

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 25 MARCH 2022, AT 9.30 AM*

Place: COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYN DHURST, SO43 7PA

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PUBLIC PARTICIPATION:

Members of the public may watch this meeting live on the [Council's website](#).

*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 Audit 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 no later than 12.00 noon on Tuesday, 22 March 2022.

Kate Ryan
Chief Executive

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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 28 January 2022 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. INTERNAL AUDIT PROGRESS REPORT 2021/22 (Pages 3 - 16)

To receive the Audit Progress Report 2021/22.

5. INTERNAL AUDIT CHARTER 2022/23 (Pages 17 - 28)

To receive the Audit Charter 2022/23.

6. INTERNAL AUDIT PLAN 2022/23 (Pages 29 - 44)

To receive the Audit Plan 2022/23.

7. REVIEW OF FINANCIAL REGULATIONS (Pages 45 - 80)

To note a review of Financial Regulations.

8. AUDIT COMMITTEE WORK PLAN (Pages 81 - 82)

To consider the Audit Committee's Work Plan.

9. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:

Councillors

Alan Alvey (Chairman)
Emma Lane (Vice-
Chairman)
Hilary Brand
Jack Davies

Councillors

Martyn Levitt
Alan O'Sullivan
Ann Sevier
John Ward

EMT – 15 MARCH 2022
AUDIT COMMITTEE – 25 MARCH 2022

INTERNAL AUDIT PROGRESS REPORT 2021-22 – MARCH 2022

1. INTRODUCTION

- 1.1. The purpose of this report is to provide the Audit Committee with 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.

2. SUMMARY

- 2.1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 2.2. In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its plan.'

- 2.3. Appendix A summarises the performance of Internal Audit for 2021-22 to 11 March 2022.

3. FINANCIAL IMPLICATIONS

- 3.1. The audit plan consists of 470 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2021-22 reflects these arrangements.

4. CRIME AND DISORDER IMPLICATIONS

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.

5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

5.1. There are no matters arising directly from this report.

6. RECOMMENDATION

6.1. The Audit Committee note the content of the progress report, attached as Appendix A.

For Further Information Please Contact:

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Background Papers:

Internal Audit Plan 21-22

Internal Audit Progress Report 2021-22

March 2022

New Forest District Council



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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

New Forest District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

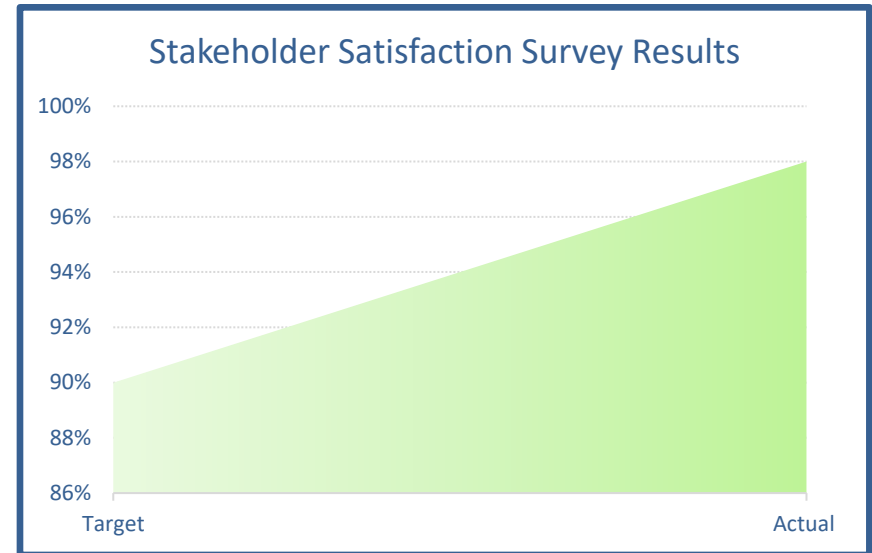
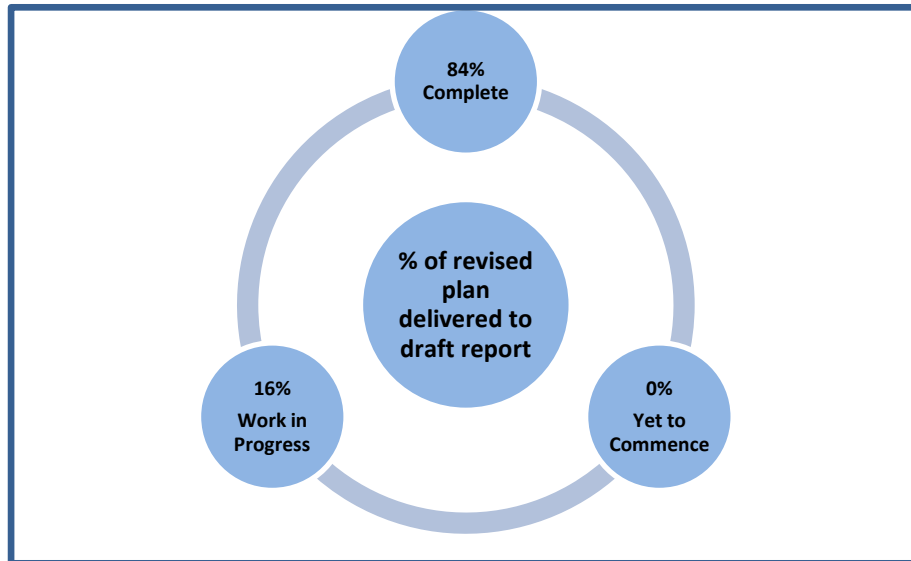
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 2.*

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

There are 14 outstanding actions (including four high priority actions) relating to two audits completed by the in-house team prior to the move to SIAP (unchanged from the previous reported position). The current progress to resolve the actions is:-

- Payment Card Industry Data Security Standards (PCI DSS) Compliance. The Council continue to work towards PCI DSS compliance, a project team has been established to explore options to address the issues and Internal Audit are providing advice as required.
- Business Continuity. The HR Service Manager has been tasked with developing a revised business continuity framework and working with each service to assess and document their arrangements. Internal Audit are providing a 'critical friend role' whilst the revised framework it is being developed and will review the arrangements once implemented and embedded.

There are five overdue high priority actions relating to audit reviews completed since the move to SIAP. The status of these actions are:-

- Programme and Project Management. Two officers have been tasked with developing a programme / project management framework and promoting a consistent approach across the Council. It is envisaged that the framework will be live in 2022 and will be followed up by Internal Audit once implemented and embedded.
- Community Safety/CCTV. The overdue high priority action relates to updating policies and operational procedures. The update has been delayed to incorporate technological changes in this area.
- Income Collection and Banking. The high priority action also relates to PCI DSS compliance as referred to above.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
Programme and Project Management	Nov 19	EHF&CS	Adequate **	9	0	6			3
Community Safety – CCTV	Jun 20	SM (EM&S)	Adequate **	4	0	3			1
Housing Finance Management – Tenancies	Feb 21	SM (HO)	Reasonable	7	0	5		2	
Northgate Application Review	Mar 21	SM (ICT)	Reasonable	4	0	3		1	
Accounts Receivable and Debt Management	May 21	SM (R&B)	Reasonable	5	0	4		1	
Contract Management	May 21	SM (L&P)	Reasonable	5	3	2			
Health and Safety (COVID-19)	Jun 21	SM (E&R)	Reasonable	2	0	1		1	
Income Collection and Banking	Jun 21	SM (R&B)	Reasonable	4	0	1	1	1	1
Payroll Increments *	Jun 21	SM (HR)	Limited	13	0	13			
Procurement	Jun 21	SM (L&P)	Reasonable	6	1	5			
Main Accounting and Reconciliations	Jun 21	SM (R&B)	Reasonable	3	3	0			
Cyber Security	Jul 21	SM (ICT)	Reasonable	8	0	2		6	
Development Management	Aug 21	EHPR&E	Reasonable	10	0	9	1		
Additional Restrictions Grants	Sep 21	EHPR&E	Substantial	1	0	0	1		
Coastal Management and Protection	Oct 21	SM (C&PF)	Reasonable	2	2	0			
IT Disaster Recovery Planning & Business Continuity	Nov 21	SM (ICT)	Limited	13	11	2			
Treasury Management *	Nov 21	EHF&CS	Substantial	1	0	1			
Financial Stability – Medium Term Financial Planning & Budget Monitoring	Jan 22	EHF&CS	Substantial	2	2	0			
HR Performance Management	Feb 22	SM (HR)	Reasonable	6	5	1			
Affordable Housing Development Objectives and Delivery - New Homes Strategy	Mar 22	EHPR&E	Reasonable	1	1	0			
Total							3	12	5

* Denotes audits where all actions have been completed since the last progress report

** The reports listed (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to the adoption of the CIPFA standard definitions, reference is provided at Annex 2.

