

**31 MAY 2023**

**NEW FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held on Wednesday, 31 May 2023

\* Cllr Alan Alvey (Chairman)

\* Cllr Matthew Hartmann (Vice-Chairman)

**Councillors:**

- \* Hilary Brand
- \* Keith Craze
- \* Jack Davies
- \* Jacqui England

**Councillors:**

- \* Neil Millington
- \* Alan O'Sullivan
- \* Richard Young

\*Present

**Officers Attending:**

Alan Bethune, Andrew Bouflower, Kevin Green, Antony Harvey, Grainne O'Rourke, Andy Rogers, Rich Bird, Steve Cook and Iain Park

**Apologies**

There were no apologies.

**4 MINUTES**

That the minutes of the meeting held on 24 March 2023 be signed by the Chairman as a correct record.

**5 DECLARATIONS OF INTEREST**

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

**6 PUBLIC PARTICIPATION**

There was no public participation at the meeting.

**7 TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2022/23**

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

The report covered the external and local financial context, borrowing, treasury management activity and indicators, non – treasury investments, and compliance.

The economic environment continued to be challenging, however no new borrowing had been made in the last year.

The table showing the treasury investment position was explained. A higher proportion of liquid investments had been held to ensure sufficient cash was available to meet ongoing commitments such as payroll and payment of suppliers.

In response to a question, it was explained that Lymington town hall was an operational asset and also a source of rental income from various third-party tenants occupying the premises. Discussions on its future use, post 2026, (being the date at which the majority of current leases expired) had commenced internally, and with Hampshire County Council as the other land owner of the site.

**RESOLVED:**

That the report be noted.

**8 BAD DEBT WRITE - OFFS 2022/23**

The Committee received the Final Accounts 2022/23 Bad Debts Write off Report.

The report gave a breakdown of the bad debt write – offs by service and category. £771K had been written off in 2022/23, 0.27% of total income collected, and slightly up on last year, although it was pointed out that the majority of debts were from previous years, and not from amounts collected in 2022/23.

Service Managers had authority to approve write-offs up to certain limits and the Council's statutory financial officer had authority to approve write-offs of any limit. Details of the approval limits were shown in Appendix 4 with no proposed changes to existing limits.

In answer to a question, the trend in write – off levels had increased slightly due to historic debt from the pandemic and also cost of living pressures. Similarly, Council Tax write - ons had increased due to the disruptions of previous years, with the pandemic and dealing with related government grants to businesses and households.

It was also explained that there were various debt recovery processes, depending on the type of debt, with some covered by legislation. Council tax payers were urged to contact the Council early if they were in difficulty in order to avoid recovery notices. The Council worked with individuals where necessary, (for example providing advice and information on benefits and support, or agreeing payment plans), and the overall situation was monitored through the year.

**RESOLVED:**

That the report be noted.

**9 ANNUAL FRAUD REPORT 2022/23**

The Committee received the Annual Fraud Report for 2022/23.

The report detailed the number and range of work undertaken during 2022/23, joint working with the Department for Work and Pensions, participation in the National Fraud Initiative, payments to households, training, the fraud risk register, as well as publicity and future activities and initiatives.

**RESOLVED:**

That the report be noted.

**10 INTERNAL AUDIT OPINION REPORT 2022/23**

The Committee received the Internal Audit Opinion report for 2022/23.

The Internal Auditor had concluded that sufficient assurance work had been carried out to ensure the adequacy and effectiveness of the Council's internal control environment. The opinion frameworks of governance, risk management and managerial control were assessed to be reasonable. Where weaknesses had been identified, his team had worked with the Council to agree appropriate corrective actions and a timescale for improvement.

It was reported that 28% of the areas reviewed had a Substantial assurance opinion, 50% were given a Reasonable assurance, and 22% had a Limited assurance opinion. Given this, it had been concluded that robust control frameworks existed across the Council.

