

28 JANUARY 2022

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Friday, 28 January 2022

- * Cllr Alan Alvey (Chairman)
- * Cllr Emma Lane (Vice-Chairman)

Councillors:

- Hilary Brand
- * Jack Davies
- * Martyn Levitt

Councillors:

- * Alan O'Sullivan
- Ann Sevier
- * John Ward

*Present

Officers Attending:

Ian Austin, Alan Bethune, James Clarke, Lisa Conway, Paul Downton,
Ryan Stevens and Karen Wardle

Apologies

Cllrs Brand and Sevier.

29 ELECTION OF CHAIRMAN OF THE COMMITTEE

(Cllr Lane, Vice Chairman, in the Chair)

Cllr Lane explained that Cllr Alan O'Sullivan had stood down as Chairman of Audit Committee as he had become Chairman of Community, Partnerships and Wellbeing Overview and Scrutiny Panel. She wished to place on record the Committee's thanks to Cllr O'Sullivan, who had chaired the Audit Committee for the past 11 years.

RESOLVED:

That Cllr Alvey be appointed Chairman of the Committee for the remainder of the municipal year.

30 MINUTES

That the minutes of the meeting held on 29 October 2021 be signed by the Chairman as a correct record.

31 DECLARATIONS OF INTEREST

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

32 PUBLIC PARTICIPATION

There was no public participation at the meeting.

33 EXTERNAL AUDIT RESULTS REPORTS 2021

The Committee considered the External Audit Results report for 2021.

Members queried the external audit statement on page 25 of the pack, on group accounts preparation, in respect of Appletree Property Holdings Group Ltd, the Council – owned group of companies. The headline comment was 'For the first time, the Council have prepared a Group Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet which consolidate the accounting entries for Appletree Property Holdings Group Ltd. There is a risk that the consolidation has not been correctly performed or appropriate disclosures have not been made in the accounts.'

In response, officers emphasised that this was the first year such accounts had been prepared and it was acknowledged that some elements of the accounts needed adjustment and this was well underway.

RESOLVED:

That the report be noted.

34 HOUSING BENEFIT AUDIT REPORT 2021 (VERBAL REPORT)

The Committee received a presentation from KPMG on findings in Housing Benefit Reporting for 2020/21. The presentation is attached to these minutes as an appendix.

It was a requirement of the DWP that the Council had an annual review of its Housing Benefit Subsidy claim to test whether the Council was operating the scheme in accordance with DWP detailed standards and requirements.

The work comprised of initial testing on various parts of the claim form, as well as focused testing based in previous financial years. Testing was carried out on over 220 benefit cases.

Three observations were made under the findings, including a software issue, an underpayment relating to self employed earnings, and unavailability of information relating to a discretionary scheme, the latter of which was rectified via a signed representation from the S151 officer.

There were no other issues to report.

In answer to a question, it was noted that where any underpayments were made, claims were recalculated. Each of the underpayments were estimated to be very minor, in the region of £1 to £2.

Members asked that future slides for future such presentations be made available before the meeting so members could absorb the information beforehand.

35 FINAL ANNUAL GOVERNANCE STATEMENT 2021

The Committee considered the Final Annual Governance Statement for 2021. The document had already been seen by the Committee in draft form at a previous meeting and therefore only some minor adjustments had been reported.

RESOLVED:

That the Final Annual Governance Statement for the Financial Year ended 31st March 2021 be approved as reported in Appendix 1.

36 FINAL ANNUAL FINANCIAL REPORT 2021

The Committee considered the Final Annual Financial Report for 2020/21.

It was reported that, as noted by External Audit, it had not been necessary to make any substantive changes to the draft set of figures originally submitted to the Committee in July. There a few minor presentational changes and adjustments to the notes in the accounts as a result of External Audit.

The Chairman referred to the levels of unspent developers' contributions and CIL monies, and it was noted that additional staffing resource had been included in the proposed 2022/23 budget to ensure the projects were driven forward.

Members felt the accounts demonstrated how well the Council was run and thanked the Council's financial officers, including internal and external audit, and in particular Mr Bethune as S151 officer, for a very professionally presented set of accounts.

RESOLVED:

That the report at Appendix 1 be supported and that the Chief Financial Officer, in consultation with the Chairman, be delegated to sign off the Annual Financial Report for 2020/21 at the appropriate time, on completion of the outstanding audit work.

37 MEASURES TO IMPROVE LOCAL AUDIT DELAYS

The Committee received and noted a recent report by Department for Levelling Up, Housing and Communities titled 'Measures to improve local audit delays'.

The report echoed views raised by Ernst & Young, the Council's External Auditors on the reasons for audit delays and the need for timescale re-alignments. In 2019/20, 45% of audits were completed by the deadline, whereas only 9% of recent audits had been completed by the extended deadline for 2020/21, which highlighted a significant problem with throughput compared to previous years.

The report also highlighted high staff turnover, and increasing workload as a result of the regulatory pressure on auditors, leading to further delays. A further statutory deadline extension had been obtained for the next 2 years, and then for a 5 year period under the PSAA contract guidance. This would mean that future meeting dates will need to be reviewed.

CIPFA were to publish guidance in April 2022 on the role of audit committees which may result in additional training for audit committee members and details would follow in due course. It was also noted that new guidance was expected on improving presentation of local government accounts to make them more accessible.

Whist there was an overall recognition that it was becoming increasingly difficult to meet audit deadlines, the Council's main deadline of 31 May remained unchanged.

38 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

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

The Council had not authorised any surveillance activities under RIPA since the last report to the Audit Committee in January 2021.

RESOLVED:

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

39 STRATEGIC RISK REGISTER UPDATE

The Committee considered any comments on the proposed Strategic Risk Register before it was presented to the Cabinet for review and adoption.

