

# NOTICE OF MEETING

**Meeting:** AUDIT COMMITTEE

**Date and Time:** TUESDAY, 31 MAY 2022, AT 9.30 AM\*

**Place:** BRADBURY ROOM - APPLETREE COURT, BEAULIEU ROAD, LYNDHURST, SO43 7PA

**Enquiries to:** E-mail: [andy.rogers@nfdc.gov.uk](mailto:andy.rogers@nfdc.gov.uk)  
Tel: 023 8028 5070

## 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 Thursday, 26 May 2022.

**Kate Ryan**  
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA  
[www.newforest.gov.uk](http://www.newforest.gov.uk)

**This Agenda is also available on audio tape, in Braille, large print and digital format**

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# AGENDA

## Apologies

Cllrs: J Davies, E Lane and M Levitt.

### 1. MINUTES

To confirm the minutes of the meetings held on 25 March and 16 May 2022 as correct records.

### 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. EXTERNAL AUDIT OF 2020/21 ACCOUNTS - VERBAL UPDATE**

To receive a verbal update on the External Audit of the 2020/21 accounts.

**5. ANNUAL INTERNAL AUDIT REPORT AND OPINION 2021-22 (Pages 3 - 18)**

To receive the Annual Internal Audit Report and Opinion 2021-22.

**6. CODE OF GOOD GOVERNANCE REVIEW 2021-22 (Pages 19 - 26)**

To note the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in the Code of Good Governance Review for 2021/22.

**7. DRAFT ANNUAL GOVERNANCE STATEMENT 2021-22 (Pages 27 - 36)**

To consider the Draft Annual Governance Statement.

**8. PREPARATION OF THE DRAFT 2021/22 ACCOUNTS - VERBAL UPDATE**

To receive a verbal update on the preparation of the draft 2021/22 accounts.

**9. PCI DSS - UPDATE (Pages 37 - 40)**

To receive an update on progress relating to payment card industry data security standards (PCI DSS).

**10. AUDIT COMMITTEE WORK PLAN (Pages 41 - 42)**

To consider the Audit Committee's Work Plan.

To:

**Councillors**

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

**Councillors**

Martyn Levitt  
Alan O'Sullivan  
Ann Sevier  
John Ward

**EMT – 24 MAY 2022**  
**AUDIT COMMITTEE – 31 MAY 2022**

## **ANNUAL INTERNAL AUDIT REPORT AND OPINION 2021-22**

### **1. INTRODUCTION**

- 1.1. The purpose of this report is to provide the Audit Committee with the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2022.

### **2. SUMMARY**

- 2.1. In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control to inform the production of the Annual Governance Statement.
- 2.2. The Annual Report for 2021-22 (attached as Appendix 1) provides the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of risk management, control and governance processes and summarises audit work from which that opinion is derived for the year ending 31 March 2022.
- 2.3. The Audit Committee's attention is drawn to the following points:
- Internal audit was compliant with the Public Sector Internal Audit Standards during 2021-22;
  - The Council's framework of governance, risk management and management control is considered to be 'Reasonable' and audit testing has demonstrated controls to be working in practice; and
  - Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible officers.

### **3. FINANCIAL IMPLICATIONS**

- 3.1. The audit plan consisted 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 reflected 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 approve the Annual Internal Audit Report and Opinion for 2021-22.

**For Further Information Please Contact:**

Antony Harvey  
Deputy Head of Partnership (SIAP)  
Tel: 07784 265289  
E-mail: [antony.harvey@hants.gov.uk](mailto:antony.harvey@hants.gov.uk)

**Background Papers:**

Internal Audit Plan 21-22

# Annual Internal Audit Report & Opinion

2021-22

New Forest District Council



## 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 organisation’s 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.

## 2. Internal Audit Approach

To enable effective outcomes, internal audit provides 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. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation’s success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our partners, with the necessity to provide comprehensive, compliant and value adding assurance. Where possible, work contributing to my 2021-22 annual opinion has been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

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### 3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership (SIAP), as the Council's 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 concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