Audit Sponsor		Audit Sponsor	
Service Manager (Elections & Business Improvement)	SM (E&BI)	Service Manager (Housing Maintenance - Operations)	SM (HMO)
Service Manager (Estates & Valuation)	SM (E&V)	Service Manager (Housing Maintenance – Asset and Compliance)	SM (HMxAC)
Service Manager (Human Resources)	SM (HR)	Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Legal & Procurement)	SM (L&P)	Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)	Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Revenues & Benefits)	SM (R&B)	Service Manager (Open Spaces)	SM (OS)
Service Manager (ICT)	SM (ICT)	Service Manager (Planning Management Development)	SM (PMD)
Senior Manager (Finance)	SM (FIN)	Senior Manager (Grounds & StreetScene)	SM (G&S)
Service Manager (Housing Options)	SM (HO)	Service Manager (Estates, Valuation & Investment Property)	SM (EV&IP)
Executive Head for Planning, Regeneration and the Economy	EHPR&E	Executive Head of Financial and Corporate Services (S151 Officer)	EHF&CS
Executive Head of Partnership and Operations	EHP&O		

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no new reports that have concluded with a ‘Limited’ or ‘No’ Assurance opinion since our previous progress report (December 2021).

6. Planning & Resourcing

The Internal Audit Plan for 2021-22 was agreed by EMT and approved by the Audit Committee in March 2021. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2021-22								
Corporate / Governance Framework								
Risk Management	SM (FIN)	✓	✓	✓	Mar 22			
Business Continuity & Emergency Planning	SM (HR)	✓	n/a	✓	n/a	n/a	n/a	Advisory role.
Data Breach Investigation	SM (HR)	✓	✓	✓	n/a	Jun 21	n/a	
Fraud Framework	SM (R&B)	n/a	n/a	✓	n/a	n/a	n/a	
Human Resources								
HR – Performance Management	SM (HR)	✓	✓	✓	Feb 21	Feb 21	Reasonable	
HR – Use of Agency Staff	SM (HR)	✓	✓	✓				
HR – Leisure Centre due diligence	SM (HR)	✓	✓	✓	Nov 21	Nov 21	Reasonable	
Core Financial Systems								
Financial Stability – Medium Term Financial Planning & Budget Monitoring	EHF&CS	✓	✓	✓	Nov 21	Jan 21	Substantial	
Housing Benefits	SM (R&B)	✓	✓	✓	Oct 21	Oct 21	Substantial	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Payroll	SM (HR)	✓	✓	✓	Mar 22			
Treasury Management	EHF&CS	✓	✓	✓	Nov 21	Nov 21	Substantial	
Financial Systems – follow-up	SM (R&B)	n/a	n/a	✓	n/a	n/a	n/a	
Grant Certifications								
Additional Restrictions Grants	EHPR&E	✓	n/a	✓	Jul 21	Sep 21	Substantial	
LG Income Compensation Scheme	EHF&CS	n/a	n/a	✓	n/a	Oct 21	n/a	Certification work in phases - final claim completed
Information Technology								
Data Management – Meridio to SharePoint Migration	SM (ICT)	✓	✓	✓	Oct 21	Nov 21	Substantial	
Information Security – Website Phase 2	SM (ICT)	✓	✓	✓				
IT Disaster Recovery Planning & Business Continuity	SM (ICT)	✓	✓	✓	Oct 21	Nov 21	Limited	
PCI DSS Advice	EHF&CS	n/a	n/a	✓	n/a	n/a	n/a	Advisory role
Portfolio Themes								
Housing Rents	SM (HO)	✓	✓	✓	Sep 21	Oct 21	Substantial	
Affordable Housing Development Objectives and Delivery - New Homes Strategy	EHPR&E	✓	✓	✓	Feb 22	Mar 22	Reasonable	
Building Control	EHPR&E	✓	✓	✓				
Health and Leisure (Mobilisation)	EHP&O	✓	✓	✓	Jul 21	Sep 21	Substantial	
Tree management	SM (G&S)	✓	✓	✓	Feb 22			
Fleet Management (follow-up phase 2)	SM (W&T)	✓	✓	✓				
Development Management	SM (HO)	✓	✓	✓	Jul 21	Aug 21	Reasonable	

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Additional Restrictions Grants *	To provide assurance that appropriate due diligence checks are completed prior to awarding discretionary grants to businesses in line with the published eligibility criteria and amounts. NB unable to undertake in 20-21 therefore carried forward to 21-22 audit plan.
Development Management *	To provide assurance on the end to end planning application process and development management system. NB unable to complete in 20-21 therefore carried forward to 21-22 audit plan.
Housing Rents *	To provide assurance on the systems in place which ensure the Council maximises rental income due from the billing, collection and recovery of rent for Council Housing. NB unable to undertake in 20-21 therefore carried forward to 21-22 audit plan.
Data Breach Investigation *	To provide an independent investigation into two data breaches incurred when responding to two FOI requests in 2018.
HR – Leisure Centre Staff Transfer - due diligence checks *	To provide assurance on the due diligence checks to ensure all necessary information was provided when transferring staff to the new Leisure Centre provider.

Agreed November 2021 *

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
Universal Credit *	Originally included within the three year audit plan in anticipation this could have an impact upon the Council however there is minimal risk in this area as Universal Credit is administered by the DWP.
Alternative Delivery Methods / Partnership Working *	Removed from the plan as there has been sufficient coverage of alternative delivery methods / significant partnerships in previous years.
Corporate Plan / Performance Management **	The performance management framework, to monitor and report delivery of the corporate plan, has not become fully embedded within service areas therefore defer the review until further progress has been made.
Energy Management / Climate Emergency / Green Agenda ***	In February 2022, Cabinet recommended the Council develop a Climate Change and Nature Emergency Strategy and Action Plan for 2023-2028. Defer the review to align the audit to the development of the strategy and action plan.
Programme & Project Management ***	Defer the audit until the new framework has been implemented and becomes embedded.
Regeneration / Economic Development ***	Defer the review(s) until there is more activity within these areas to audit.

Environmental Services ***	Defer the review to align the audit to the implementation of the new Waste Strategy and transition to new arrangements.
Agreed November 2021 *	
Agreed January 2022 **	
Proposed March 2022 ***	

Annex 2 - Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020-21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report that refer to SIAPs former assurance ratings which are detail below.

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

**EMT 15 MARCH 2022
AUDIT COMMITTEE – 25 MARCH 2022**

INTERNAL AUDIT CHARTER 2022-23

1. INTRODUCTION

- 1.1. The purpose of this paper is to provide the Audit Committee with the Internal Audit Charter for 2022-23.
- 1.2. The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

2. SUMMARY

- 2.1. With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards – updated 2017).
- 2.2. Within the Standards there is a requirement for an Internal Audit Charter - a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached as Appendix A.
- 2.3. The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee'.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no direct financial implications as a result of this report. The charter does however, provide the context by which the annual audit plan is set.

4. CRIME AND DISORDER IMPLICATIONS

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.
- 4.2. The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work. As the Internal Audit provider, the Southern Internal Audit Partnership (SIAP) will monitor the outcomes of this work and will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

5.1. There are no matters arising directly from this report.

6. RECOMMENDATION

6.1. It is recommended the Audit Committee approve the Internal Audit Charter 2022-23, attached as Appendix A.

For Further Information Please Contact:

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E-mail: antony.harvey@hants.gov.uk

Background Papers:

None

Internal Audit Charter 2022-23

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

'independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within New Forest District Council lies with the Executive Head of Financial and Corporate Services as the Authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership (SIAP).

The Chief Internal Auditor - Deputy Head of Partnership (SIAP) is responsible for effectively managing the internal audit activity in accordance with the *'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards'*.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Management Team.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Executive Head of Financial and Corporate Services who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (Chartered Member of the Institute of Internal Auditors - CMIIA, Consultative Committee of Accountancy Bodies - CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Executive Head of Financial and Corporate Services will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Board'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'Senior Management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'Senior Management'* and *'the Board'*.