It was explained that the Council had asked Internal Audit to review the following 4 areas, which had then resulted in limited assurance opinions being issued on these, which were set out in sections within the report. Relevant service managers gave an overview of the management actions included to address the Internal Audit observations. The areas were:

- IT Asset Management
- Open Spaces and Playground Safety Checks
- Engineering Works
- Use of Agency Staff (All management actions completed)

The slides from the explanations of the 3 above actions are attached to these minutes as Appendix 1.

On ICT Asset Management, in answer to a question, it was confirmed that a register was kept of software assets, subscriptions and licences. Officers undertook to provide confirmation on a number of detailed queries, including the arrangements for ID card access, the card policy for leavers, and on the process for lost and stolen ICT assets.

On Open Spaces, in response to a question, it was confirmed that records were kept of the qualifications of Inspectors. It was noted that any bodies taking over responsibility for inspections of equipment would be advised of the requirements.

On Engineering, the Chairman suggested that the target date of May 2024 be applied to completion of the project to update Job Logging. Officers indicated that this would be achievable, subject to ICT resource. It was also suggested some elements of the work could be concluded earlier than indicated and officers would investigate this. Much of this work depended on ICT project managers to pursue, though it was noted that project manager resource was finite and prioritised against the context of overall competing ICT Strategy demands.

Ongoing progress on the 3 areas of limited assurance would be periodically reported to the Committee by Internal Audit.

Reference was made to the comment in the report on staffing resilience in the Property Team and officers undertook to follow up on this issue with the manager responsible.

**RESOLVED:**

That the report be noted.

**11 CODE OF GOOD GOVERNANCE REVIEW 2022/23**

The Committee received the Code of Good Governance Review and Annual Report of the Monitoring Officer and Chief Finance Officer in respect of 2022/23.

The following areas were identified for further consideration arising out of the review, and detailed actions to address these areas were set out in the report:

- Procurement Strategy
- Financial Regulations
- Continuous improvement and development programme for Members and Officers
- Template for Corporate Reports (for impact assessments)

The Committee noted the view of the Monitoring Officer and Chief Finance Officer that the Council was able to have confidence in the effectiveness of its governance arrangements. This was illustrated by the few areas identified for review in Appendix 3 of the report.

It was confirmed that provision of financial and budget training for Cabinet Members and Committee Chairman would be included as part of the Member Development Programme outlined in section E of the actions listed in Appendix 3.

**RESOLVED:**

That the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in the report, be noted.

**12 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23**

The Committee considered the draft Annual Governance Statement for 31 March 2023.

The statement included an action plan, consistent with the Corporate Code of Good Governance review, with an update on the previous year's actions, which were completed.

The Draft AGS would be published with the draft Annual Financial Report and made available to the External Auditor for their review and consideration.

**RESOLVED:**

That the draft Annual Governance Statement for the Financial Year ended 31st March 2023 as reported in Appendix 1 to the report be approved.

**13 DRAFT ANNUAL FINANCIAL REPORT 2022/23**

The Committee considered the Draft Annual Financial Report 2022/23.

The report included the following accounting statements within the Annual Financial Report:

- 1a) Comprehensive Income and Expenditure Statement
- 1b) Expenditure and Funding Analysis (in NFDC management format)
- 2) Movement in Reserves
- 3) Balance Sheet
- 4) Housing Revenue Account
- 5a) Collection Fund – Council Tax
- 5b) Collection Fund – Business Rates
- 6) Cash Flow Statement

It was noted that the original Capital Programme for 2022/23 (including the gross value of the Coastal Regional Monitoring Programme) was £42.074 million, with actual expenditure at £43.718 million. It was explained that this was not due to an overspend, but rather the Capital Programme had been topped up to achieve extra projects, including the purchase of a commercial unit in New Milton, and also relating to the planned expenditure to deliver the Platinum Jubilee business park.

It was explained that the General Fund in overall terms had very closely matched the original budget, despite in-year variations. It was commented that additional monitoring on the Housing Revenue Account would be in place for 2023/24 to ensure the variations as seen in 2022/23 did not re-occur.

The Committee noted that a Hampshire Pension Fund actuarial review for 2021/22 had resulted in a reduction of £6.448 million in the Council's net liability, and this would be reflected in restated accounts for the year and in the opening balances for 2022/23. It was also noted that the pension liability balance sheet reduction for 2022/23 was also significant.