A summary of any changes since the last report was given, by portfolio.

Members asked whether, under Housing and Homelessness there were any local risks on the Council regarding cladding of high - rise buildings similar to those in the Grenfell Tower public inquiry. In reply it was explained that the Council had no buildings over 11 metres high. Officers would provide the Chairman with any further information regarding cladding risks after the meeting.

In respect of the Financial Investment section Officers were asked whether risk of inflation should be included. The S151 officer explained that risks associated with inflationary pressures such as energy prices and annual pay awards were taken into account. These were recognised and allowed for in financial statements, even though they may not be mentioned specifically in the risk report.

RESOLVED:

That the Cabinet be advised that the Committee supports the Strategic Risk Register, (subject to clarification of the Housing points raised above).

40 INTERNAL AUDIT PROGRESS REPORT 2021/22

The Committee received an overview of internal audit activity completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

The Committee noted the section of the report indicating limited assurance for ICT infrastructure recovery of services in the event of a disaster. This was due to the absence of documented response procedures, though it was understood that the team had since taken actions to document the Disaster Recovery Plan for presentation to EMT by the end of January, in line with the agreed management actions.

The ICT Manager explained to the Committee that the action outlined above had been undertaken and that the infrastructure technology, resources and tools had been in place, but were not sufficiently documented and shared throughout the team. He was confident that the service was now fully in a position to respond appropriately in the event of a disaster.

RESOLVED:

That the report be noted.

41 TREASURY MANAGEMENT STRATEGY 2022/23

The Committee considered the Treasury Management Strategy Report 2022/23.

In answer to a question, it was noted that the limits at Table 6, (the sector and counter party limits), were the Council's own limits. These limits were decided on the advice of the Council's Treasury Management advisors in consultation with the S151 officer.

RESOLVED:

That it be a **RECOMMENDATION** to the Council:

- (a) That the Treasury Management Strategy 2022/23 to 2024/25 be approved, including the Annual Treasury Management Investment Strategy for 2022/23 (and the remainder for 2021/22) and the Treasury Indicators contained within Annex A; and
- (b) That authority be delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Operations, as agreed in the Service Level Agreement, to manage all Council investments (other than the high yield investment portfolio) and borrowing according to the Treasury Management Strategy Statement as appropriate.

42 INVESTMENT STRATEGY 2022/23

The Committee considered the proposed Investment Strategy for 2022/23.

In response to a question, officers undertook to provide the rental income figure for the Salisbury Road property in due course.

RESOLVED:

That it be a **RECOMMENDATION** to the Council:

That the Investment Strategy 2022/23 be approved.

43 AUDITOR APPOINTMENT 2023/24 - 2027/28

The Committee considered proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24 to 2027/28.

The Committee noted that in recent years, 98% of councils used the PSAA process, and if this national procurement method was not used, the Council may have to adopt an onerous range of new processes and arrangements, which was not felt desirable.

It also noted the fundamental changes expected to emerge from recent reviews, which it was hoped would address national concerns over delays in issuing opinions, and on the level of fees.

RESOLVED:

That it be a **RECOMMENDATION** to the Council:

- (a) That the Council accepts Public Sector Audit Appointment's invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023; and
- (b) That following Council approval, the Council's Section 151 Officer return the necessary invitation acceptance forms in line with the deadline of the 11 March 2022.

44 WORK PROGRAMME

The Committee considered its future work programme.

It was noted that the 25 July date should read 29 July 2022.

It was also noted that whilst the 24 March 2022 date was firm, it would be necessary to rearrange other meeting dates to fit in with auditing and accounting timescales, given the issues explained earlier on in the agenda. Members would be advised on the new meeting dates as early as possible.

Training for Audit Committee members would be brought forward in due course.

CHAIRMAN



New Forest District Council Audit Committee

Housing Benefit Reporting 2020/21

28 January 2022

Housing benefit reporting 20/21

Introduction

In accordance with the DWP's Housing Benefits Assurance Process, the Council is required to have an annual review of its Housing Benefit Subsidy claim

Our work on the Council's Housing Benefit claim is carried out in accordance with the DWP's prescribed process and includes:

- agreeing parameters within the Council's housing benefits system to the DWP's published standard rates for the year
- checking that the subsidy claim has been prepared using the specified version of the benefits software
- sample testing claims to check the calculation of benefit entitlement and (and that it was supported by evidence)
- undertaking testing over modified schemes payments

Housing benefit reporting 20/21

Work undertaken

Testing of 20 individual cases for the following cells on the claim form

- 011 (non-HRA rent rebates)
- 055 (HRA rent rebates)
- 094 (rent allowance)
- 225 (modified schemes)

Focused testing which is either based on our findings in the prior year (2019/20) or by the results of our initial testing

Consequently, we undertook testing on 4 additional areas within cells 011 and 094

Testing was therefore carried out on over 220 benefit cases

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Housing benefit reporting 20/21

Findings

Errors (Appendix A)

Out of total subsidy claimed of £31m, we found overpayment errors totalling £27 across two cases (related to the incorrect assessment of earned income)

We are required to extrapolate overpayment errors using the DWP's prescribed method. This resulted in a reported extrapolated figure of £397

We also found underpayment errors in two cases (related to the incorrect assessment of earned income)

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Housing benefit reporting 20/21

Findings (contd.)

Observations (Appendix B)

We reported three observations

- A known issue with the benefits system software
- An underpayment from our testing of cases within cell 094 containing self-employed earnings
- Owing to the passage of time since approval, prime documentation showing that the Authority's local modified discretionary scheme had been approved by full Council was not available. We noted that the s151 officer had provided us with a signed representation letter saying that the policy is available and had previously been approved.

There were no other issues to report

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Thank you



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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