#### *Annual Internal Audit Opinion 2021-22*

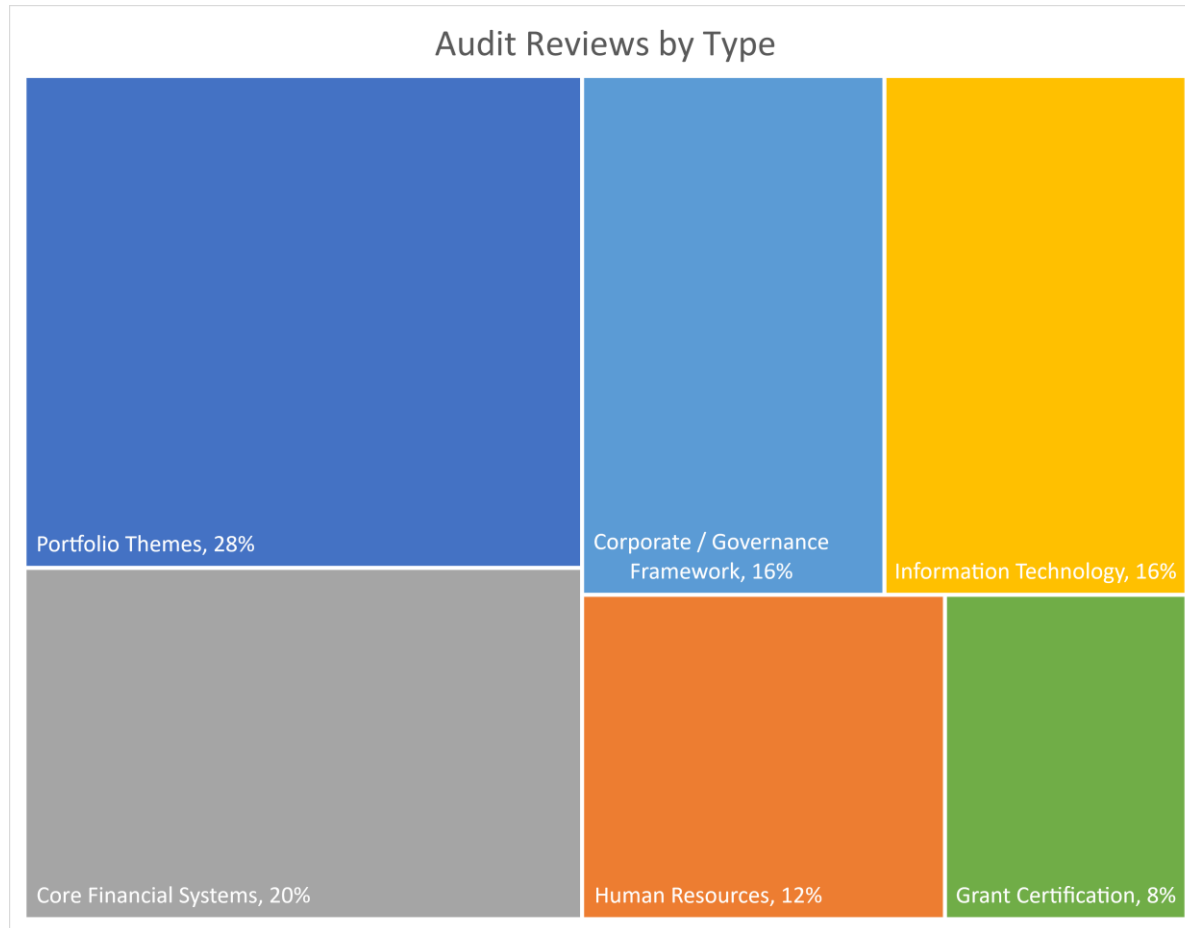
*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment.*

*In my opinion, New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice.*

*Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*

#### 4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2021-22 Internal audit plan was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus.

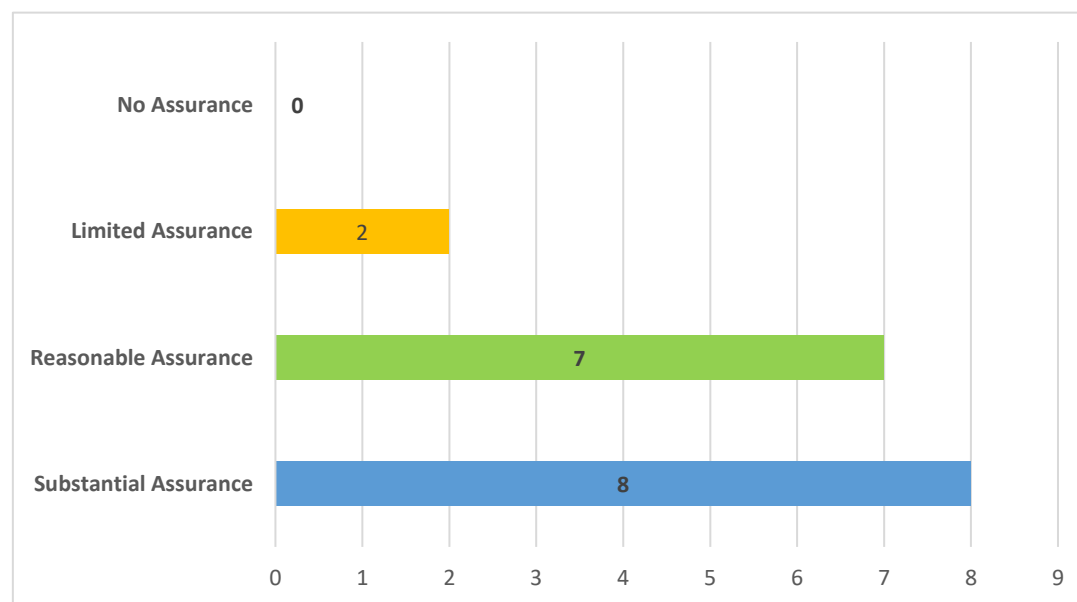
In delivering the internal audit opinion internal audit have undertaken 25\* reviews during the year ending 31 March 2022.

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Work has been substantially completed for the HR – Use of Agency Staff and Fleet Management (follow-up phase two) audits, however at the time of writing the annual internal audit report and opinion, draft reports have not been issued. The outcome of these audits will be reported to a subsequent Audit Committee meeting.

A ‘Reasonable Assurance’ opinion has been formed for the Building Control audit, although the draft final report has not yet been agreed. I do not expect the outcome of this audit to change or to adversely impact my annual opinion.

The opinion assigned to each internal audit review is summarised below and a list of the 2021-22 assurance reviews undertaken and their respective opinions is provided in Annex 1:



**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.

\*6 reviews did not culminate in an audit opinion as they relate to audit activities including COVID-19 related Grant Certifications; providing advice service areas; supporting a Data Breach Investigation; and the follow-up of previous audit findings and agreed actions.

