

24 JANUARY 2020

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Friday, 24 January 2020

* Cllr Alan O'Sullivan (Chairman)
Cllr Emma Lane (Vice-Chairman)

Councillors:

Alan Alvey
* Hilary Brand
* Mahmoud Kangarani

Councillors:

* Martyn Levitt
* Ann Sevier
John Ward

*Present

In attendance:

Rob Sarfas, Hampshire County Council Treasury Management Team
James Stuttaford, Ernst & Young LLP (External Auditors)
Kevin Suter, Ernst & Young LLP (External Auditors)

Officers Attending:

Alan Bethune, James Clarke, Antony Harvey, Andrew Kinghorn, Karen Wardle and
Amanda Wilson

Apologies:

Apologies for absence were received from Cllrs Alvey and Lane.

33 MINUTES

RESOLVED:

That the minutes of the meeting held on 25 October 2019 be signed by the
Chairman as a correct record.

34 DECLARATIONS OF INTEREST

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

35 PUBLIC PARTICIPATION

There was no public participation at the meeting.

36 INTERNAL AUDIT PROGRESS REPORT 2019/20

The Committee received the Internal Audit Progress report for 2019-20
summarising the performance of Internal Audit to 31 December 2019.

The Committee were updated at the meeting that there were currently 16
outstanding actions which related to 3 audit areas. It was noted that there were
four high priority areas which related to payment card industry data security

standards, business continuity and working in partnership (Governance arrangements for New Forest Business Partnership). It was understood that measures were in place to address these areas.

RESOLVED:

That the content of the progress report be noted.

37 EXTERNAL AUDIT PLANNING REPORT FOR YEAR ENDED 31 MARCH 2020

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 2019/20 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 (IFRS 16 (Leases)) would apply from 1 April 2020.

The proposed audit fees were presented in the report and provided that the assumptions were met, there would be no change to the final fee.

RESOLVED:

That the Audit Planning report for the year ended 31 March 2020 be noted.

38 TREASURY MANAGEMENT STRATEGY 2020/21 TO 2022/23 AND TREASURY INDICATORS

The Committee considered the proposed Treasury Management Strategy for 2020/21-2022/23. The report also included the Annual Treasury Management Investment Strategy for 2020/21 (and remainder of 2019/20) and the Treasury Indicators.

The report detailed the Council's current financial position and the forecast borrowing and investments until 2023. The General Fund Capital Financing Requirement was projected to increase over the period 2019-2023, as the Council looked to roll out its commercial and residential investment strategies.

It was noted that the Council did not expect to need to borrow in 2020/21.

RESOLVED:

That the Audit Committee agree and recommend to Council the following:

- (i) That the Treasury Management Strategy 2020/21 to 2022/23 including the Annual Treasury Management Investment Strategy for 2020/21 (and the remainder for 2019/20) and the Treasury Indicators contained within Annex A be approved; and
- (ii) 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.

39 INVESTMENT STRATEGY 2020/21

The Committee considered the proposed Investment Strategy for 2020/21.

The Investment Strategy outlined the Council's investments and had been produced following statutory guidance issued by the Government in January 2018. The strategy included both Treasury Management and Commercial Investments and focussed predominately on the latter. It was noted that the dates in Table 3 of the Investment Strategy needed to be updated.

The balance of treasury management investment fluctuates over time. In the last 12 months the Council's investment balance had ranged between £63.5million and £105.7million. Regarding the Council's commercial investments, £30m fund had been established for investment in commercial property and a £10million fund for investment in residential property. Both funds had been established with the primary intention of generating a profit.

The Council in 2019 had purchased land at Beaumont Park, Ringwood and also Ampress Car Park in Lymington as long term investment assets. The site at Beaumont Park in Ringwood had been purchased with planning permission for light industrial use. The Council would develop the site and rent out the units. Once developed a return on the investment was expected. The Ampress Car Park was next to Lymington Hospital and had a long lease to the NHS for car parking.

RESOLVED:

That the Audit Committee agree and recommend to Council that the Investment Strategy 2020/21 be approved, subject to the dates within Table 3 being updated.

40 RISK MANAGEMENT AND INSURANCE UPDATE

The Committee received an update on risk management and insurance.

As part of Council's risk management, the proposed new Corporate Plan would need to be supported by a new Strategic Risk Register. The purpose of the register would be to summarise the most significant risks to the delivery of the new Corporate Plan and the proposed actions to mitigate these risks. It was proposed that members of the Audit Committee be invited to Risk Management training and a workshop to help determine the strategic risks to achieving the new Corporate Plan. This was proposed to take place after the next Audit Committee meeting on 27 March 2020.

The Council's insurance arrangements were due to come to an end later in 2020. A new contract was out to tender for the period 2020-2023, with an optional two year extension. It was noted that an update on the procurement process would be presented to the Committee in March or May 2020.

The Committee also noted that a new Cyber Insurance Policy was proposed to be put into place. The benefits of a policy were proposed to include a 24 hour support service to investigate works that would be necessary following suspected and actual breaches, as well as financial coverage offering protection against data breach penalties.

RESOLVED:

That the report be noted and the Council's intention to put in place a new Cyber Insurance Policy.

41 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Committee received a summary of the Council's use of its powers under the Regulation of Investigatory Powers Act 200 (RIPA).

The Legal Services Manager was required to report on the Council's use of RIPA on an annual basis. Since the last report to the Audit Committee in January 2019, the Council had not authorised any surveillance activities under RIPA. It was noted that 50 employees with responsibilities related to RIPA had been trained in January / February 2019 and that if a RIPA investigation was contemplated, a training update would be provided to relevant staff.

RESOLVED:

- (a) That the use of the Council's powers under RIPA be noted; and
- (b) That the following policies be endorsed:
 - Surveillance Policy – updated January 2019
 - Policy for the Acquisition of Communications Data – updated January 2019

42 AUDIT COMMITTEE WORK PLAN**RESOLVED:**

That the work programme be agreed with the following amendment and additional items:

- Bad Debt **Provision** / Write-offs – 27 March 2020
- Risk Management - 27 March or 29 May 2020
- Draft Annual Financial report – 29 May 2020

CHAIRMAN