted that the SIAP undertook work for 25 other bodies, including local authorities, police, fire, pension funds, educational establishments and 3rd sector bodies. A multi-disciplinary team of 45 FTE meant that the Council would benefit from a flexible resilient resource, focusing on quality, best practice and cost efficient service provision.

RESOLVED:

That the content of the report be noted.

36 STRATEGIC RISK REGISTER

The Committee reviewed the Strategic Risk Register and received an update on the number and nature of insurance claims over the last five years, in order to assess the Council's overall performance in this area.

The annual cost of insurance policies for 2017/18 was £638,399. The annual insurance renewal was currently in process for 2018/19. EMT and service managers were under an obligation to consider any issues or changes that were likely to have a bearing on future arrangements, including alternative service delivery models, establishment of trading companies or any other major changes in the past twelve months or over the next twelve months. These would be notified to the insurers as part of the renewal.

NFDC's indemnity limit for both public and employer's liability currently stood at £25m with £40m being proposed. EMT had agreed in principle to increase the indemnity limit which would inevitably result in an increased premium, estimated to be in the region of £20,000. It was noted that a number of insurance claims had been made since the report was written, due to fires and adverse weather conditions.

The Strategic Risk Register summarised the most significant risks to the delivery of the Corporate Plan, and the proposed action to mitigate the risks.

The external auditor suggested examples of alternative methods of illustrating various risk levels used at other authorities. The Service Manager – Business Improvement, explained that the methods referred to by the external auditor were already used in reports by NFDC officers, and, although not always submitted to the Committee, had been sent to the external auditor, most recently in December 2017.

It was agreed that an informal briefing session would be held with Committee members prior to the May meeting, so that a full explanation of the Council's risk management process, could be given before the Strategic Risk Register was considered.

RESOLVED:

- (a) That the Strategic Risk Register be noted.
- (b) That the insurance claims for the Council over the past five years be noted.
- (c) That the intention to increase the indemnity limits for public and employer's liability claims be noted.

37 AUDIT COMMITTEE WORK PLAN

The Audit Committee considered its draft Work Plan for 2018/19.

RESOLVED:

That the Work Plan be noted.

CHAIRMAN