

27 JULY 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, 27 July 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  
\* Miss A Sevier  
\* C A Wise

\*Present

**Also In Attendance:**

Ms E Farley, Ernst & Young LLP (external auditors)

K Suter, Ernst & Young LLP (external auditors)

**Officers Attending:**

A Bethune, Mrs L Conway and Mrs K Wardle

**Apologies**

Cllrs Alvey and Andrews

**16 MINUTES**

**RESOLVED**

That the minutes of the meeting held on 31 May 2018 be signed by the Chairman as a correct record.

**17 DECLARATIONS OF INTEREST**

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

**18 PUBLIC PARTICIPATION**

No issues were raised during the public participation period.

**19 AUDIT RESULTS REPORT 2017/18**

The Committee received the External Auditor's report. A revised Management Representation letter was circulated to Members. This superseded the letter (Appendix C) contained within the report. The amended letter included an additional section titled, "Other Information", an appendix summarising the unadjusted audit differences as well as some minor changes.

The report summarised the findings from the 2017/18 Audit. These included:

- Areas of audit focus
- Audit differences
- Value for money conclusion
- Other reporting issues
- Assessment of control environment
- Data analytics
- Independence

Mr Suter explained that the report set out the results of the audit and was pleased to inform the Committee that the external auditors were able to give an unqualified opinion of the accounts and financial statements.

Mr Suter thanked Alan Bethune, Lisa Conway and the wider finance team for their hard work and assistance in ensuring that the external audit was carried out in a timely manner, particularly given that the deadline for submitting the accounts had been brought forward.

The following areas were highlighted to the Committee:

- The valuation of Council dwellings: A revised method for calculating Housing Revenue Account depreciation for Council properties had been used. The assumptions and methods had been challenged and new figures agreed, which were different to those previously reported to the Committee.
- The pension liability: It was noted that there was a difference of £31m in the Hampshire Pension Fund between the Actuary's estimate of the total net assets and the actual total net asset of the Fund. Of this 2.56% related to New Forest District Council. This was not considered to be a figure of concern by the external auditor.
- An additional fee for the audit would be made for the restatement work associated with the changes which had been made to the Council's Portfolio structure during the financial year.

**RESOLVED:**

- (a) That the External Auditor's Audit Results Report for the year ended 31 March 2018 be noted.
- (b) That the revised Representation Letter circulated to Members at the meeting be approved for signature by the Chairman and the Section 151 Officer.

**20 ANNUAL GOVERNANCE STATEMENT**

The Committee considered the Annual Governance Statement for the financial year ended 31 March 2018.

**RESOLVED:**

That the Annual Governance Statement for the financial year ended 31 March 2018 be supported.

**21 ANNUAL FINANCIAL REPORT 2017/18**

The Committee considered the Council's Annual Financial Report for 2017/18.

The report included a narrative statement which provided an outline of the Council's achievements over the last twelve months. There were six main statements of account. One minor change was noted in the balance sheet where an asset (operational building) had moved to an asset held for sale since the draft report had been considered by the Committee in May 2018.

The report showed that the Council's General Fund had net savings of £1.671 million within services, achieved through savings, efficiencies and improved income. An underspend within the Housing Revenue Account was also reported. Capital expenditure was greater than the originally approved budget, in part due to the purchase of New Milton Health Centre, the Council's first investment property since the strategy was adopted to target such acquisitions. It was felt that the Council had performed well in the last financial year and that financially, the Council was in a positive position. Members questioned the reasons why there was a budget overspend / underspend in some areas, for example S106 acquisitions and public conveniences. Explanations were provided.

**RESOLVED:**

That the Annual Financial Report for 2017/18 as set out in the report be approved and signed by the Section 151 Officer and the Chairman of the Audit Committee.

**22 AUDIT COMMITTEE WORK PLAN**

The Committee noted its future work programme.

**23 ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

The Chairman provided an update on some of the bad debt write offs and waivers which had been requested at the meeting in May 2018.

Bad Debts Write-Off 2017/18 – Parking Penalty Charges (PCN): A query had been raised regarding the apparent rise in parking penalty charge write-offs between 2016/17 and 2017/18. It was noted that the number of cases related to those written off in the financial year, not when the PCN had been issued. Therefore of the 309 cases written off in the year 2017/18, 155 were for PCN's issued in the financial year 2016/17. This in effect meant that 2016/17 had been understated and 2017/18 overstated.

Contract Standing Orders relating to Procurement Waivers 2017/18: Members had queried the largest waivers which related to bathroom and kitchen contracts. It was noted that these were an extension to the existing contracts rather than waiving the procurement rules for contract award. An explanation was provided on the reasons for implementing the extensions. It was also noted that both contracts had sufficient budget available and that the extensions complied with the Public Contracts Regulations.

CHAIRMAN