

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 26 JULY 2019, 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 meeting held on 31 May 2019 as a correct record.

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. AUDIT RESULTS REPORT 2018/19 (TO FOLLOW)

To receive the report of the External Auditor for 2018/19.

5. ANNUAL GOVERNANCE STATEMENT 2018/19 (Pages 1 - 6)

To consider the Annual Governance Statement for 2018/19.

6. ANNUAL FINANCIAL REPORT 2018/19 (TO FOLLOW)

To consider the Annual Financial Report for 2018/19.

7. BAD DEBT PROVISION (VERBAL UPDATE)

Further to queries raised by the Committee at the last meeting, to receive further details on Bad Debt provision.

8. AUDIT COMMITTEE WORK PLAN (Pages 7 - 8)

To consider the Audit Committee's Work Plan.

9. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:

Councillors:

Alan O'Sullivan (Chairman)
Emma Lane (Vice-Chairman)
Alan Alvey
Hilary Brand

Councillors:

Mahmoud Kangarani
Martyn Levitt
Ann Sevier
John Ward

THE ANNUAL GOVERNANCE STATEMENT NEW FOREST DISTRICT COUNCIL 2018/19

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 systems and processes, as well as culture and values, by which the authority is directed and controlled including 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 the 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, prioritise and manage the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the resultant impact should they be realised.

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 is concerned to ensure that quality of service delivery is maintained at a time of financial constraint 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 initiatives) will help protect front-line service delivery and is underpinned by the healthy General Fund reserve. This will enable the Council to respond to changes in a meaningful way.

The Council has also developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2018/19 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council.

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 Committees such as 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 regularly.

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 the corporate governance framework to ensure that it still reflects the environment within 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 concentrating on the attainment of sustainable economic, social and environmental outcomes. The 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 statutory 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.

The Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. 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.

A summary of the review activities undertaken during 2018/19 are included below:

1. A number of Council policies were reviewed or new Plans/Policies implemented including:
 - Approval of the draft Local Plan;
 - Anti-Money Laundering policy updated;
 - Whistleblowing policy updated;
 - ICT Security policy updated;
 - New Housing Strategy,
 - New Homelessness and Rough Sleeping Strategy;
 - New Allocations Policy (covering how the Council allocates social housing in the District) and
 - The Council's Publication Scheme updated
2. An addition has been made to the Council's Executive Management Team with the appointment of a Chief Planning Officer recognising the importance of planning.
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 financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by 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 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 of work carried out presented to Council.
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 necessary skills, knowledge and capacity to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development.
6. The responsibility of S151 functions (Chief Financial Officer) sits with the Head of Finance who undertakes that statutory role. The Executive Head of Governance and Regulation is the Monitoring Officer, which is also a statutory role. 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 that decisions are taken lawfully and that risks are properly considered.
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 was completed during 2017/18 with the new regulations presented to and endorsed by the Audit Committee. The new regulations were implemented in during April 2018, following approval by full Council.

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 meets regularly and 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. The Audit Committee considered the Council's Risk Management Framework during 2018/19, and endorsed the Council's approach to risk management.
11. 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.
12. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with 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.
13. 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:
 - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
 - New Forest District Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice
 - where weaknesses have been identified through internal audit review, Internal Audit has worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.
14. 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.
15. During the year, a Service Manager raised a concern with the Head of Finance about the 'procure to pay' workflow operated by the Council in one particular service area, which instigated an immediate review of the process culminating in changes being implemented to improve procedures and minimize any recurring risk.
16. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents. ICT also reviewed the ICT Security Policy during 2018/19.

17. Internal Audit has reported an 'Adequate' opinion on the overall control environment. One limited assurance audit opinion was given, and monitoring of progress against the recommendations of this audit will be conducted during 2019/20. The following audit areas have previously 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.

18. 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.

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. Implementation of uncompleted high priority audit recommendations (as per point 17 within section 4)
2. 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 2019 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 Action Plan for 2019/20

Business Continuity Arrangements	To review Business Continuity arrangements	EMT/Service Managers	March 2020
PCI Accreditation	To agree the Council's strategy with regards to achieving the necessary accreditation	Head of Finance, Service Manager ICT, ICT Security Manager	March 2020
ICT Security Policy/ Cyber Risk	Keep under review the ICT Security Policy to include emerging Cyber Security risks	ICT Security Manager/EMT	March 2020
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/EMT	March 2020

Audit Committee Work Plan 2019/20

DATE	WORK / REPORTS
25 October 2019	Internal Audit Progress Report 2019/20 Annual Audit Letter 2018/19 Treasury Management Mid Year Report ICT/Cyber Risks Bad Debt/Write-offs
24 January 2020	Internal Audit Progress Report 2019/20 Audit Plan 2019/20 Treasury Management Strategy Risk Management
27 March 2020	Internal Audit Progress Report 2019/20 Internal Audit Charter 2020/21 Internal Audit Plan 2020/21

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