## 5. Key Observations

We are also pleased to report that Internal Audit work found there to be a generally sound control environment in place across the majority of review areas during the year, which were found to be working effectively to support the delivery of corporate priorities. No reviews concluded with a 'No Assurance' opinion although two reviews have concluded with a 'Limited Assurance' opinion as summarised below:

### **IT Disaster Recovery Planning and Business Continuity (Final Report issued in November 21 and previously reported to the Audit Committee in January 2022)**

The Council have invested in ICT infrastructure and tooling that has provided the Council with the capability to recover services in the event of a disaster however at the time of the review, the audit gave a limited assurance due to the absence of documented procedures for invoking a 'disaster response' and the steps to be followed to reinstate ICT systems.

Following the audit, we understand the team have taken the necessary actions to document the Disaster Recovery Plan and Internal Audit will complete a follow-up review in 2022-23 to re-assess the area.

### **Risk Management (Final Report issued in May 22 therefore not previously reported to the Audit Committee)**

The Council has made several changes to the way in which risk is managed over the past two years. These include the development of a Corporate Plan with specific measurable outcomes that are monitored through the Performance Management framework. Performance management has also been linked to risks, with the development of Portfolio and Service performance dashboards that in most cases include the high level risks in each business area. This audit took place during a time of transition from the old risk management process to the new. Although there have been improvements in risk management, we found that these are not consistent across the Council.

The Council has a brief Risk Management Strategy that was drawn up in 2013, supplemented by a two-page Quick Guide to Risk Management setting out the four steps for risk management. However, neither document sets out in any detail the purpose and process of risk management, or roles and responsibilities. This has contributed to different approaches to risk management across the Council. Although there used to be some information on the risk management process within the Council's intranet pages, this was considered to be out of date so was removed over a year ago and there is currently no guidance available to staff via the intranet.

At the time of review, we were advised that the Strategic Risk Register is only updated annually by EMT and then approved by Members, which may not be considered frequently enough for a working document. There is also no clear process for the escalation of risks from service dashboards to the Strategic Risk Register. We also found an inconsistent approach with the maintenance of service risk registers and the recording of risk mitigations within the performance dashboards.

Following the audit, we understand that the Council will review and update the Risk Management Strategy and associated guidance by the Autumn of 2022. The Strategic Risk Register will be formally reviewed on a quarterly basis. The content of performance dashboards will also be reviewed. Internal audit will complete a follow-up review once the actions have been completed and become embedded.

## 6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

*‘The mandatory elements of the 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.’*

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

*‘the Southern Internal Audit Partnership conforms to the ‘Definition of Internal Auditing; the Code of Ethics; and the Standards’*

There are no disclosures of Non-Conformance to report.

## 8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2021-22 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	2021-22 Actual
Percentage of revised internal audit plan delivered (to draft report stage)	95%	92%
Positive customer survey response – NFDC	90%	99%
Positive customer survey response – all SIAP Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

*Customer satisfaction is gauged through an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date Spring 2022).*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey  
Deputy Head of the Southern Internal Audit Partnership  
May 2022



## Annex 1

## 2021-22 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
1. Financial Stability – Medium Term Financial Planning & Budget Monitoring 2. Housing Benefits 3. Payroll 4. Treasury Management 5. Additional Restrictions Grants 6. Data Management – Meridio to SharePoint Migration 7. Housing Rents 8. Health and Leisure (Mobilisation)	1. HR – Performance Management 2. HR – Leisure Centre Due Diligence 3. Information Security – Website 4. Affordable Housing Development Objectives and Delivery - New Homes Strategy 5. Building Control (draft report) 6. Tree Management 7. Development Management	1. Risk Management 2. IT Disaster Recovery Planning & Business Continuity	None

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AUDIT COMMITTEE – 31 MAY 2022

## CODE OF GOOD GOVERNANCE REVIEW ANNUAL REPORT OF THE MONITORING OFFICER AND CHIEF FINANCE OFFICER IN RESPECT OF 2021/22

### 1. INTRODUCTION

- 1.1 The Council's Monitoring Officer and the Chief Finance Officer are responsible for annually reviewing the Council's compliance against the adopted CIPFA/SOLACE Code of Good Governance - "*Delivering Good Governance in Local Government Framework 2016*" and reporting their findings and recommended actions. This review provides one of the assurance strands in support of the Annual Governance Statement, required under the Account and Audit Regulations 2015.
- 1.2 This report brings together the outcomes of the review carried out for 2021/22.

### 2. REVIEW OF COMPLIANCE

- 2.1 The good governance framework centres on the following 7 core principles.

<b>A</b>	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<b>B</b>	Ensuring openness and comprehensive stakeholder engagement.
<b>C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits.
<b>D</b>	Determining how to best optimize the achievement of intended outcomes
<b>E</b>	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
<b>F</b>	Managing risks and performance through robust internal control and strong public financial management.
<b>G</b>	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 2.2 The Council's compliance with the Code has been assessed, and a summary of the findings is detailed in **Appendix 1**.
- 2.3 This assessment also considers progress made against the previous year's (2020/21) Action Plan, which was reported to Audit Committee in July 2021. The reported progress can be found in **Appendix 2**.
- 2.4 The main areas identified for further improvement arising out of this review are summarised below with actions recommended in **Appendix 3**.
- 2.5 There are 3 areas for review for 2022/23.
- 2.5.1 The first item relates to the recently implemented Capital Change and Delivery Board, set up to oversee the Council's Capital and Project spend, as well as projects and initiatives to deliver the Council's Transformation Agenda. As a new Board, it would be appropriate to review its effectiveness after 9 – 12 months of operation.

2.5.2 The second item for review relates to the new Project Management Framework, recently implemented to ensure appropriate governance arrangements are in place for all significant projects. It is important that this is kept under review. This will be carried out during 2022/23 as part of the Action Plan set out in Appendix 3.