If the Chief Internal Auditor, *'the Board'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Executive Head of Financial and Corporate Services accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'Senior Management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor who will inform relevant officers in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the Southern Internal Audit Partnership. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work, including participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity. The Corporate Fraud Officer will inform SIAP of the outcomes of all reactive fraud and irregularity investigations and proactive fraud work on a regular basis. SIAP will monitor the outcomes of this work and will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Executive Management Team are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partner:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom and Ewell Borough Council Reigate and Banstead Borough Council Tandridge District Council Crawley Borough Council Hampshire & Isle of Wight Fire & Rescue Service Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Isle of Wight College Lymington & Pennington Town Council Ringwood Town Council Langstone Harbour Board Chichester Harbour Board

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti-Fraud, Bribery and Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

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**EMT 15 MARCH 2022
AUDIT COMMITTEE – 25 MARCH 2022**

INTERNAL AUDIT PLAN 2022-23

1. INTRODUCTION

- 1.1 The purpose of this paper is to provide the Audit Committee with the Internal Audit Plan 2022-23, including an indicative plan for 2023-24 to 2024-25, for New Forest District Council, attached as Appendix A.
- 1.2 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:
 - The framework of risk management, control and governance processes is appropriate and operating effectively; and
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2. SUMMARY

- 2.1 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, control and governance arrangements.
- 2.2 To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with the Executive Management Team, Service Managers and a review of key documents including the Corporate Plan & Strategic Risk Registers.
- 2.3 The audit plan was originally agreed at 470 days when the Council moved from an in-house internal audit team to SIAP in 2018-19. Based on our assessment of the framework of risk management, control and governance processes since the move to SIAP, and following changes within the organisation, we consider that 470 days is now too high and the provision can be reduced to a maximum of 400 days.
- 2.4 The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with the Executive Management Team and the Audit Committee.
- 2.5 The Council's 'Internal Audit Charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Executive Management Team.

3. FINANCIAL IMPLICATIONS

- 3.1 Subject to approval, the audit plan will consist of 400 audit days (including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement) and the Council's budget for 2022-23 will be revised to reflect the reduced days.

4. CRIME AND DISORDER IMPLICATIONS

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.

5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no matters arising directly from this report.

6. RECOMMENDATION

- 6.1 It is recommended the Audit Committee approve the Internal Audit Plan 2022-23, attached as Appendix A.

For Further Information Please Contact:
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Background Papers:
None

Internal Audit Plan 2022-23 – 2024-25

New Forest District Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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Introduction

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Strategic Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan

will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Antony Harvey, Deputy Head of the Southern Internal Audit Partnership, supported Liz Foster, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors (IIA) completed an external quality assessment of the Southern Internal Audit Partnership. The report concluded:

'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, which are required to be disclosed under internal auditing standards.

Council Vision, Priorities and Values

The 'Corporate Plan – Community Matters' outlines New Forest District Council's vision, priorities and values over the period 2020 – 2024.

The Council's vision is 'To secure a vibrant and prosperous New Forest, guided by the people we serve and working in partnership with others to enhance the quality of lives for all by:

- Understanding local needs and creating a balanced, healthy community who feel safe, supported and have access to services;
- Protecting the special character of the New Forest and responding pro-actively to environmental changes; and
- Working with others to maintain a vibrant local economy that brings opportunities to the area.

The Corporate Plan is made up of eight portfolio areas, each with their own priorities, achievement indicators and specific actions for the forthcoming year. The portfolio areas are:

- CP1 - Leader's - 'Delivering a sustainable and prosperous New Forest and putting our community first'
- CP2 - Planning, Regeneration and Infrastructure - 'Encouraging development that meets local needs and enhances the special qualities of the environment'
- CP3 - Housing and Homelessness - 'Creating balanced communities and housing options that are affordable and sustainable'
- CP4 - People and Places - 'Engaging with our communities and maintaining the quality of the place which they live'
- CP5 - Finance, Investment and Corporate Services - 'Enabling service provision and ensuring value for money for the council taxpayer'
- CP6 - Partnering and Wellbeing - 'Improving the health and wellbeing of our community'
- CP7 - Environment and Coastal Services - 'Working to reduce the impact on our special environment and protecting communities by managing our changing coastlines'
- CP8 - Businesses, Tourism and High Streets - 'Helping local businesses to grow and prosper'.

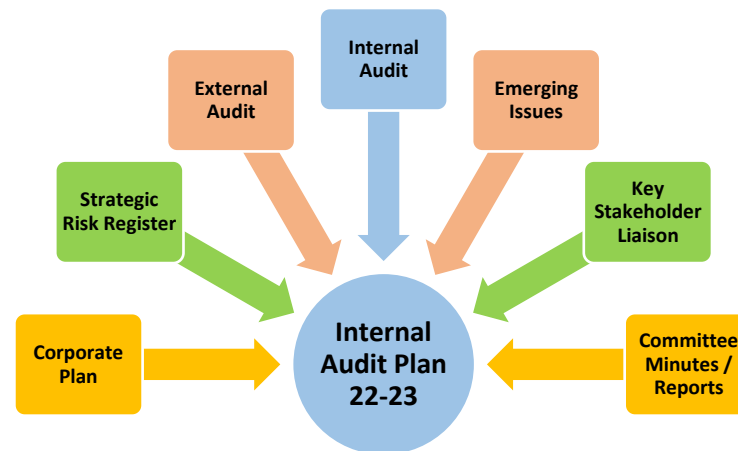
Developing the internal audit plan

The audit plan for the coming year (2022-23) and a projected strategic plan for 2023-24 to 2024-25 has been developed having regard to the Council's 'Vision, Priorities and Values', the Council's risk management framework and areas of corporate and national significance such as climate change.

The audit plan was originally agreed at 470 days when the Council moved from an in-house internal audit team to SIAP in 2018-19. Based on our assessment of the Council's framework of risk management, control and governance processes since the move to SIAP, and following changes within the organisation, we consider that 470 days is now too high and the provision can be reduced to a maximum of 400 days.

The strategic risks assessed by the Council and Corporate Plan priorities are a key focus of our planning for the year to ensure our provision meets the organisation's assurance needs and contributes to the achievement of their objectives. We will continue to monitor the risk registers and portfolio priorities over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2022-25

Audit	Indicative scope	22-23	23-24	24-25
Corporate Plan / Performance Management	Assurance over delivery of the Corporate Plan; underpinning strategies & plans; performance monitoring & reporting frameworks.	✓	-	✓
Climate Emergency / Green Agenda	Assurance over the Council's response to the Climate Emergency including governance, strategies, performance monitoring & reporting arrangements.	✓	-	✓
Corporate Governance Framework	Assurance over the corporate governance framework including the Annual Governance Statement, ethical governance, codes of conduct, complaints, compliments.	-	✓	-
Decision making and accountability	Review of the governance surrounding the decision-making processes and alignment with legislative requirements.	-	-	✓
Programme & Project Management	Review of the programme and project management framework and / or compliance to the framework in relation to live / ongoing projects.	✓	-	✓
Financial Stability	Assurance over risks relating to the financial stability of the Council. Coverage over the audit cycle to include: <ul style="list-style-type: none"> • Medium Term Financial Strategy • Budget planning/setting • Budget monitoring. 	-	✓	✓
Commercial Activities	Effectiveness of income generation / maximisation including rental income and leases, review of associated fees and charges	✓	-	✓

Audit	Indicative scope	22-23	23-24	24-25
	and acquisitions and disposals. 2022-23 focus on lease income and associated charges.			
Alternative Delivery Methods / Partnership Working	Assurance over governance frameworks and / or focus on specific arrangements including rights of access, third party assurance, contingency arrangements, exit strategies, hosting arrangements, benefits realisation, and performance. 2022-23 focus on the Community Safety Partnership.	✓	-	✓
Asset Management (Corporate Estate)	Assurance over effectiveness and delivery of the Asset Management Plan including planned and reactive repairs / maintenance of non-housing assets. 2022-23 focus on statutory safety checks (including lifts, fire, asbestos, legionella etc).	✓	-	✓
Information Governance	Assurance over the audit cycle on information governance arrangements including GDPR, DPA, FOI, Transparency etc.	✓	✓	✓
Procurement	Assurance over compliance with contract procedure rules and legislative requirements.	-	✓	-
Contract Management	Review of contract management arrangements and / or compliance across a selection of 'key contracts'.	-	✓	-
Fraud Framework	Cyclical assurance there are effective arrangements to prevent, detect and investigate fraud and irregularities. Annual provision to monitor the outcomes from proactive / reactive fraud work undertaken directly by the Council.	✓	✓	✓

