

22 MARCH 2024

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Friday, 22 March 2024

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

Councillors:

* Keith Craze
Jack Davies
* Jacqui England
Neil Millington

Councillors:

* Caroline Rackham
* Alan O'Sullivan
* Richard Young

*Present

In attendance:

Councillors:

Peter Armstrong

Councillors:

Joe Reilly

Also In Attendance:

Antony Harvey, Internal Audit, HCC
Katie Lean, External Auditor
Simon Mathers, External Auditor

Officers Attending:

Naomi Baxter, Alan Bethune, Richard Knott and Andy Rogers

Apologies

Apologies were received from Councillors Hartmann and Millington.

46 MINUTES

The minutes of the meeting held on 26 January 2024 were confirmed and signed.

47 DECLARATIONS OF INTEREST

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

48 PUBLIC PARTICIPATION

There was no public participation at the meeting.

49 HOUSING BENEFIT ASSURANCE TESTING 2022/23

This item was withdrawn, as the information from KPMG was not yet available.

The item would be re-scheduled for the next meeting in May.

50 EXTERNAL AUDIT UPDATE

The Committee received the External Audit update which included an overview of the current status of the Council's audit for 2022/23 and plans for 2023/24.

Members noted that there was general agreement that the national backlog in the publication of audited accounts by local bodies had grown to an unacceptable level. The Government had worked with consultees to develop measures to reset the system and address the situation.

It was reported the backstop date for publication of the 2022/23 audited accounts was 30 September 2024. It was explained that, if the 2022/23 accounts could not be completed by the 26 July Committee meeting, the Committee had a provisional meeting date of 27 September, which could be brought into play, perhaps in place of the scheduled 25 October meeting. This was all dependent on the Government passing the necessary legislation for the new temporary regime, and the Committee would be kept informed of developments.

The report included a dashboard summarising the significant accounting and auditing matters to be included within audit reports. The report also set out indicative audit timelines and fees.

In answer to a query, it was explained that, where there was reduced work in 2022/23 fees would be varied by Public Sector Audit Appointments Limited to take this into account, based on the lower amount of work undertaken.

RESOLVED:

That the report be noted.

51 EXTERNAL AUDIT VALUE FOR MONEY REPORT 2022/23

The Committee received the External Auditor's interim Value for Money Report for 2022/23.

This was an interim Value for Money report and summarised the risks identified from a detailed assessment.

The Committee noted that no significant risks or weaknesses had been identified for the three specific reporting criteria within the report:

- Financial sustainability
- Governance and risk
- Improving economy efficiency and effectiveness

The report concluded that the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it could continue to deliver its services.

RESOLVED:

That the report be noted.

52 INTERNAL AUDIT PROGRESS REPORT 23/24

The Committee received the Internal Audit Progress Report for 2023/24.

The report provided an overview of internal audit activity completed in accordance with the approved audit plan, together with a summary of the status of 'live' reports.

Reference was made to the overdue audit reviews at page 62 of the report, particularly relating to Fleet Management and Engineering Works dating from May 2023 and August 2023 respectively. Members sought assurances that these would be expedited, and officers undertook to liaise with the service managers responsible and ensure these were followed up and brought forward. An update would be made to the Committee at its next meeting in May.

It was noted that at end of year, 70% of the audit plan had yet to be delivered. The Internal Auditor explained that this was an unusual position, it had been an incredibly challenging year for the Partnership, and it was doing all it could to catch up. This depended on staff resource and capacity on both sides. It was noted that the Internal Auditor gave periodic updates to the Council's Executive Management Team, and also met regularly with the Section 151 Officer, and issues were escalated with key officers.

RESOLVED:

That the report be noted.

53 INTERNAL AUDIT CHARTER 2024/25

The Committee considered the Internal Audit Charter for 2024/25.

The Internal Audit Charter formally defined the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards. It was noted that the Charter was materially unchanged from previous years.

RESOLVED:

That the Internal Audit Charter for 2024/25 be approved.

54 INTERNAL AUDIT PLAN 2024/25

The Committee considered the Internal Audit Plan for 2024/25.

The main aims of the plan were to provide assurance that:

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

The document also included an indicative plan for 2025-26 to 2026-27.

In answer to a question, the Internal Auditor felt the 400 audit days allocated for the year was generous and comprehensive. A number of audits were undertaken on a

3 year cycle, which had been assessed as a reasonable timescale given the existing risk, though some aspects were reviewed annually, ie cyber security.

In response to a query regarding the timescale for the audit review concerning assurances around the Climate Change and Nature Emergency response and the Green Agenda, it was explained that, in common with a lot of organisations, this was one of the reviews that had been delayed as a result of the pandemic, hence the 2025/26 reporting date.

The Internal Auditor informed Committee members that they would each be receiving a survey on the Internal Audit service, and their assistance in completing it would be very much appreciated.

RESOLVED:

That the Internal Audit Plan for 2024/25 be approved.

55 REVIEW OF FINANCIAL REGULATIONS

The Committee considered proposed revisions to the Council's Financial Regulations.

It was noted that this was an interim review to update approval values and insert certain new officer roles into approval workflow. Additional time was required to take into account input from other new roles and include updates to the Contract Standing Orders.

RESOLVED:

That it be a recommendation to the Council that the proposed revisions to the Council's Financial Regulations be approved, with effect from 8 April 2024.

56 PAYMENT CARD INDUSTRY DATA SECURITY STANDARD (PCI DSS) - UPDATE

The Committee received a progress update on compliance with payment card industry data security standards.

NFDC had been working towards outsourcing the handling of cardholder data to PCI DSS accredited third party service providers. These solutions would work in a way so that no cardholder data ever entered NFDC systems. There were a minority of exceptions where vulnerable customers were assisted with transactions, as a temporary solution. It was explained that these issues were common in neighbouring district and borough councils due to the scale and variety of income streams and the method of payment was widely used in many sectors. The long term solution sought would seek to comply with the requirements but also provide a loop back to the Council representative in case of any difficulty.

RESOLVED:

That the report be noted.

57 HOUSING MAINTENANCE FRAUD MATTER

The Committee received a report setting out circumstances regarding fraudulent activity that took place within the Council's housing maintenance service during the period July 2018 to February 2019, which was followed by a long and complex police investigation.

The report explained how the fraudulent activity of an individual staff member was detected, what steps were immediately taken and an overview of the criminal proceedings that followed. It also detailed various measures taken to tighten procurement controls, procedures and processes, to significantly reduce risk of fraud whilst continuing to allow the effective operation of the service.

The Strategic Director Corporate Resources & Transformation explained that it had not been possible to report to the Committee earlier due to the risk of jeopardising the prosecution and trial outcome. He wished to place on record his personal thanks to the officers directly involved in identifying the issue early on, ensuring a robust and professional response, and for their resilience under trying circumstances and during a long investigation.

The Chairman asked whether any monies could be recovered via a civil action, and in response it was explained that civil actions were costly to run and in embarking on such cases, there had to be a degree of confidence that there were sufficient funds or assets to be recovered. Given the information available, this was judged unlikely.

The Chairman sought assurances that the measures put in place in response to the matter would prevent any future fraud. In answer, it was explained that it was difficult to give assurances that such a thing could never happen again, but it was felt the Authority had significantly reduced the likelihood of a similar event recurring.

RESOLVED:

That the report be noted.

58 AUDIT COMMITTEE WORK PLAN

The Committee received and noted its work plan.

Members noted the provisional date of 27 September 2024, (which may replace the scheduled 25 October meeting date), to accommodate External Audit and other reports. This would be confirmed later in the year.

CHAIRMAN