

**25 JANUARY 2019**

**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 January 2019

\* 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

**In attendance:**

**Councillors:**

M R Harris, Portfolio Holder for Local Economic Development, Property and Innovation

**Also In Attendance:**

A Boutflower (Hampshire County Council)  
K Suter (Ernst & Young LLP)  
J Stuttford (Ernst & Young LLP)

**Officers Attending:**

A Bethune, Ms A Chalmers, A Harvey, A Kinghorn, R Stevens, Mrs K Wardle and Mrs A Wilson

**Apologies:**

Cllrs J Heron and Wise.

**33 MINUTES**

**RESOLVED:**

That the minutes of the meeting held on 26 October 2018 be signed by the Chairman as a correct record.

**34 DECLARATIONS OF INTEREST**

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

**35 PUBLIC PARTICIPATION**

No issues were raised during the public participation period.

**36 EXTERNAL AUDIT PLAN**

The Committee received the external auditor's planning report which provided a basis for the Committee to review the proposed audit approach and the scope for the 2018/19 audit. It was also to ensure that the audit was aligned with the Committee's service expectations.

The external auditor set out the significant risks and associated actions to assess them. There had been no substantial change from the previous year, although new accounting standards had been introduced which would affect the scope of the audit for 2018/19. The impact of the standards would be assessed to determine whether they had been appropriately implemented by the Council.

The Committee noted that the pension fund liability on 31 March 2018 was estimated to be £95 million. The auditor had no concerns regarding the level of deficit and it was noted that the overall pension fund deficit had reduced in recent years.

**RESOLVED:**

That the report be noted.

**37 2019 TREASURY MANAGEMENT STRATEGY**

The Committee considered the proposed Treasury Management Strategy for 2019/20-2021/22. The report also included the Treasury Management Investment Strategy for 2019/20 and the Treasury Indicators.

The report detailed the Council's current financial position and the forecast borrowing and investments until 2022. It was noted that the Council did not expect to need to borrow in 2019/20.

**RECOMMENDED:**

- (a) *That the Treasury Management Strategy 2019/20 to 2021/22 including the Annual Treasury Management Investment Strategy for 2019/20 (and the remainder for 2018/19) and the Treasury Indicators contained within Annex A 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) and borrowing according Treasury Management Strategy Statement as appropriate.***

**38 INVESTMENT STRATEGY 2019/20**

The Committee considered the proposed Investment Strategy for 2019/20.

The Investment Strategy outlined the Council's investments and had been produced following statutory guidance issued by the Government in January 2018. The strategy primarily focused on commercial investments.

**RECOMMENDED:**

***That the Investment Strategy 2019/20 be approved with effect from 1 April 2019.***

**39 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT**

The Committee noted the certification of claims and returns annual report for 2017/18. The report detailed the certification of the housing benefits subsidy claim.

The value of the claim presented for certification was £39,284,266 and was subsequently amended by an increase of £1,933 after extrapolation.

Six errors had been identified in the sample testing for 2017/18 and extended testing was required. The errors had been identified in four areas, which had a small net impact on the claim. As a result of the additional testing carried out, the auditor's fee for the certification of the housing benefits subsidy claim was increased from £5,492 (indicative fee) to £11,770.

It was noted that the level of work required in order to carry out further testing was very time consuming and was reflected in the auditor's increase in fee. The errors identified had been of minimal financial value. The Department for Work and Pensions set out the methodology which needed to be followed by the auditor and therefore it was necessary for the additional testing to be carried out.

**RESOLVED:**

That the report be noted.

**40 INTERNAL AUDIT PROGRESS AGAINST THE AUDIT PLAN**

The Committee noted internal audit activity completed in accordance with the approved audit plan.

Progress was provided on officer's implementation of actions arising from audit reviews, including 23 actions, (of which four were high priority) related to reviews completed prior to the 2017/18 audit plan.

Internal Audit had been requested by the new Service Manager of Waste and Transport to carry out an end to end process review of trade waste services with specific focus on the costing elements to help inform a service review and the development of a new service plan. A number of issues had been identified, for example, the accuracy of disposal data which informed the charges paid to Hampshire County Council. The Committee sought further information regarding the work carried out since the review, to address the key observations identified by internal audit. It was agreed that this could be presented at a future meeting.

**RESOLVED:**

- (a) That the report be noted; and
- (b) That the Service Manager: Waste and Transport be invited to attend the next meeting of the Audit Committee to provide an update on the work being carried out to address the areas of weakness identified in the process review of trade waste services.

**41 REGULATION OF INVESTIGATORY POWERS ACT 2000 POLICY**

The Committee received a summary of the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

The Council used its powers under RIPA infrequently, and had not authorised any surveillance activities under RIPA since the last report to the Audit Committee in 2017. The Council had adopted two policies relating to its use of RIPA:

- Surveillance Policy - updated January 2019
- Policy for the Acquisition of Communications Data - updated January 2019

Paragraph 1.4 of the report detailed that the Legal Services Manager be required to report on the Council's use of RIPA every two years, if the specific powers had not been used. An update to this paragraph was reported to the Committee following a request from the Investigatory Powers Commissioner, whereby an update on RIPA would be presented to the Committee on an annual basis rather than every two years.

**RESOLVED:**

That the use made by the Council of its powers under RIPA be noted.

**42 AUDIT COMMITTEE WORK PLAN**

The Committee considered the work plan for 2018/19 and noted that the External Audit Planning report 2018/19 was no longer required for discussion at the meeting on 29 March 2019 due to it being discussed at the January meeting (agenda item 4).

**RESOLVED:**

That the work plan be noted.

CHAIRMAN