Audit	Indicative scope	22-23	23-24	24-25
Health & Safety	Assurance there is an appropriate H&S strategy in place with effective governance, accountability and issue resolution.	-	✓	-
Business Continuity	Assurance over the governance framework and individual plans to maintain services after a major incident.	✓	-	✓
Emergency Planning	Assurance over the Council's plans and arrangements for dealing with extreme events.	✓	-	-
Risk Management	Assurance over the risk management framework including governance, transparency and maturity.	✓	-	✓
HR	Coverage over a three-year cycle to include: - <ul style="list-style-type: none"> • Workforce strategy & planning • Training & development • Recruitment • Performance management • Wellbeing & absence management. 2022-23 focus the new HR Strategy and monitoring frameworks.	✓	✓	✓
Housing Benefits		-	-	✓
Council Tax		-	✓	-
NNDR		✓	-	-
Accounts Payable	Cyclical coverage of core systems to meet legislative requirements.	-	✓	-
Accounts Receivable and Debt Management		✓	-	-

Audit	Indicative scope	22-23	23-24	24-25
Main Accounting and Reconciliations		✓	-	-
Payroll		-	-	✓
Income Collection and Banking		-	✓	-
Treasury Management		-	-	✓
Grant Certifications	Certification audit(s) as required.	✓	✓	✓
IT Governance	Coverage over the audit cycle to consider: <ul style="list-style-type: none"> • IT Strategy and Planning • IT Asset Management • Change Management • Software Licencing • Incident and Problem Management • Service Desk. 	✓	TBC	TBC
Data Management	Coverage over the audit cycle to consider: <ul style="list-style-type: none"> • Data Storage and data backup • Data Centre Facilities and Data Security • Capacity Planning and Monitoring. 	-	TBC	TBC
Information Security	Coverage over the audit cycle to consider: - <ul style="list-style-type: none"> • Cyber Security • Cloud • Remote Access • Public Facing Internet Security • IT Security Policy. 	✓	TBC	TBC

Audit	Indicative scope	22-23	23-24	24-25
	2022-23 focus on effective use and management of identity information across IT systems.			
Systems Development and Implementation	Coverage over the audit cycle to consider: <ul style="list-style-type: none"> • Application Reviews • Programme & Project Management. 	-	TBC	TBC
IT Disaster Recovery Planning & Business Continuity	Coverage over the audit cycle to consider: <ul style="list-style-type: none"> • IT Business Continuity Planning • Disaster Recovery Planning • System Resilience 2022-23 follow-up review to reassess IT Disaster Recovery and Business Continuity Planning following a 'limited assurance' opinion in 2021-22.	✓	TBC	TBC
Networking and Communications	Coverage over the audit cycle to consider: <ul style="list-style-type: none"> • Firewalls & Malware protection • Network Security and Access Control • Network Infrastructure Management & Monitoring • Virtualisation • Operating System / Patch Management • Telecommunications. 	-	TBC	TBC
PCI DSS Advice	Provision for advice and support for PCI DSS compliance.	✓	TBC	TBC
Housing Rents	Coverage to include rent setting, income collection and debt management.	-	-	✓

Audit	Indicative scope	22-23	23-24	24-25
Homelessness	Assurance that there is effective control to deliver strategic objectives and legislative requirements to prevent homelessness.	✓	-	-
Housing Management	<p>Assurance over the arrangements to manage the Council's housing stock. Coverage over a three year cycle to include:-</p> <ul style="list-style-type: none"> • Housing allocations • Affordable housing • Shared ownership • Right to buy. <p>2022-23 focus on the effectiveness of the new housing management system once implemented.</p>	✓	✓	✓
Housing Asset Management	<p>Coverage over the audit cycle to provide assurances that all statutory obligations are met with the management of the Council's housing stock, including proactive and reactive repairs & maintenance, management of voids, safety checks etc.</p> <p>2022-23 to focus on two areas – Electrical Safety and Legionella checks.</p>	✓	✓	✓
Housing Enforcement	Assurances over the inspection and enforcement of housing legislation including the licencing of HMOs.	-	-	✓
Disabled Facilities Grants	Administration and compliance with local / legislative requirements to enable adaptations to people's homes.	-	✓	-
Planning / Development Management	Assurance over areas such as the end-to-end planning processes, Community Infrastructure Levy, S106 agreements / developer obligations.	-	✓	-

Audit	Indicative scope	22-23	23-24	24-25
Building Control	Review of policy and processes in line with legislative requirements.	-	-	✓
Regeneration	Review of strategic approach for regeneration including performance measures and reporting outcomes.	-	-	✓
Economic Development	Review of arrangements to promote economic development.	-	✓	-
Leisure Contract	Assurance over the delivery of the intended outcomes of the Leisure Contract.	✓	-	-
Grounds / Tree Maintenance / Open Spaces	Assurance over the maintenance and management of open spaces / Tree Maintenance and management including Ash Die Back. 2022-23 focus on playground safety checks.	✓	-	-
Fleet Management	Administration, procurement and maintenance of the Council's vehicle fleet.	-	-	✓
Environmental Services	To review refuse collection, recycling and street cleansing and the implementation of the waste strategy.	-	✓	-
Environmental Health	Assurance over the Council's legal obligations for Environmental Health. 2022-23 focus on food hygiene inspections.	✓	-	-
Licensing	Assurances over safeguarding, income collection, application process and monitoring.	-	✓	-
Parking & Enforcement	Review of parking and enforcement processes including administration of Fixed Penalty Notices and car park income collection.	-	✓	-

Audit	Indicative scope	22-23	23-24	24-25
Boundary Commission Changes	Critical friend role for the preparation for the Boundary Commission changes due by May 2023.	✓	-	-
Engineering works	Assurances over how the team's workload is planned, prioritised and performance is managed.	✓	-	-
Key Haven	Assurance over the fee setting and income collection processes for Key Haven moorings and other associated activities.	✓	-	-
Service Specific Reviews	Provision for service specific reviews identified through annual planning process to address changing risks, strategic priorities, legislative changes, management concerns etc.	-	✓	✓
National Park Authority	Provision of audit days to fulfil the Council's SLA with the NPA.	✓	✓	✓
Management	Provision for audit planning, reporting, Audit Committee, monitoring, liaison, follow-up and advice.	✓	✓	✓
Total days				400

AUDIT COMMITTEE – 25 MARCH 2022

REVIEW OF FINANCIAL REGULATIONS

1. Recommendations

1.1 It is recommended that the Audit committee support the revisions to the Council's Financial Regulations and recommend to Council the adoption of the new regulations with effect from 12 April 2022.

2. Purpose of the report

2.1 To seek approval to update the Council's Financial Regulations.

3. Background

3.1 The Council's current Financial Regulations were last updated in 2018. Minor amendments are now required to reflect changes in service responsibilities and changes to virement and supplementary budgets levels, to reflect inflationary increases. In addition, a new section has been introduced to show system authorisation levels for raising orders and paying invoices.

4. Summary of Amendments

4.1 A summary of amendments are provided in the table below:

Reference	Amendment	Reason
4.3.4/4.3.5	Split paragraph 4.3.4 into two separate paragraphs to distinguish between budget transfers and virements.	To clarify the procedures to be followed for budget transfers and virements.
4.4	Revised approval limits for budget virement (revenue expenditure)	Maximum limit for Cabinet approval increased from £240,000 to £270,000, in accordance with previously agreed basis of limit being c 2% of Council Tax. Sums exceeding £270,000 require Council approval
4.7	Revised approval limits for supplementary budgets (revenue expenditure)	Maximum limit for Cabinet approval increased from £120,000 to £130,000, in accordance with previously agreed basis of limit being c 1% of Council Tax. Sums exceeding £130,000 require Council approval.
4.14	Revised approval limits for budget virement (capital expenditure)	Maximum limit for Cabinet approval increased from £240,000 to £270,000 to be

		consistent with revised revenue expenditure limit in 4.4.
4.15	Revised approval limits for supplementary budgets (capital expenditure)	Maximum limit for Cabinet approval increased from £120,000 to £130,000 to be consistent with revised revenue expenditure limit in 4.7.
6.1	Service Manager for Business Improvement and Customer Services amended to Service Manager for Finance	Responsibility for insurance administration transferred to different Service Manager.
11.1.1	Authorisation levels added	Authorisation levels for orders and payments exist in the financial system. These have been added to the Financial Regulations document
11.1.5	Add " and will ordinarily be supported with a purchase order number"	To reflect latest requirements that most purchases require the creation of an initial authorised purchase order.