2.5.3 The third item relating to the Finance Management Code has been carried over from last year's Action Plan. Whilst progress has been made on the Code, it is not yet completed. It is envisaged that it will be completed in Summer 2022 with a report to Audit Committee in July 2022.

### **3. FINANCIAL IMPLICATIONS**

3.1 Although there are no direct financial implications arising from this report, good governance arrangements provide assurance in respect of financial management.

### **4. ENVIRONMENTAL MATTERS**

4.1 There are no environmental matters arising directly from this report.

### **5. CRIME AND DISORDER IMPLICATIONS**

5.1 Ethical behaviour in terms of avoiding fraud and corruption is an intrinsic element of good corporate governance and this report provides assurance in that regard.

### **6. EQUALITY AND DIVERSITY IMPLICATIONS**

6.1 There are no equality and diversity implications arising directly from this report.

### **7. CONCLUSIONS**

7.1 It is the view of the Monitoring Officer and Chief Finance Officer that the Council is able to have confidence in the effectiveness of its governance arrangements. This is illustrated by the few and relatively minor areas identified in **Appendix 3** for review.

### **8. RECOMMENDATIONS**

8.1 The Audit Committee notes the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in **Appendix 3**.

#### **For Further Information Please Contact:**

Grainne O'Rourke  
Monitoring Officer  
Tel: (023) 8028 5076  
E-mail: [grainne.orourke@nfdc.gov.uk](mailto:grainne.orourke@nfdc.gov.uk)

Alan Bethune  
Chief Finance Officer (S151)  
Tel: (023) 8028 5001  
E-mail: [alan.bethune@nfdc.gov.uk](mailto:alan.bethune@nfdc.gov.uk)

#### **Background Papers:**

Local Code of Good Governance-  
The New Framework March 2017

## Summary of the Council's compliance with its adopted Code of Good Governance for period 2021/22

Principle	Assessment of Monitoring Officer and Chief Finance Officer and Evidence
A. How does the organisation behave with integrity, demonstrating strong commitment to ethical values, and respect the rule of law?	Detailed and up to date Constitution on decision making including expected standards of conduct of both Members and officers. Sound rules on Procurement procedures and Contract Standing Orders which are regularly reviewed to ensure they are fit for purpose - Procurement Strategy 2018 - <a href="http://www.newforest.gov.uk/article/1070/Procurement-Strategy">http://www.newforest.gov.uk/article/1070/Procurement-Strategy</a> . Comprehensive Scheme of Delegations and transparent decision making processes. Robust financial procedures ensuring probity and openness in decision making. Protocols in place for statutory Chief Officers in carrying out their functions. Member and Officer Codes of Conduct in place, as well as an established and robust complaints procedure. Register of Gifts and Hospitality for Members and Officers. Up to date whistleblowing policy, equality & diversity and data protection training modules in place. Good emphasis on ICT security through the Council's Security Policy which keeps abreast of emerging cyber security risks. Up to date Financial Regulations governing financial framework - <a href="https://democracy.newforest.gov.uk/documents/s21799/Financial%20Regulations%20April%202022.pdf">https://democracy.newforest.gov.uk/documents/s21799/Financial%20Regulations%20April%202022.pdf</a>
B. How does the organisation ensure openness and comprehensive stakeholder engagement?	Detailed Constitution on how the Council makes decisions including rights of stakeholders. Well established overview and scrutiny panels open to the public. The organisation responded well to the requirement for virtual meetings during the pandemic. Council's website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers; good FOI policies in place and sound system for dealing with requests for information and good emphasis on compliance with deadlines. New Local Plan in place; robust Transparency Code; Annual Financial Report and Annual Governance Statement published. Good positive use of Social Media for Council business purposes i.e. Facebook; Annual User Survey. Good engagement with relevant charities/voluntary groups providing training on universal credit and collaborative initiatives to support welfare issues. Work with libraries to assist with the digital champion programme and welfare reforms continues. Hometalk magazine produced twice a year ensuring good liaison with Council tenants. Well established Tenants' Involvement Group to discuss housing matters. Multi-Agency Forum for homelessness and Landlords' Forum established bringing together community groups, other public sector groups and landlords to ensure wider and better engagement on the key issue of homelessness and issues facing the private renters.
	Employee survey conducted Spring 2021, to gauge employees' views on more flexible, hybrid working model. This has resulted in a new Worksmart Policy allowing employees and management to agree that part of the working week can be at an alternative location to the Council's existing offices.

