

**31 MAY 2024**

**NEW FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held on Friday, 31 May 2024

- \* Cllr Alan Alvey (Chairman)
- \* Cllr Keith Craze (Vice-Chairman)

**Councillors:**

- \* Kate Crisell
- \* Jack Davies
- Jacqui England
- Alan O'Sullivan

**Councillors:**

- \* Caroline Rackham
- \* Janet Richards
- \* Richard Young

\*Present

**Also In Attendance:**

Katie Lean, External Auditor  
Simon Mathers, External Auditor  
Antony Harvey, Internal Audit, HCC  
Dan Hayward, KPMG  
Daniel O'Rourke, Hampshire County Council

**Officers Attending:**

Alan Bethune, Kevin Green, Ryan Stevens and Andy Rogers

**Apologies**

Apologies were received from Cllrs England and O' Sullivan.

**4 MINUTES**

**RESOLVED:**

That the minutes of the meetings held on 22 March 2024 and 13 May 2024 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 HOUSING BENEFIT ASSURANCE TESTING 2022/23**

The Committee received a presentation from KPMG on housing benefit assurance testing for 2022/23. A copy of the slides is with the agenda pack. The Chairman commented that, whilst the report was welcome, it had been awaited and deferred

for 4 months, and had only then been made available the day before the meeting, giving insufficient time for members to review prior to the meeting.

KPMG advised that they worked with over 100 other authorities and the Council's claim compared very favourably. The Committee felt that the outcome of the testing was a really good result for the Authority with a very low level of error. For example, out of a total subsidy claimed of £26.5m, errors totalling £2360 were found.

Members paid tribute to the Council's Benefits team for such a low level of error, given the considerable sums involved.

## **8 TREASURY MANAGEMENT OUT TURN REPORT 2023/24**

The Committee received the Treasury Management out turn report for 2023/24.

It was reported that all Treasury Management activity in the year had complied with the Treasury Strategy and the Investment Strategy.

One of the key points highlighted was the higher interest rate environment this year, with the expectation that rates could start to be cut in August 2024.

The Committee noted that the Capital Financing Requirement (CFR) and net borrowing had increased slightly from 2023/24, with a slight reduction in investment balances over the same period. There had been a net increase in borrowing of £5.7m.

It was reported that £4.1m in Public Works Board (PWLB) loans were repaid during the past year, and £10m in new borrowing was taken on in two tranches of £5m. This meant that the £4.1m repaid was effectively refinanced, due to a reduction in cash balances and a need to externalise some internal borrowing to meet the requirements of the Capital Programme and to maintain sufficient liquidity. The Council had been able to take advantage of the PWLB Housing Revenue Account (HRA) rate, with borrowing undertaken on the advice of Arlingclose, the Council's Treasury advisors.

Members were advised that overall investment balances had reduced by £0.2m at end of March 2023, with long term investments decreasing by £4.5m, due to divestment from some of the pooled funds held by the Council. Cash requirements meant that there was less emphasis on those long-term investments. The property fund holdings would be maintained while current market conditions prevailed.

It was reported that with the overall financial implications, investment income was £2.6m. This was higher than last year, due to the rise in interest rates in that period. Outturn debt interest was slightly lower than budgeted.

The Committee noted that the Council's position remained favourable when benchmarked against other organisations, across all metrics measured.

In response to a query on whether the £10m PWLB loan had been allocated to any specific projects, it was explained that the loan was in relation to the HRA Capital Programme as a whole. This was in line with the adopted strategy agreed by the Council in 2018 to increase the number of Council – owned properties, and it had always been anticipated that the related spend would be circa £100m, over a 6 year

period, 50% of which was planned to be externally funded. It was confirmed this borrowing had been arranged over a 50 year term on advice from Arlingclose, and was very typical for HRA loans to be taken over that period of time.

### **RESOLVED**

That the report be noted.

## **9 EXTERNAL AUDIT PLAN 2023/24**

The Committee received the External Audit Plan for 2023/24.

The External Auditor summarised the overview of the 2023/24 strategy, including audit risks and areas of focus common to all authorities, which informed and directed External Audit effort. These were set out in pages 26 and 27 of the agenda pack and were expanded on in detail.

The Committee noted that no significant risks had been identified in the Council's arrangements to secure Value For Money.

Materiality thresholds set out in page 46 of the pack were outlined.

In reference to the timeline showing key stages of the audit, it and was estimated that the work would be undertaken by the end of September 2024.

Members noted the substantial increase in audit fees, from £91k in 2021 to £165k for 2023/24 and the S151 Officer confirmed that this figure was contractually correct.

### **RESOLVED:**

That the report be noted.

## **10 INTERNAL AUDIT OPINION REPORT 2023/24**

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

The purpose of the report was to provide the Committee with chief internal auditor's opinion of on the adequacy and effectiveness of the council's framework of risk management internal control and governance for the year ending 31 March 2024.

The Internal Auditor made reference to Internal Audit Coverage on page 83 of the pack and explained that it had been quite a challenging year to deliver all of the work as planned due to a number of factors, but that sufficient work had been completed to provide an annual report and opinion. The opinion conclusion was that looking at Governance, Risk Management and Control, reasonable assurance could be given over all, based in work undertaken.

The report concluded that sufficient frameworks of governance, risk management, and management control were reasonable, and audit testing had demonstrated controls to be working in practice. Where weaknesses had been identified through internal audit review, they had worked with management to agree appropriate corrective actions and the time scale for improvement.

Page 91 of the pack set out the 70% of the audit areas which had a 'Reasonable' opinion conclusion and the 30% which had a 'Substantial' opinion. There were therefore no significant issues to report to the Committee.

It was noted that 65% of the audit plan had been completed, compared with the target 95%, but Internal Audit were fully compliant with all standards and well above the expected target in a recent client satisfaction survey.