4.2 The revised Financial Regulations, including a schedule summarising the approval limits for budget virements and supplementary budgets are included as **Appendix 1**.

5. Financial Implications

5.1 There are no direct financial implications as a result of this report. The revisions do however further empower Service Managers across the Council to make financial decisions in their service areas, before the need to request formal approval for budget virements. As a matter of course, Service Managers will be expected to consult and brief their respective Portfolio Holders on matters affecting their budgets, on a regular basis.

6. Crime & Disorder / Equality & Diversity / Environmental Implications

6.1 There are no implications as a result of this report.

7. Conclusion

7.1 Up to date Financial Regulations support the Section 151 Officer in directing the Council's financial affairs and ensure the proper administration of the financial affairs of the Council. They are also an essential point of reference for all Service Managers, which form a mandatory framework for financial administration in New Forest District Council.

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FINANCIAL REGULATIONS



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1. GENERAL MATTERS OF FINANCIAL ADMINISTRATION

- 1.1 The Council shall approve the overall financial strategy. The Cabinet, Portfolio Holders, Committees and Scrutiny Panels may act within the powers delegated to them by the Council and within these Regulations.
- 1.2 These regulations apply to the Council, its members and officers in all its functions. This includes functions carried out under Section 151 of the Local Government Act 1972, the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2015.
- 1.3 The Section 151 Officer may set aside these regulations if he/she considers necessary. Any decision to suspend Financial Regulations will be reported to the Council. In the event of a civil emergency the deputy S151 Officer may set aside these regulations if he/she considers it necessary.
- 1.4 Where the Council performs works under an agency agreement with another authority or body, the financial regulations of the principal authority shall take precedence over these regulations, unless otherwise agreed.
- 1.5 These regulations shall be read in conjunction with Standing Orders as to Contracts.
- 1.6 Except for regulations 2.1, 2.1.1 and 3.1, the Section 151 Officer may nominate an officer to exercise any power or duty these regulations confer on him/her. In addition to the statutory Register of Delegations maintained by the Chief Executive, the Section 151 Officer shall maintain a register of the powers and duties he/she confers, and the job titles of the officers on whom he/she has conferred each power or duty.
- 1.7 Where these regulations give an Executive or Service Manager power to authorise an officer to exercise a power or duty, the Executive or Service Manager shall maintain a register of all authorisations and the job titles of the officers who are authorised.
- 1.8 Reports under these regulations shall, where practical, be in writing. In writing includes email communication but formal budget authorisation may only be achieved by completing fully the proper control document or through the formal Cabinet/Council process.
- 1.9 The Section 151 Officer will issue supporting financial practice notes from time to time. These should be read in conjunction with these regulations.

2. ACCOUNTING PROCEDURES AND RESPONSIBLE FINANCIAL OFFICER

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

2.1 The Section 151 Officer is responsible for the proper administration of the Council's financial affairs for the purposes of section 151 of the Local Government Act 1972.

He/she is directed by the Council.

He/she is authorised to determine the financial practices, procedures and systems required.

2.1.1 The Section 151 Officer will report to each Member of the Council and to the Council's external auditors if the Council, the Cabinet, Portfolio Holder, Committee, or an Officer:

- (a) has made, or is about to make, a decision which involves or would involve the Council incurring unlawful expenditure; or
- (b) has taken, or is about to take, a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss to the Council; or
- (c) is about to enter an item of account unlawfully.

This is required by section 114 of the Local Government Act 1988.

2.2 The Executives and Service Managers shall ensure proper financial control of the parts of the budget for which they are responsible. They are authorised to commit revenue or capital expenditure:

- (a) which is authorised through the Council's approved revenue and capital budgets; or
- (b) by virement or tolerances permitted by section 4 of these Regulations.

2.2.1 The Executives and Service Managers may authorise **other** officers to exercise financial authority. Such authorisation does not reduce the overall responsibility of the Executive and Service Manager.

2.2.2 Details of such delegations shall be sent to the Chief Executive, who shall include the delegations in the Register of Delegations.

2.3 The Cabinet, Portfolio Holder, Committee, Panel or Council must consider a report which clearly identifies the costs and benefits before it takes a decision on any new proposals which include any material financial implications.

2.3.1 Any financial proposals must:

- (a) be approved by the Section 151 Officer and,
- (b) comply with these regulations.

2.3.2 The Section 151 Officer may comment adversely on any proposal or submit an independent report.

2. ACCOUNTING PROCEDURES AND RESPONSIBLE FINANCIAL OFFICER

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

2.4 Where expenditure is urgently required outside the regulations set out in Section 4, the Section 151 Officer, in consultation with the Chief Executive, the Portfolio Holder with responsibility for Finance and the Portfolio Holder with responsibility for the relevant service area, may authorise approval.

2.4.1 The action taken must be reported to the next meeting of the Council.

3. AUDIT ARRANGEMENTS AND FRAUD INVESTIGATIONS

REGULATIONS 3.1 AND 3.1.1 TO 3.1.2 COMPLEMENT THE ACCOUNTS AND AUDIT REGULATIONS 2015

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

3.1 The Section 151 Officer is the Responsible Financial Officer. He/she shall maintain an adequate and effective internal audit of the Council in accordance with relevant legislation.

3.1.1 In carrying out his/her duties under 3.1, the Section 151 Officer, or his/her authorised representative, may:

- (a) enter any Council premises or land at any reasonable time, subject to any statutory requirements
- (b) have access to all records and documents concerning any past or prospective financial transactions of the Council
- (c) require, and receive, any necessary explanations concerning any matter under examination
- (d) require any employee of the Council to produce any Council property under his/her control

3.1.2 All employees have a duty to report suspected fraud or irregularities immediately to the Section 151 Officer. He/she shall take the steps he/she considers necessary under the Council's Anti-Fraud, Bribery and Corruption Strategy, and Anti-Money Laundering Policy.

3.1.3 Any suspected fraud or irregularity concerning the Section 151 Officer must be reported to the designated deputy S151 Officer and the Chief Executive.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Budget Preparation

- 4.1 The Leader of the Council shall ensure preparation of detailed budgets of both income and expenditure for all services, for approval by the Cabinet and the Council.

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Budget Preparation

- 4.1.1 In preparing detailed budgets for expenditure and income, the overall financial strategy and spending priorities approved by the Council must be adopted.
- 4.1.2 The Section 151 Officer shall determine the timetable and procedures for budget preparation.
- 4.1.3 No budgets shall be created without the consent of the Section 151 Officer.
- 4.1.4 Budgets may not include contingency sums for unplanned expenditure. These regulations contain enough flexibility to meet unplanned expenditure.
- 4.1.5 Business Units should aim to recover all their costs in accordance with guidelines issued by the Section 151 Officer.
- 4.1.6 Budgets must identify the gross sums for each item of income and expenditure.

- 4.2 The Section 151 Officer shall determine financing arrangements for all approved expenditure.

- 4.2.1 Expenditure which:
- (a) involves any leasing, hire purchase, or rental agreements, and
 - (b) may have implications for the Council under the Government's capital expenditure controls
- may not be incurred without the Section 151 Officer's approval.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Expenditure – Budget Movements

Revenue Expenditure – Budget Movements

- 4.3 Budget provision may be moved from one budget heading to another.

- 4.3.1 Virements or budget transfers may not be made from headings for Support Services or Capital Financing. Virement from Capital Charges may only be undertaken with the prior approval of the Section 151 Officer, irrespective of the value.

The Section 151 Officer will determine whether a budget movement (where there is no increase in overall budget) can take place either as a transfer or as a virement.

- 4.3.2 Virement or budget transfers from Employee allocations may only be undertaken with the agreement of the source Service Manager, irrespective of the value.

Budget Transfers are movements between similar budget priorities and will require adherence to 4.3.1 – 4.3.4.

- 4.3.3 Virement or budget transfers from income will generally constitute a Supplementary Budget request.

Budget Virements are movements between different budget priorities and will require adherence to 4.3.1 – 4.4.5.

- 4.3.4 Requests for budget transfers must be made by email to a Service Accountant.

The relevant Service Accountant must be informed of all budget movements to ensure that the Financial Information System budget position is accurate, to assist budgetary control.

- 4.3.5 All requests for virements must be made using the proper control document, which can include a report to Members.

The Section 151 Officer must be notified before expenditure is committed and can veto any proposed budget movements.

- 4.4 All proposals for virement shall be approved in line with the requirements outlined in 4.4.1 – 4.4.5.

- 4.4.1 **Sums up to £25,000 vired between individual service cost centres:** requires the approval(s) of the Service Manager(s).

