

27 OCTOBER 2023
NEW FOREST DISTRICT COUNCIL
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Friday, 27 October 2023

* Cllr Alan Alvey (Chairman)
Cllr Matthew Hartmann (Vice-Chairman)

Councillors:

* Keith Craze
* Jack Davies
* Jacqui England
Neil Millington

Councillors:

* Alan O'Sullivan
* Caroline Rackham
* Richard Young

*Present

Also In Attendance:

Gemma Farley, Hampshire County Council
James Stuttaford, Ernst & Young LLP
Kevin Suter, Ernst & Young LLP
Antony Harvey, Internal Audit, HCC
Cllr John Sleep

Officers Attending:

Alan Bethune, James Clarke, and Andy Rogers

Apologies

Apologies were received from Cllr Hartmann.

22 MINUTES

That the minutes of the meeting held on 28 July 2023 be signed by the Chairman as a correct record.

23 DECLARATIONS OF INTEREST

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

24 PUBLIC PARTICIPATION

There was no public participation at the meeting.

25 FINAL EXTERNAL AUDIT REPORT FOR 2021/22

The Panel received the External Audit Report for 2021/22.

The report also included the draft audit report and opinion on the financial statements for the year ended 31 March 2022, which concluded that they gave a true and fair view of the Council's financial position at that time.

In response to a query about an External Audit comment on the treatment of reconciliations, it was noted that NFDC officers had already taken this on board and amended the method of recharging, thereby reducing the volume of transactions.

It was noted that the overall audit could not be concluded or an audit certificate issued, until the External Audit formally closed, and until the External Auditor had issued his Annual Report for the period. This would be reported at a future meeting. The Value For Money assessment was still ongoing, but no risks had been identified to date.

The Chairman wished to record on behalf of the Committee, that it was disappointed that the 2021/22 audit was still not complete, nearly 2 years on.

In response, the External Auditor referred to the national audit backlogs, and explained that audits had been prioritised against NHS and other bodies, and NFDC had not been high on the list. Priority was based on the amount of work outstanding.

RESOLVED:

That the report be noted.

26 INTERNAL AUDIT PROGRESS REPORT 23/24

The Committee noted the Internal Audit Progress Report 2023/24, which provided an overview of internal audit activity completed in accordance with the approved audit plan, including the status of 'live' reports.

Reference was made to the risk management items detailed in red on page 58 of the report, and it was queried whether the internal auditor was satisfied with the officer response on those items. In answer, the internal auditor stated he was satisfied that officers were working with service heads to resolve the issues and to ensure there was sufficient challenge.

RESOLVED:

That the report be noted

27 TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 23/24

The Committee received the Treasury Management Mid-Year Report for 2023/24.

The report included an update on treasury management activity in the first half of 2023/24, and met the requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators were incorporated into the Council's normal Financial Monitoring report.

The report covered the external and local contexts, notes on borrowing and investment activity, non-treasury investments, compliance, and treasury management indicators.

It was explained that over the year, the Council had repaid £100k in public works loan board debt, and no further borrowing had been taken. Total investments were marginally above where they were at the last report in June, in line with expectations.

Members noted that the Council expected to reduce investment balances to fund the capital programme, and further borrowing would be considered by the Section 151 officer over the coming months and years as and when required.

It was reported that the Council had withdrawn investment in £4m of pooled fund investments, and instead invested in alternative areas which yielded higher rates of interest. The Council's treasury management consultants, Arlingclose, predicted that 5.25% was expected to be the peak interest rate, and interest rate cuts were expected from the third quarter of 2024, to an estimated low of around 3% by early to mid 2026.

A minor error was reported at Table 2, where the final column should have been headed 30/09/23, rather than 31/06/23.

Members were reminded of the Treasury Management training session on 13 November.

RESOLVED:

That the report be noted.

28 EXTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2023 - VERBAL UPDATE

The Committee received a verbal update from the External Auditor on the current position with the External Audit for the year ended 31 March 2023.

The External Auditor explained that the 2022/23 audit had yet to be commenced, due to a backlog of work from previous years. The 2021/22 audit was still ongoing.

The backlog was largely due to a shortage of auditor resource, but also the pandemic and the increasingly broad scope and complexity of audit requirements. This was a national problem and affected all local authorities, NHS, higher education, and other public sector bodies. At end of September 2023, there were approximately 800 outstanding unpublished audits nationwide, going back a number of years.

The Department for Levelling Up, Housing and Communities had written to Section 151 officers in July, proposing a number of measures to address the problem. These included a system reset, with the suggestion that backstop dates be introduced whereby, if work was still in progress, the auditor would report audits at the appropriate time, even if some aspects had not been completed. It was acknowledged that this approach may lead to more Qualified reports.

The proposed backstop measure came with two main requirements; namely maximising assurance, and focusing effort on the most recent financial year. The

priorities identified by Government were pension fund audits, and Value For Money work for all the parties, as a minimum. It was possible that financial statements audits might be omitted if insufficient resources were available.

However, it was emphasised that the above approach and the 2022/23 audit could not proceed until the Government had issued the necessary guidance, which was already urgently needed, as work would normally commence soon to meet the statutory deadlines. Starting work now without knowing the new parameters may mean significant abortive work.

It was understood the National Audit Office and CIPFA were looking at various other short-term measures to alleviate the backlog, including a review of the code of practice and reduced audit scope for a limited time. The aim was to achieve manageable work schedules and a more streamlined and focussed approach.

The precise effect on NFDC was unknown at this stage, though Council officers were already doing what they could to assist by implementing measures suggested in the interim 2021/22 audit, in order to streamline work on the 2022/23 accounts.

The Committee would be kept informed of developments.

29 INSURANCE RENEWAL UPDATE

The Committee received an update on the Council's insurance procurement arrangements and the terms for the Insurance Renewal process for 2023/24.

It was noted that premiums for 2023/24 resulted in a £40,000 General Fund and Housing Revenue Account budget shortfall, which would be reflected in future budget planning reports.

The Chairman requested a report to a future meeting on insurance performance, including include a breakdown of policies and claims.

RESOLVED:

That the report be noted.

30 AUDIT COMMITTEE WORK PLAN

The Committee noted its Work Plan, including the need for an additional report on Insurance Performance at a future meeting.

It was noted that the external audit results report 2022 / 23 was unlikely to be available for the March 2024 meeting.

31 DATES OF FUTURE MEETINGS

RESOLVED:

That the following dates be agreed for Audit Committee meetings in 2024/25:

(Fridays at 9.30am)

31 May 2024

26 July 2024

25 October 2024
24 January 2025
21 March 2025

CHAIRMAN