In answer to a query, it was explained that part of the reason for the delayed audits was that some NFDC officers had requested that work on a number audits be deferred to Quarters 3 and 4, which had stretched Internal Audit capacity at that time. The Chairman asked whether there was sufficient NFDC officer support for audits. It was explained that to improve completion figures, arrangements were already in hand for the Internal Auditor to meet with the Council's senior leadership team within the following week. It was noted that at this meeting, it was intended that the leadership team would be reminded of the importance of prioritizing the Internal Audit Plan with a view to improving management buy-in.

The Chairman pointed out that at the last meeting in March, the Committee had identified two Audit Review areas which were overdue, (Fleet Management and Engineering Works). The Committee had asked for a progress update on those for this meeting, yet this did not appear to have been given in this latest report. In response, it was explained that progress on such matters was usually given in the Internal Audit Progress report, but that this report had not been submitted to this particular meeting. The Internal Auditor undertook to provide the S151 Officer with an update on these two matters, which would in turn be circulated to Committee members before the next meeting.

**RESOLVED:**

That the report be noted.

**11 CODE OF GOOD GOVERNANCE REVIEW 2023/24**

The Committee received the Code of Good Governance Review Annual Report of the Monitoring Officer and Chief Finance Officer for the year 2023/24.

The review contained a summary of progress made in compliance with the code, and areas identified for further consideration and review in the action plan.

Members referred to Appendix 1 and felt that further work was needed on the Learning Management System (LMS), to ensure member understanding of the need and benefits of the system. The S151 Officer acknowledged this feedback regarding induction and rollout of the system, and undertook to discuss this with HR, to improve the member user experience.

**RESOLVED:**

That the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in Appendix 3 to the report be noted.

**12 DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24**

The Committee considered the Draft Annual Governance Statement for 2023/24.

The Annual Governance Statement reported that the Council had sound levels of internal control and good governance arrangements.

An Action Plan for 2024/25 (at Schedule 1 to the 2023/24 Statement) had been developed and would be monitored by the Council's Executive Management Team and the Audit Committee.

The report also included an update against the 2023/24 AGS action plan at Appendix 2.

**RESOLVED:**

That the draft Annual Governance Statement for the Financial Year ended 31st March 2024 as reported in Appendix 1 be approved.

**13 DRAFT ANNUAL FINANCIAL REPORT 2023/24**

The Committee received the Draft Annual Financial Report for 20/23/24.

This report updated Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members' approval for any changes to Accounting Policies (if applicable)

The following accounting statements were included 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

The draft figures were now subject to the external audit process. The detailed notes behind the accounts were now complete and ready to be published immediately after the meeting. The full document would be submitted to the Committee later in the year.

**RESOLVED:**

That the draft Accounting Statements set out in Appendices 1 – 6, which were a summary of the Annual Financial Report to be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 31 May, be noted.

**14 FINAL ACCOUNTS 2023/24 BAD DEBT WRITE-OFF REPORT**

The Committee received the Final Accounts 2023/24 Bad Debts write - off report.

The report detailed total bad debts written-off during the financial year 2023/24.

The Council collected Council Tax, Business Rates, Sundry Income, Rent and Parking Charges and every effort was made to collect all sums by the most

appropriate and efficient method. It was Council policy to take all practical steps to recover debts, including proactively working with households to provide support, advice and information, and the teams always encouraged those in arrears to contact the Council so they can discuss their situation and circumstances. The Council continued to refer to, and work with, Citizens Advice New Forest.

The Chairman emphasised that although the total debt written off for 2023/24 was £995,619, this represented 0.34% of income and whilst this figure was low, the Council should always work to reduce the figure where it could.

**RESOLVED:**

- a) That the contents of the report be noted
- b) That the proposal to change the current threshold for service managers to authorise write offs from £3,500 to £10,000 as explained in section 6.2 of the report, be approved.

**15 ANNUAL FRAUD REPORT 2023/24**

The Committee received the Annual Fraud report for 2023/24.

In 2023/24 there were 87 fraud referrals received relating to entitlement to Housing Benefit, Council Tax Reduction and Single Person Discount, as well as Housing tenancy and Planning. Referrals were received through different channels, including via the Council website, by phone to the Council's dedicated line, internally from staff, or from the Department for Work and Pensions (DWP).

Following investigations there had been a total of £67,155 in Housing Benefit overpayments (from an overall total of £27.3m paid out) and £33,888 in Council Tax Reduction non-entitlement (£9.8million awarded). Three Civil Penalties and one Administrative Penalty had been issued. The Council had worked with the DWP, resulting in a successful prosecution.

The Revenues and Benefits team had exceeded a 2023/24 Department for Work and Pensions target of 574 full case reviews, with 762 full case reviews having been completed.

The Chairman welcomed the increase in resource of the Corporate Fraud and Compliance Officer post (0.75 FTE, an increase from 0.56 from 1 January 2024) who supported the Revenues, Benefits and Housing team with investigations during 2023/24. In answer to a question, this did not necessarily reflect an increase in fraud, but served to provide increased capacity to promote anti-fraud initiatives, more work with partners, provision of additional checks, processes and reviews, and enhanced work with the DWP on prosecutions.

**RESOLVED:**

That the report be noted.

**16 AUDIT COMMITTEE WORK PLAN**

The Committee noted its Work Programme for 2024/25.

Officers explained that the position with work programme timescales needed to remain fluid. The External Audit Results Report for 2022/23 currently showing for the July agenda, would need to be moved to the September meeting.

This meeting would also consider the Fraud, Anti Bribery, Corruption and Whistleblowing policies review documents.

**RESOLVED:**

That the work programme be noted.

CHAIRMAN