- 4.4.2 **Sums between £25,001 and £50,000:** require the approval(s) of the Service Manager(s) in consultation with the relevant Executive Head and the Portfolio Holder(s) with responsibility for the Service(s) to/from which the virement

is made.

- 4.4.3 **Sums between £50,001 and £270,000:** require approval of the Cabinet.
- 4.4.4 **Sums over £270,000:** require approval of the Council.
- 4.4.5 **More than one request for virement to or from the same budget in the same financial year:** sums must be aggregated to decide which of regulations 4.4.1 to 4.4.4 applies.

4.5 Virement must not commit the Council to increased net expenditure in future years. Particular care is required if the virement is to an employee budget.

4.5.1 Virement authorisation must identify whether the virement is for one year only or is ongoing. Ongoing requests that will lead to increasing expenditure in future years on a particular budget heading must identify the budget(s) for matching reductions for future years. Otherwise, the request must be considered as a supplementary budget rather than a virement.

4.6 Virement between revenue and capital budgets is not generally permitted. Any exceptional proposals require the prior approval of the Section 151 Officer.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Revenue Expenditure – Supplementary Budgets

- 4.7 There is no authority to spend in excess of an approved budget. If this becomes necessary **and a budget movement is not possible** then a supplementary budget must be obtained.

The base for supplementary budgets is the lowest service cost centre level identified in the approved Policy budget.

For example:-

- Cemeteries
- Applemore Health and Leisure Centre
- Public Conveniences
- HRA Reactive Maintenance

Any proposal for a supplementary budget must be approved in line with the requirements outlined in 4.7.2 – 4.7.6 **before** expenditure is committed.

The Section 151 Officer must be notified before expenditure is committed and can veto any proposed supplementary budgets.

PRACTICES, PROCEDURES AND SYSTEMS

Revenue Expenditure – Supplementary Budgets

- 4.7.1 All requests for supplementary budgets must be made using the proper control document and must follow the procedures below.
- 4.7.2 **Sums up to £10,000:** require the approval(s) of the Service Manager(s).
- 4.7.3 **Sums between £10,001 and £50,000:** require the approval(s) of the Service Manager(s) in consultation with the relevant Executive Head(s), Portfolio Holder for Finance and the Portfolio Holder with responsibility for the Service(s).
- 4.7.4 **Sums between £50,001 and £130,000:** require approval of the Cabinet.
- 4.7.5 **Sums over £130,000:** require approval of the Council.
- 4.7.6 **More than one request for supplementary budget for the same budget in the same financial year:** sums must be aggregated to decide which of regulations 4.7.2 to 4.7.5 applies.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Capital Budget Preparation

- 4.8 The Leader of the Council shall ensure preparation of detailed budgets of both income and expenditure for all services, for approval by the Cabinet and the Council.

- 4.9 The strategic objectives and priorities for capital expenditure and asset utilisation will be identified annually in the Council's Capital Strategy and Asset Management Plans.

PRACTICES, PROCEDURES AND SYSTEMS

Capital Budget Preparation

- 4.8.1 In preparing detailed proposals for capital schemes, the overall strategy and spending priorities approved by the Council must be adopted.

- 4.9.1 The Section 151 Officer will determine
- (a) the definition of capital and revenue expenditure; and capital memorandum items, ie. assets to be acquired under lease arrangements.
 - (b) the timetable and procedures for capital budget preparation, and
 - (c) de-minimis levels for capital expenditure.

- 4.9.2 Each scheme bid must be supported by a business case. This must include a proper project appraisal, all options considered, forecast of revenue implications for each year during implementation, and for future years and, where appropriate, the incidence of expenditure.

- 4.9.3 Each scheme must clearly identify proposed expenditure on each significant element of the project.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Capital Budget Preparation (cont)

Capital Budget Preparation (cont)

4.10 The Section 151 Officer will determine the financial arrangements for all approved expenditure.

4.10.1 Expenditure which:

- (a) involves any leasing, hire purchase or rental agreements, and
- (b) may have implications for the Council under the Government's capital expenditure controls

may not be incurred without the approval of the Section 151 Officer.

4.10.2 The availability of sources of external funding should be identified at the time the capital expenditure is proposed, together with any future financial implications for this Council.

4.11 Supplementary Budget rules do not apply in instances where external funding received allows an increase in, or new scheme specific expenditure.

4.11.1 If new or increased grant or contributions are received towards specific schemes, the Capital expenditure budget will be grossed up accordingly and retrospectively reported for information as appropriate via Financial Monitoring. If increased NFDC resources are required, Virement and Supplementary Budget rules will apply as usual.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Capital Expenditure – Budget Movements

Capital Expenditure – Budget Movements

4.12 Budgetary provision may be moved from one capital scheme to another providing the proposals achieve the Council's strategic objectives outlined in the Capital Strategy.

4.13 The Section 151 Officer will determine whether a budget movement (where there is no increase in overall budget) can take place either as a transfer as a virement.

Budget Transfers are movements between similar budget priorities and will require adherence to 4.13.1 – 4.13.2.

Budget Virements are movements between different budget priorities and will require adherence to 4.13.1 – 4.14.5.

The relevant Service Accountant must be informed of all budget movements to ensure that the Financial Information System budget position is accurate, to assist budgetary control.

The Section 151 Officer must be notified before expenditure is committed and can veto any proposed budget movements.

4.13.1 External funding and approvals which are scheme specific are not available for virements, unless prior approval has been obtained from the external funder/approver.

4.13.2 All requests for virement must be made using the proper control document.

4.14 All proposals for virement shall be approved in line with the requirements outlined in 4.14.1 – 4.14.5.

4.14.1 **Sums up to £25,000:** require the approval(s) of the Service Manager(s).

- 4.14.2 **Sums between £25,001 and £50,000:** require the approval(s) of the relevant Service Manager(s) in consultation with the relevant Executive Head(s) and the Portfolio Holder(s) with responsibility for the Service(s).
 - 4.14.3 **Sums between £50,001 and £270,000:** require the approval(s) of the Service Manager(s) in consultation with the relevant Executive Head(s), Portfolio Holder for Finance and the Portfolio Holder with responsibility for the Service(s).
 - 4.14.4 **Sums over £270,000:** require approval by the Council.
 - 4.14.5 **More than one request for virement to or from the same scheme in the same financial year: sums must be aggregated to decide which of regulations 4.14.1 to 4.14.4 applies.**
-

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Capital Expenditure – Supplementary Budgets

Capital Expenditure – Supplementary Budgets

- 4.15 There is no authority to spend in excess of an approved budget. If this becomes necessary **and a budget movement is not possible** then a supplementary budget must be obtained.

- 4.15.1 All requests for supplementary budgets must be made using the proper control document and must follow the procedures below.

Any proposal for a supplementary budget must be approved in line with the requirements outlined in 4.15.2 – 4.15.5 **before** expenditure is committed.

- 4.15.2 **Sums up to £10,000:** require the approval(s) of the Service Manager(s).

- 4.15.3 **Sums between £10,001 and £130,000:** require the approval(s) of the Service Manager(s) in consultation with the relevant Executive Head(s), the Portfolio Holder for Finance and the Portfolio Holder with responsibility for the Service(s).

The Section 151 Officer must be notified before expenditure is committed and can veto any proposed supplementary budgets.

- 4.15.4 **Sums over £130,000:** require approval of the Council.

- 4.15.5 **More than one request for supplementary budget for the same budget in the same financial year:** sums must be aggregated to decide which of regulations 4.15.2 to 4.15.4 applies.
-

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Budgetary Control/Reporting

Budgetary Control/Reporting

4.16 Expenditure may only be committed from a budget for the purpose for which it was approved.

4.16.1 Budget Responsible Officers and Service Managers will:

(a) monitor actual performance on each budget regularly and

(b) take appropriate steps to ensure budgets are not overspent.

4.17 The Section 151 Officer will report regularly to the Executive Management Team, Portfolio Holders, Scrutiny Panels and the Cabinet, on overall financial performance, predicted gross capital expenditure and net revenue expenditure for the current financial year.

4.17.1 Service Managers will provide data or supporting information for all budgetary control reports.

4.17.2 Service Managers will identify opportunities for savings and additional income and shall ensure these are included promptly in the appropriate monitoring reports and budget plans.

4.17.3 Service Managers will identify, at the earliest opportunity, potential expenditure for which there is no budget provision. They shall also identify proposed sources of finance for meeting additional expenditure, either by movements or supplementary budget (regulations 4.3 to 4.15).