<p>C. How does the organisation define outcomes in terms of sustainable economic, social and environmental benefits?</p>	<p>Corporate Plan; Corporate Framework; Local Plan ; risk management strategy; Annual Performance and Budget Outturn report; Procurement rules, Regulations and Contract Standing Orders; good compliance with Environmental Information Regulations (EIR); Medium Term Financial Plan; Capital Programme – all add to the achievement of positive economic, social and environmental benefit. Significant work ongoing in Planning to ensure schemes enhance the environment. The Economic Development Section supports sustainable development and works with the local community to facilitate new businesses with upskilling and supporting measure to improve the skills of the existing workforce. The Council has endorsed the creation of the Solent Freeport to bring about social, environmental and economic benefits for the District. The Council has adopted a Climate and Nature Change Action Plan to respond to the Government’s commitment to be carbon neutral by 2050. A new specific Greener Housing Strategy is being devised and will be proposed for adoption also in 2022. Increasing sustainability is a key priority of the Corporate plan, in part monitored through the number of projects that result in more sustainable use of assets.</p>
<p>D. How does the organisation determine how to best optimize the achievement of intended outcomes</p>	<p>Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Panels in place with stakeholder engagement also achieved through bespoke Task and Finish Groups. Clear decision making protocols in place. Corporate Plan sets out the overall Council strategy and key priorities with its delivery regularly monitored through portfolio performance dashboards considered at every overview and scrutiny panel meeting. Publication of annual performance reporting including key performance indicators. Regular Medium Term Financial Planning sets overall context of financial challenges. Risk Register sets overall context for risk management. Governance arrangements in respect of significant projects require review to ensure that appropriate processes and structures are in place. This is picked up as an action in Appendix 3. Further, a strengthening of arrangements with regard to the monitoring of Capital spend by EMT has led to the setting up of a new Capital and Change Delivery Board (March 2022) to oversee Capital spend and the Council’s transformation programme. It is proposed, as part of the Action Plan for 2022/23, to review the effectiveness of the new Board.</p>
<p>E. How does the organisation develop the entity’s capacity, including the capability of its leadership and the individuals within it?</p>	<p>Cabinet of 8 Members, each with distinct areas of responsibility. Good use of Task and Finish Groups to utilise ‘Back Bencher’ Members on bespoke projects/issues; detailed Constitution; good Member Induction and Member Development Programme; Annual Workforce report; Good emphasis on development of individuals generally through continuous professional learning programmes and opportunities for self-development. Well established annual appraisal process. Opportunities for secondments and apprenticeships; benchmarking; training programmes in existence including Health &amp; Safety, Fire Safety, Safeguarding, Equalities, Social Media; Staff 1:1s; Regular EMT visits to teams within the organisation and Chief Executive communications. Greater engagement between EMT and Service Managers has been brought about by regular monthly meetings (led by the Chief Executive). Emphasis on building capacity and modernising the Council’s approach to delivery of services.</p>

<p>F. How does the organisation manage risks and performance through robust internal control and strong public financial management?</p>	<p>Risk Management Strategy in place, as well as Strategic and Service Risk Registers. The Council has an emergency response plan and will be undertaking further training of key officers on emergency planning scenarios throughout 2022/23. Strategic risks are kept under regular review and reported to overview and scrutiny panels by virtue of the portfolio performance dashboards. Financial Regulations have recently undergone extensive review to ensure they are suitable and fit-for-purpose. Robust financial procedures ensuring probity and openness in making decisions. Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. Suitable level of expertise within the finance and audit functions. External Audit of Annual Financial Report including value for money opinion. Risk based internal auditing service/planning, with progress regularly reviewed by the Audit Committee. Key strategies and policies in place; Anti-Fraud and Corruption Strategy; Information Governance Policy; Information Asset Register; ICT Security Policy; GDPR Action Plan. The Council's business continuity arrangements have been extensively tested as a result of the Covid 19 pandemic which has demonstrated that the Council can react to working remotely and in very different ways to deliver services to the community.</p>
<p>G. How does the organisation implement good practices in transparency, reporting and audit to deliver effective accountability?</p>	<p>Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Panels. Council website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers. Transparency pages on website gives information on contracts, payments to suppliers, access to information and other useful information in line with the Local Government Transparency Code 2015 requirements. Clear decision making protocols and detailed Scheme of Delegation so that accountability for decisions is clear. Financial responsibility and accountability understood by senior management and members alike. Auditors prepare and present independent Annual Opinion Report, and regular updates on audit plan progress. Sound and suitably resourced internal audit service. Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. Regular financial updates provided by Finance Service to accountable officers. Greater transparency in annual reporting of housing compliance matters in place. Peer review undertaken within last 3 years which provided positive feedback along with recommended actions. These have been considered and actioned appropriately. Annual Governance Statement reviewed by Audit Committee and external audit. The provision of Internal Audit Services, through the Southern Internal Audit Partnership (hosted by Hampshire County Council), going well.</p>

## Progress against Actions arising from the previous year's Code of Good Governance Review

Topic	Responsible Officer	Deadline	Follow up status
To keep under review the actions arising following the in-year review of the Council's Information Governance practices and ensure that the new improvements identified are implemented	S151 Officer and Monitoring Officer	March 2022	EMT report (Feb '22) set out progress in respect of the Information Governance Action Plan.  Actions proceeding well with EMT receiving 6 monthly updates.
Financial Management Code – to review how the Council complies with the new code (as full implementation is expected in 2021/22)	S151 Officer and Monitoring Officer	March 2022	Due to other priorities, this review has not been completed. Report due to go to Audit Committee in July 2022 with findings of review.
Payment Card Industry Data Security Standard Accreditation (changes to telephony required and included within 2021/22 ICT work programme)	S151 Officer	March 2022	Work has been ongoing in 2021/22 and will result in annual requirements going forward. This will therefore become a 'Business as Usual Activity' for the council. The 2021/22 context has included the retirement of payment gateway services from Mastercard; the incumbent NFDC supplier.  A separate report is included within the Agenda.



### APPENDIX 3

#### Actions arising from the Good Governance Review 2021/22

Topic	Responsible Officer	Deadline
To assess the effectiveness of the Capital Change and Delivery Board, set up by EMT to oversee major Capital spend and the Council's Transformation Programme.	S151 Officer and Monitoring Officer	March 2023
To assess the effectiveness of the new Project Management framework for projects to ensure appropriate Governance arrangements are in place for all projects.	S151 Officer and Monitoring Officer	March 2023
Financial Management Code – to review how the Council complies with the new code (as full implementation is expected in 2021/22)	S151 Officer and Monitoring Officer	Summer 2022

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## AUDIT COMMITTEE – 31 MAY 2022

### DRAFT ANNUAL GOVERNANCE STATEMENT – 2021/22

#### 1. INTRODUCTION

- 1.1 As prescribed by the Account and Audit Regulations 2015, regulation 13, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance framework.
- 1.2 The Leader of the Council and the Head of Paid Services (Chief Executive) are required to sign the AGS and be satisfied that the document is supported by reliable evidence. It will be published with the Annual Financial Report and provided to the External Auditor for review.