**RESOLVED:**

That the Committee note the draft Accounting Statements set out in Appendices 1-6 which are a summary of the Annual Financial Report being certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 31 May.

**14 AUDIT COMMITTEE WORK PLAN**

The Committee noted its Work Programme.

It was agreed that a further 6 monthly report on Payment Card Industry Data Security Standard should be added to the items for the October meeting.

CHAIRMAN

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# AUDIT COMMITTEE

APPENDIX 1

**31 May 2023**

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# Internal Audit – IT Asset Management

## Summary of Management Actions

- The purpose of the audit was to ensure that all IT assets are effectively managed and accounted for over various sites.

Management Response	Progress Update	Timeline
3.1 Launch of the newly written asset management policy and procedures. (High)	30/05/23: Draft procedure approved by ICT Management and with Section 151 officer for review and approval.	1st June 2023
7.1 The policy and procedure from action 3.1 will receive sign-off from the Service Manager for ICT and the Section 151 officer. This procedure will include the disposal process. (High)	30/05/23: Draft procedure approved by ICT Management and with Section 151 officer for review and approval.	1st June 2023
1.1 Perform a review of access cards with server room access with the goal of removing access from shared cards.	30/05/23: New policy will address resetting of door entry codes at least annually. On track to meet review of existing access to server room.	31st July 2023
2.3 Audit all remaining devices on the asset database.  "However, we found 513 assets were missing a serial number on the IT asset database including 246 laptops"	30/05/23: Staged audit of existing assets on track with intention to address any gaps.	30th June 2023 31st July 2023 31st August 2023
5.1 Discuss the requirement with Jamie's to ensure our asset numbers are reflected on future paperwork.	30/05/23: Discussion with Jamie's has taken place and asset numbers will be reflected on paperwork from now.	1st June 2023
6.1 Process to be put into place to record the asset number that drives are removed from before being placed into the bin. Quantity of drives to tally up against Restore Data Shreds records.	30/05/23: New process addresses this requirement within the new asset management procedure.	1st June 2023



# Internal Audit – Open Spaces and Playground Safety Checks

## Summary of Management Actions

- Review current Flowchart and incorporate rationale for frequency of inspection based on risk, usage and impact of failure **(December 2023)**
- Select a trial area to review efficacy of application of revised rationale **(March 2024)**
- Centralise Inspection Service and associated Resources to improve efficiency and resilience and improve management of risks **(April 2024)**
- Apply rationale and any lessons learned from practical trial to allocate revised timescales to Risk Assessments **(May 2024)**
- Work with Finance partners to ensure revenue budget pressures are monitored and pressures reported **(October 2023)**
- Investigate establishing capital budgets for regular investment in assets based on Business cases and Risk Management criterion, to help prioritise spend and deliver sustained improvement programme to reduce burden of revenue spend on reactive maintenance **(October 2024)**
- Investigate alternatives to current IT 'Easyasset' inspection software based on tracing asset defect from identification to completion. **(April 2024)**

# Internal Audit – Engineering Works Summary of Management Actions

- Prime role is to undertake planned works, while supporting reactive works.
- **Job log – Target Date: ongoing.** Previous corporate decisions resulted in the removal of the job recording system, leaving the current basic system.
  - Discussions are now in progress with ICT Services to fully automate the process of assigning works orders, recording actions, electronic filing and providing reporting dashboards for the team and clients.
  - Aim is to utilise the additional functions now being provided through O365
  - The specialist skills of ICT Services will be used to support the development of an improved system.
- **Service Level Agreements - Target Date March 2024**
  - These are to support works undertaken for other services through allocations
  - Housing Service SLA prepared. Reviewed by Housing Service and currently in final stages of preparation.
  - Will be used as a template to prepare SLAs of other services.
- **Planned Works - Target Date March 2024**
  - Forward plans will be developed with services to identify future works requirements to be undertaken through allocations.
  - This is reliant on those services identifying their work requirements.