4.17.4 Budget Responsible Officers are responsible for carrying out budgetary control and for informing Service Managers of any potential budget variations at the earliest opportunity, in order to allow Service Managers to fulfil their obligations.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

Budgetary Control/Reporting (cont)

Budgetary Control/Reporting (cont)

- 4.17.5 The Section 151 Officer's financial monitoring report will identify material budget movements and supplementary budgets.
- 4.17.6 Any budget changes which impact on the employee establishment must also be notified by the Budget Responsible Officer to the Human Resources Section to ensure that the HR system is updated.
- 4.17.7 In circumstances where the regulations in section 4 cannot be complied with, for instance where expenditure needs to be incurred before Cabinet or Council approval is obtained, regulation 2.4 should be applied.

4.18 Unspent revenue budgetary provision may not be carried forward between financial years, unless regulation 4.18.1 has been applied.

4.18.1 The Section 151 Officer may approve earmarking of funds to meet approved expenditure in the following financial year, subject to a written request by an Executive or Service Manager.

4. BUDGETS AND FINANCIAL CONTROL

GENERAL PRINCIPLES

Budgetary Control/Reporting (cont)

- 4.19 Exceptionally, schemes may be moved between financial years. This is termed “rephasing” and is subject to the approval of the Section 151 Officer.
- The inclusion of items in the expenditure plans outside of the current financial year is an intention to spend only. Budget provision does not exist for those items, other than when it relates to a scheme already committed to in the current year’s budget, or when the annual budget identified is part of a medium-term strategy and so is indicative for the current fiscal year and not fixed.

PRACTICES, PROCEDURES AND SYSTEMS

Budgetary Control/Reporting (cont)

- 4.19.1 Any proposals to rephrase a capital scheme or part of a capital scheme from the current financial year to a future financial year must be included in the regular financial monitoring reports presented to Cabinet. If there are any adverse financial consequences of such proposals a separate report detailing reasons for the rephasing and the consequences must also be presented. The Section 151 Officer will consider the financial position of the relevant budget and strategic targets for the financial year before deciding whether to support the recommendation.
- 4.19.2 For spend in line with the fulfilment of an adopted medium-term strategy, the Section 151 officer may approve additional spend in any one given year above the identified indicative annual budget.
- 4.19.3 Any proposal to bring forward new scheme expenditure from future years to the current financial year should be considered as a supplementary budget and follow the regulations set out in section 4.7 and 4.15.

Use of Provisions and Reserves

- 4.20 Provisions and earmarked reserves may only be used for the purpose for which they were originally approved.

Use of Provisions and Reserves

- 4.20.1 The Section 151 Officer must approve all proposals before expenditure is incurred.

5. INCOME

GENERAL PRINCIPLES

5.1 The Section 151 Officer shall approve arrangements for collecting income due to the Council.

PRACTICES, PROCEDURES AND SYSTEMS

5.1.1 The Section 151 Officer must be notified promptly of:

- (a) all money due to the Council outside of the course of ordinary business
- (b) contracts, leases and other agreements entered into which involve the Council receiving money.

5.1.2 The Section 151 Officer will have the right to inspect any documents or other evidence.

5.1.3 Any agreement which allows the extension of credit payment facilities must be agreed in advance by the Section 151 Officer.

5.1.4 The Section 151 Officer will be responsible for ordering, issuing and controlling all receipt forms.

5.1.5 An official receipt must be made available for all cash received on the Council's behalf. An accounting record in a form acceptable to the Section 151 Officer shall be made for any other remittance received.

5.1.6 All money received must be banked intact at frequent, regular intervals. The procedures issued by the Section 151 Officer must be followed.

5.1.7 Personal cheques must not be cashed out of money held on the Council's behalf.

5. INCOME

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

5.2 At least once a year each Service Manager will review all fees and charges for services that he/she is responsible for.

5.2.1 The review will be undertaken in conjunction with the Section 151 Officer and approved by the Portfolio Holder.

5.3 The Section 151 Officer shall be authorised to write off uncollectable or cancelled debt and will delegate approval for write-offs up to a certain level to authorised Service Managers.

5.3.1 The Section 151 Officer will review and write-off debts above the levels delegated to Service Managers.

5.3.2 The Section 151 Officer shall report written off debt to Cabinet annually.

6. INSURANCE

GENERAL PRINCIPLES

6.1 The Service Manager for Finance shall arrange insurance cover to meet the Council's requirements. He/she shall be responsible for registering any claims.

PRACTICES, PROCEDURES AND SYSTEMS

- 6.1.1 Service Managers shall consult with, and inform, the Service Manager for Finance immediately of:
- (a) all new risks and liabilities which may need to be insured
 - (b) any changes which may affect existing insurances
 - (c) anything which may lead to a claim by or against the Council
 - (d) any interest in property granted by or to the Council which may involve a transfer of insurance cover; or
 - (e) the terms of any indemnity the Council is requested to give.
- 6.1.2 Contractors or agents acting for the Council must have insurance arrangements which adequately indemnify the Council against any third-party claim. Service Managers shall consult with the Service Manager for Finance to ensure this.

7. INVENTORIES, SECURITY AND DISPOSAL OF ASSETS

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

7.1 The Service Manager for Estates and Valuations will ensure a register of land and buildings owned by, or leased to, the Council is maintained.

7.1.1 The register of land and buildings will record:

- (a) the purpose for which the land and buildings are held
- (b) the location
- (c) the extent
- (d) the plan reference
- (e) the purchase details
- (f) the particulars and nature of the interest
- (g) rents payable, and
- (h) tenancies granted.

7.1.3 Service Managers shall supply the Section 151 Officer with the information necessary to maintain the Council's asset register of other assets (for example Vehicles & Plant).

7.2 The Section 151 Officer will ensure safe custody of the title deeds of property owned by, or mortgaged to, the Council.

7.2.1 The Service Manager for Legal acts on behalf of the Section 151 Officer for this purpose.

7. INVENTORIES, SECURITY AND DISPOSAL OF ASSETS

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

7.3 Service Managers will keep inventories of all items of moveable furniture, equipment, minor Vehicles & Plant, where the individual item value is greater than £500 but less than the capital de-minimis level.

7.3.1 Service Managers will arrange an annual check of inventories.

7.3.2 The Service Manager for ICT will be responsible for maintaining an inventory of the ICT equipment.

7.4 Service Managers will ensure that proper security is always maintained for all assets under their control, both leased and purchased.

7.5 Service Managers will aim for maximum utilisation of assets.

7.6 The Section 151 Officer will determine procedures for disposing of assets, both leased and purchased.

8. STOCKS AND STORES

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

8.1 Service Managers are responsible for the receipt, safe custody, proper security, and issue, of stocks and stores within their service areas.

8.1.1 Stocks and stores records must be maintained in a form agreed with the Section 151 Officer.

8.1.2 Service Managers shall supply the Section 151 Officer with the information he/she requires for the Council's financial records.

8.1.3 Service Managers shall arrange for 'independent' physical counts of stocks at least once a year.

8.2 Stocks must be maintained at the lowest level which meets operational requirements.

8.3 Service Managers shall notify the Section 151 Officer immediately if:

- (a) a deficiency of stocks and stores occurs; or
- (b) obsolete items are identified.

...if above the delegated levels as documented in the Council's write-off policy.

8.3.1 The Section 151 Officer shall decide on the course of action where a deficiency, or obsolete items, are identified. He/she may authorise any value of write-off. Depending on the sums involved, he/she may report to the Cabinet or Council, as appropriate.

8.3.2 Disposal of surplus or obsolete stocks and stores must comply with "Disposal of Surplus Items Procedures".

9. BANKING ARRANGEMENTS, TREASURY MANAGEMENT, INVESTMENTS AND TRUST FUNDS

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

9.1 The Section 151 Officer is authorised to make all arrangements for banking services, and to determine banking procedures.

9.1.1 All bank accounts shall be in the name of the Council.

9.1.2 The Section 151 Officer shall take measures to prevent misappropriation or misuse of Council funds.

9.2 The Section 151 Officer is authorised to:

- (a) borrow and lend all monies; and
- (b) arrange for the investment of funds, either directly, or through a delegation to a third party.

9.2.1 The Section 151 Officer is required to act in accordance with the adopted CIPFA Code for Treasury Management in Local Authorities.

9.2.2 The Section 151 Officer shall report to the Cabinet annually on how he/she has exercised his delegated Treasury Management powers.