#### 2. THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 2.1 The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, risk registers, any external auditor reports and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority itself, the executive, audit/scrutiny committees and other assurance mechanisms.
- 2.3 Whilst the Council maintains high standards of governance and internal control, some areas for improvement have been identified by the review process mentioned above. These have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by the Council's Executive Management Team and Audit Committee.
- 2.4 Whilst the AGS covers the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022, the document remains open for update until it is approved in line with the final sign off of the 2021/22 annual financial report and can make reference to any significant matters that arise.
- 2.5 The Statement has been reviewed by the Executive Management Team. The draft AGS for 2021/22 is attached in Appendix 1.
- 2.6 For members reference, and to support this covering report, an update as against the 2020/21 AGS action plan is provided at appendix 2.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial consequences arising directly from this report.

#### 4. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

- 4.1 There are no equalities & diversity or environmental matters associated with this report.

#### 5. CRIME & DISORDER IMPLICATIONS

5.1 There are no crime and disorder issues arising directly from this report.

## 6. CONCLUSIONS

6.1 The Annual Governance Statement reports that the Council has sound levels of internal control and good governance arrangements.

6.2 The Statement does identify some areas for improvement and these will be managed by the Council's Executive Management Team.

## 7. RECOMMENDATIONS

7.1 That the Audit Committee approves the draft Annual Governance Statement for the Financial Year ended 31<sup>st</sup> March 2022 as reported in Appendix 1.

### For Further Information Contact

Alan Bethune  
Executive Head – Financial & Corporate Services  
Section 151 Officer  
[alan.bethune@nfdc.gov.uk](mailto:alan.bethune@nfdc.gov.uk)

Grainne O'Rourke  
Executive Head – Governance & Housing  
Monitoring Officer  
[grainne.orourke@nfdc.gov.uk](mailto:grainne.orourke@nfdc.gov.uk)

### Background Papers

Delivering Good Governance in Local  
Government Framework 2016

**THE ANNUAL GOVERNANCE STATEMENT  
NEW FOREST DISTRICT COUNCIL  
2021/22**

## 1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in delivery of policies, achieving aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. The Governance Framework

The good governance framework centres on the following 7 core principles:

<b>A</b>	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<b>B</b>	Ensuring openness and comprehensive stakeholder engagement.
<b>C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits.
<b>D</b>	Determining the interventions necessary to optimize the achievement of the intended outcomes.
<b>E</b>	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
<b>F</b>	Managing risks and performance through robust internal control and strong public financial management.
<b>G</b>	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council is concerned to ensure that quality of service delivery is maintained at a time of financial constraint and uses a variety of mechanisms to assess this. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation initiatives) will help protect front-line service delivery. The MTFP is underpinned by the healthy Budget Equalisation and General Fund reserves and these enable the Council to respond to changes accordingly.

During 2021, the impact of the world-wide Coronavirus COVID-19 to the Council was less severe than in 2020, with new ways of working bedded down, new expenditure pressures eased, and a gradual return of customer confidence in retail and hospitality which resulted in an improvement to income streams.

Local Authorities continued to respond to new legislation and responsibilities, including payments of significant levels of mandated and discretionary business support grants and financial support to those who have suffered financial hardship, and playing a key role in the testing and vaccination programmes.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2021/22 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes. Further work is planned for 2022/23 on Risk Management to consider whether improvements can be made to the Council's approach to risk management; this will include a fundamental refresh of the Council's Strategic Risk Register.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014. As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

In April 2021, a new Council Leader was appointed. The newly appointed Leader was previously Deputy Leader and has been a member of the Cabinet for several years. The Council's new Chief Executive, Kate Ryan, commenced employment with the Council in December 2021 following a robust recruitment exercise.

During 2021/22, the Solent Freeport bid continued to be developed in line with government requirements, ultimately leading to submission of the Full Business Case (FBC) in April 2022, to which the Council gave its approval. The Section 151 Officer, Monitoring Officer, Executive Head for Planning, Regeneration and Economy and Chief Executive were all involved throughout the preparation of the FBC, and a number of briefing sessions took place for Councillors over the course of the year. The Council has representation on the Solent Freeport Consortium Ltd Board, and on the Investment Committee, the latter set up to evaluate projects for funding from the retained business rates pool.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2021/22 are included below:

1. A number of Council policies were reviewed or new Plans/Policies implemented including:
  - Worksmart Policy
  - Empty Homes Strategy
  - Corporate Plan 2024 Refresh
  - Control of Asbestos and Control of Contractors Policies
  - Joint Municipal Waste Management Strategy
  - Climate Change and Nature Emergency Action Plan
  - Local Planning Enforcement Plan
  - Numerous Business Support Grant Policies
2. The Council's new Chief Executive, Kate Ryan, commenced employment with the Council in December 2021. The Council's Executive Management Team (EMT) otherwise remained unchanged throughout 2021/22.
3. The responsibility of Section 151 functions (a statutory role) sits with the Executive Head of Financial (S151) and Corporate Services. The Executive Head of Governance and Housing is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Executive Head of Governance and Housing (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.
4. One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Information Governance and Complaints Manager, who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification.
5. A review into how the Council deals with data handling processes and procedures, including Freedom of Information ('FOI') and Subject Access Requests was carried out in 2021/22. A

dedicated Team (the 'Information Governance and Complaints Team') was set up to lead the Council's response on Information Governance. The new Team reports directly to the Council's Monitoring Officer. The Information Governance and Complaints Manager has direct access to EMT and has reported the teams work programme and progress to EMT during 2021/22.

6. The Council's arrangements for financial management and reporting are sound and are well documented. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements are in place with an annual report of work carried out presented to Council.
7. Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2021/22 budget process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. From April 2022, a new Capital and Change Board has been established, with EMT and a number of Service Managers being placed on this board. This new board, which meets monthly, will provide the oversight and scrutiny of new projects as well as tracking their delivery. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.
8. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development.
9. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A review of the Council's Financial Regulations was completed during 2021/22 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2022, following approval by full Council.
10. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. A review of the Council's Performance Management Framework commenced during 2021/22, in line with a refresh of the Corporate plan 2020-2024, and both were finalised in the year. Portfolio Holder dashboards were presented to Overview and Scrutiny Panels during 2021/22 increasing transparency of performance and risks to service delivery.
11. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.
12. The Council's approach to risk management has been long standing and will be reviewed during 2022/23. The Audit Committee has Strategic Risk Management within their scope, and an updated Risk Management Strategy will be brought forward to the committee during 2022/23. The Council's Strategic Risk Register was continually reviewed during 2021/22, and Cabinet will be receiving quarterly updates going forward. The document remains under regular review as a result of the constantly changing national and international situation.
13. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit



plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.

14. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.
15. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:
  - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
  - New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice
  - where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.
16. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
17. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reporting Point (providing information, knowledge and alerts on threat and incidents).
18. Internal Audit has reported a 'Reasonable' opinion on the overall control environment. Two limited assurance audit opinions were given and monitoring of progress against the management actions of these audits will continue into 2022/23. The following audit area has previously received high priority recommendations:
  - Payment Card Industry Data Security Standard Accreditation
    - Work has been ongoing during 2021/22, with a specific report elsewhere on this Audit Committee agenda.
19. In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1<sup>st</sup> July 2021 for an 11 year period, with the option to extend for a further 4 years. The operating agreement has been agreed by both parties and as included within that agreement, the Council and the operator both have representation on a new partnership board which will be responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met monthly since the commencement of the contract, and update reports have been presented to the Community, Partnerships and Wellbeing Board during the financial year.
20. A matter concerning the volume of telephone calls being recorded and securely stored by the Council came to light during 2021. Call recording was stopped immediately, and following approval from the Executive Management Team, all recordings were deleted from secure storage. The Service Manager for ICT working collaboratively with the Information Governance Officer presented options to the Executive Management Team who confirmed that a policy of recording by exception would be implemented. The Information Governance Officer is now working with Service Managers across the organization to assess the legal basis of call recording in the areas where call recording has been identified as necessary.

## 5. Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Section 151 Officer has commenced a review and a report on the Financial Management Code. This will be reviewed by the Executive Management Team and then to Audit Committee during 2022/23. This report will include an appendix detailing the CFO's assessed level of compliance with the Code.

## 6. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following significant areas will be included in the action plan (schedule 1):

1. Financial Management Code
2. Updated Risk Management Strategy

## 7. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31<sup>st</sup> March 2022 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

*Signed:* .....

**Leader of the Council**

*Signed:* .....

**Chief Executive**

*Date:* .....

*Date:* .....

## Schedule 1

### Annual Governance Statement Action Plan for 2022/23

Heading	Update / Action	Responsible	Target
Financial Management Code	<p>Following the introduction of the CIPFA Financial Management Code, the Council's CFO will undertake an assessment of it's compliance with the code.</p> <p>Action: CFO to carry out a review and report to EMT / Audit Committee</p>	Chief Finance Officer	July 2022
Risk Management Strategy	<p>The Council's Risk Management Strategy will be updated during 2022/23, and will result in a refreshed approach to risk management, including a fundamental review of the Risk Registers in place across the Council.</p> <p>Action: to complete Risk Strategy update, and follow up on revised working practises that result</p>	Insurance and Risk Management Officer	Oct 2022

**Annual Governance Statement update on 2021/22 action plan**

The following table is provided to confirm actions as against the 21/22 action plan. It is not a core part of the 21/22 Annual Governance Statement (appendix 1).

<b>Heading</b>	<b>Update / Action</b>	<b>Responsible</b>
PCI Accreditation	<p>Work has been ongoing in 2021/22 and will result in annual requirements going forward. This will therefore become a 'Business as Usual Activity' for the council. The 2021/22 context has included the retirement of payment gateway services from Mastercard; the incumbent NFDC supplier.</p> <p><b>Action: see update report elsewhere on this agenda</b></p>	Chief Finance Officer
Financial Management Code	<p>Following the introduction of the CIPFA Financial Management Code, the Council's CFO will undertake an assessment of it's compliance with the code.</p> <p><b>Action: initial assessment completed. Review and input required with leadership team before the assessment can be finalised</b></p>	Chief Finance Officer
Call Recording	<p>A review of departmental call handling, to consider the legal basis for the recording and retaining calls.</p> <p><b>Action: Information Governance Officer has completed her work with Services, and call recording re-established in limited instances</b></p>	Chief Finance Officer / Executive Head Governance and Housing

## AUDIT COMMITTEE – 31 MAY 2022

### PCI DSS UPDATE

#### 1. RECOMMENDATIONS

- 1.1 It is recommended that the Audit committee note the contents of this report.