9.2.3 All investments shall be made in the name of the Council, except Bearer Securities and trust funds.

9.2.4 All officers who act as trustees of trust funds because of their official position must give the Section 151 Officer all title documents concerning the trust.

9. BANKING ARRANGEMENTS, TREASURY MANAGEMENT, INVESTMENTS AND TRUST FUNDS

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

9.3 The Council will agree the Treasury Management Strategy annually.

9.3.1 The Section 151 Officer will:

- (a) recommend the Strategy to the Council after approval of the Audit Committee and Cabinet, and,
- (b) implement the Strategy.

9.4 The Council will set the following borrowing limits before the start of the financial year:

9.4.1 The Section 151 Officer will report to the Council if borrowing reaches a level which may result in the limits being breached.

(i) an amount of money (the 'authorised limit') which is the maximum amount the Council may have outstanding as borrowing

9.4.2 The Section 151 Officer will be authorised to exercise the Council's statutory borrowing powers, and act as the registrar of loan instruments.

(ii) an amount which is a part of the authorised limit (the 'operational limit'), which is the average amount the Council may have outstanding as borrowing; and

9.4.3 He/she may borrow amounts which can be contained within the limits of the Council's capital financing requirement.

(iii) a limit on the proportion of the total amount of interest payable by the Council which:

9.4.4 He/she will maintain records of all money the Council borrows. Any borrowing must be in an appropriate manner and on appropriate terms and conditions.

- (a) is at a rate or rates which can be varied by the person to whom it is payable, or
- (b) can vary by reference to external factors.

9.4.5 The borrowing limits must not exceed the maximum prescribed.

The Council may vary these limits at any time.

10. ORDERS FOR GOODS AND SERVICES

GENERAL PRINCIPLES

- 10.1 Official orders must be issued for all goods and services required by the Council, except for:
- (a) public utilities
 - (b) purchases from imprest accounts or petty cash
 - (c) works or services provided under a contract, where Standing Orders as to Contracts apply
 - (d) purchases made through corporate credit cards, gateway procurement cards or through the Internet

PRACTICES, PROCEDURES AND SYSTEMS

- 10.1.1 The Section 151 Officer shall approve the form of official orders.
- 10.1.2 A separate Code of Practice will be issued by the Section 151 Officer for the use of corporate credit cards, gateway procurement cards and the Internet, for purchases of goods and services. All purchases must be in accordance with this Code.

11. PAYMENT OF ACCOUNTS

GENERAL PRINCIPLES

11.1 Service Managers, or their authorised officers, will certify all payments for goods, supplies or services.

PRACTICES, PROCEDURES AND SYSTEMS

11.1.1 The Section 151 Officer will approve manual and electronic procedures for certifying payments. The current thresholds are as follows:

Budget Administration Officer	up to £10,000
Budget Responsible Officer	£10,000- £50,000
Service Manager	£50,000- £270,000
Executive Head	£270,000 - £5m
Chief Executive & Statutory Officers	over £5m

11.1.2 A Service Manager may authorise an officer in his/her department to certify official orders, accounts for payment and salary and wages records.

11.1.3 Service Managers shall keep a record of the specimen signatures or passwords of officers who are authorised to certify accounts for payment. The record must be in a form acceptable to the Section 151 Officer. Service Managers must send copies of specimen signatures or passwords to the Section 151 Officer.

11.1.4 Service Managers shall immediately notify the Section 151 Officer when an authorised officer leaves the employment of the Council.

11.1.5 All payments for goods, supplies or services must be invoiced and will ordinarily be supported with a purchase order number.

11. PAYMENT OF ACCOUNTS

GENERAL PRINCIPLES

PRACTICES, PROCEDURES AND SYSTEMS

- 11.1.6 Certification by an authorised officer means that:
- (a) the expenditure has been properly incurred, and there is budget provision or authority to spend; and
 - (b) the goods, supplies or services have been received or carried out, checked for quantity and quality, and approved; and
 - (c) appropriate entries have been made in inventories or stores records; and,
 - (d) the prices, discounts and other allowances are correct, and extensions and calculations accord with the Section 151 Officers' Invoice Certification guidance notes and,
 - (e) the invoice is an original (not a copy or duplicate) and, where appropriate, is a proper VAT invoice; and,
 - (f) in the case of public utility charges, standing charges are correct and the consumption recorded is reasonable.
- 11.1.7 To maintain internal control:
- (a) the authorising officer must not normally be the person who ordered or received the goods; and
 - (b) another authorised officer must certify any reimbursement of personal expenditure.
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12. PETTY CASH IMPRESTS AND CHANGE FLOATS

GENERAL PRINCIPLES

12.1 The Section 151 Officer will authorise change floats and imprest accounts for defraying minor expenditure.

PRACTICES, PROCEDURES AND SYSTEMS

12.1.1 Petty cash payments will be limited to:

- (a) the maximum approved limit, and
- (b) minor items of expenditure.

They must be supported by receipts, including proper VAT receipts where appropriate.

12.1.2 All income received on the Council's behalf must be banked or paid as provided in regulation 5.1. It may not be paid into an imprest account.

12.1.3 Reimbursements to imprest accounts must be made at least monthly.

12.1.4 Imprest holders are personally responsible for the custody of petty cash and shall ensure its safekeeping. On request they shall give the Section 151 Officer evidence of the state of the account.

13. SALARIES

GENERAL PRINCIPLES

13.1 The Service Manager for Human Resources will pay all salaries and other emoluments to all current and former Council employees.

13.2 Service Managers, or their authorised officers, will ensure that all employee appointments accord with Council policy and the approved budget, grades and rates of pay.

PRACTICES, PROCEDURES AND SYSTEMS

13.1.1 Service Managers, or their authorised officers, will notify the Service Manager for Human Resources as soon as possible of all matters affecting such payments. The Service Manager for Human Resources may specify the form of the notification.

13.2.1 Service Managers will maintain a record of the specimen signatures of officers currently authorised on their behalf to certify relevant pay documents and time sheets. The record shall be in a form acceptable to the Service Manager for Human Resources. Copies of specimen signatures shall be sent to the Service Manager for Human Resources.

13.2.2 All time sheets or other pay documents must be:

- (a) certified by or on behalf of the Service Manager; and
- (b) in a form approved by the Service Manager for Human Resources.

SCHEDULE 1 – SUMMARY OF REQUIRED APPROVALS FOR BUDGET TRANSFERS, VIREMENTS AND SUPPLEMENTARY BUDGETS

Table 1: Authorisations Required for Budget Transfers, Virements & Supplementary Budgets							
Value	S151 Officer	Service Manager	Executive Head	Portfolio Holder	Finance Portfolio Holder	Cabinet	Council
Transfers: Any Value	Y	Y					
Virements:							
<= £25,000	Y	Y					
£25,000 - £50,000	Y	Y	Y	Y			
£50,000 - £270,000 revenue	Y	Y	Y			Y	
£50,000 - £270,000 capital	Y	Y	Y	Y	Y		
> £270,000	Y	Y	Y			Y	Y
Supplementary Budgets:							
<= £10,000	Y	Y					
£10,000 - £50,000	Y	Y	Y	Y	Y		
£50,000 - £130,000 revenue	Y	Y	Y			Y	
£50,000 - £130,000 capital	Y	Y	Y	Y	Y		
> £130,000	Y	Y	Y			Y	Y

Agenda Item 8

Audit Committee Work Plan 2022/23

DATE	WORK / REPORTS
Tuesday 31 May 2022 (New, additional Meeting)	Draft Financial Statements 21/22 Corporate Code of good governance 21/22 Draft Annual Governance Statement 21/22 Internal Audit Progress Report 22/23
29 July 2022	External Auditor's Annual Report for the year ended 31 March 2021 (20/21) External Audit Planning Report for the year ended 31 March 2022 (21/22) Annual Internal Audit Report and Opinion 21/22 Treasury Management Outturn Report for 21/22 Internal Audit Progress Report 22/23 Risk Management Update
28 October 2022 (instead of 30 September 2022)	Internal Audit Progress Report 2022-23 Treasury Management Mid-Year Monitoring for 2022/23 Report
27 January 2023	External Audit Results Report for the year ended 31 March 2022 Final Annual Governance Statement 21/22 Final Annual Financial Report 21/22 RIPA Report Internal Audit Progress Report 22/23 Treasury Management Strategy Statement 23/24 Investment Strategy 23/24
24 March 2023	External Auditor's Annual Report for the year ended 31 March 2022 (21/22) Internal Audit Progress Report 22/23 Internal Audit Charter 23/24 Internal Audit Plan 23/24

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