#### 2. INTRODUCTION

- 2.1 The payment card industry data security standards (PCI DSS) are a set of technical and operational requirements designed to ensure that all organisations that store, process or transmit cardholder data maintain payment security.
- 2.2 There are 4 PCI DSS compliance levels. New Forest District Council (NFDC) falls into Level 3: for merchants that process 20,000 to 1 million transactions annually. As a Level 3 Merchant NFDC has a requirement to submit a self-assessment questionnaire (SAQ) annually, conduct approved scanning vendor (ASV) scans quarterly and complete the attestation of compliance (AOC) form.
- 2.3 Non-compliance can lead to termination of the relationship with the bank or an increase in the transaction fees. It can also lead to large fines and penalties.

#### 3. BACKGROUND

- 3.1 Payment card industry data security standards (PCI DSS) accreditation at NFDC has previously received high priority recommendations through the internal audit plan.
- 3.2 Payment Service Providers (PSP's) are companies that store, process or transmit cardholder data on behalf of another entity.
- 3.3 Third Party Service Providers (TPSP) are organisations that provide a service that has access to the Cardholder Data Environment. As a result, the third party needs to be PCI compliant and provide evidence of this compliance.
- 3.4 The following table details the payment channels, PSP's and TPSP's currently utilised at NFDC;

<b>Payment Channel</b>	<b>PSP</b>	<b>TPSP</b>
<p><b><u>Card-present (CP)</u></b> payments taken using Pin Entry Devices (PEDs) at:</p> <ul style="list-style-type: none"> <li>• Information offices</li> <li>• Keyhaven river</li> <li>• Car parking machines</li> </ul>	<ul style="list-style-type: none"> <li>• Information offices – Stripe</li> <li>• Keyhaven river – Worldpay</li> <li>• Car parking machines – Till Payments and AIB</li> </ul>	<ul style="list-style-type: none"> <li>• Information offices – Heycentric</li> <li>• Car parking machines – Parkeon</li> </ul>
<p><b><u>Telephone Payments (MOTO)</u></b> CNP payments taken over the telephone:</p> <ul style="list-style-type: none"> <li>• By NFDC personnel</li> <li>• Automated telephone payments (ATP) system</li> </ul>	<ul style="list-style-type: none"> <li>• TNS (Mastercard) and Worldpay</li> </ul>	<ul style="list-style-type: none"> <li>• NFDC personnel - Business World</li> <li>• ATP - CivicaPay</li> </ul>
<p><b><u>E-commerce</u></b> Card-not-present (CNP) payments over the internet</p>	<ul style="list-style-type: none"> <li>• TNS (Mastercard) and Worldpay</li> </ul>	<ul style="list-style-type: none"> <li>• Business World</li> </ul>

#### **4. DIFFICULTIES ENCOUNTERED WITH PCI COMPLIANCE**

- 4.1 A project team, including Finance and ICT representatives was set up during 2021/22, with progress being made on the criteria outlined at 2.2.
- 4.2 In January 2022 Mastercard gave notice that they were retiring their payment gateway and therefore withdrawing their services as PSP for NFDC with the following deadlines:
- i. CP transactions – 30<sup>th</sup> April 2022.
    - NFDC has moved from Mastercard/Worldpay and Business World to Stripe and Heycentric for information office payments. This went live on 26<sup>th</sup> April 2022.
  - ii. MOTO – October 2022
  - iii. E-commerce – January 2023
- 4.3 The changes detailed in 4.1 and 4.2 will change NFDC's cardholder data environment (CDE) and therefore once again changes the scope for PCI compliance.

#### **5. NEXT STEPS**

- 5.1 A strategic review of financial systems, which will include payment systems for CP and CNP transactions is currently underway. PCI compliance will be considered as part of this review and during any procurement process for new PSP's and TPSP's. To work towards compliance, we will ensure that any system we procure is Point to Point Encrypted (P2PE) and listed as a PCI DSS validated solution.

- 5.2 The project team (which had to be reassigned to deliver the new payment gateway services at relatively short notice) will engage with our bank and third party service providers, as we will require appropriate evidence of PCI compliance from these services.
- 5.3 We will update our own policy and processes to ensure our practices are in keeping with PCI compliance. This will include a training package for officers who are involved in the taking of payments to give clarity on the do's and don'ts when it comes to taking payments.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are likely to be implementation costs associated with switching suppliers because of Mastercard's decision to retire their payment gateway. It is envisaged these costs will be met within existing budgets.

## **7. CRIME & DISORDER / EQUALITY & DIVERSITY / ENVIRONMENTAL IMPLICATIONS**

- 7.1 There are none

## **8. DATA PROTECTION IMPLICATIONS**

- 8.1 Any exposure of cardholder data without authorisation is considered a breach for both PCI and GDPR.

### **For further information contact:**

#### **Alan Bethune**

Executive Head Financial and Corporate Services

Section 151 Officer

023 8028 5001

[Alan.bethune@nfdc.gov.uk](mailto:Alan.bethune@nfdc.gov.uk)

#### **Naomi Baxter**

Accountant

023 8028 5033

[Naomi.baxter@nfdc.gov.uk](mailto:Naomi.baxter@nfdc.gov.uk)

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## Audit Committee Work Plan 2022/23

DATE	WORK / REPORTS
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) Draft Annual Financial Report 21/22 Treasury Management Outturn Report for 21/22 Annual Bad Debt Write Off's Report 21/22 Annual Fraud Report 21/22 Assessment again Financial Code (Consultation version) Risk Management Update Internal Audit Progress Report 22/23
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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