

25 OCTOBER 2024

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Friday, 25 October 2024

- * Cllr Alan Alvey (Chairman)
- * Cllr John Sleep (Vice-Chairman)

Councillors:

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

Councillors:

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

*Present

Also In Attendance:

Andrew Boutflower, Anthony Harvey and Jade Lakeland (HCC)

Officers Attending:

Alan Bethune, Paul Whittles and Andy Rogers

Apologies

25 APPOINTMENT OF VICE - CHAIRMAN

The Chairman referred to the sad death of former Cllr Keith Craze, who had served as Vice-Chairman of the Committee.

Cllr John Sleep was appointed Vice-Chairman of the Committee for the remainder of the municipal year.

26 MINUTES

RESOLVED:

That the minutes of the meeting held on 26 July 2024 be signed by the Chairman as a correct record.

27 DECLARATIONS OF INTEREST

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

28 PUBLIC PARTICIPATION

There was no public participation at the meeting.

29 EXTERNAL AUDIT BACKSTOP UPDATE

The Committee received an update regarding the Council's external audit progress following confirmation of the audit backstop dates as part of the Government's approach to clearing the backlog of local government audits.

The Government had recently introduced measures requiring auditors to provide their opinions within a series of backstop dates set out in paragraph 6 of the report. The first of these dates was 13 December by which all outstanding audits up to and including the 2022/23 financial year would need to be completed.

Given this timescale, it was likely that giving a full opinion would remain a challenge for auditors and that disclaimed opinions would be given to a significant number of councils. A disclaimed opinion meant that auditors were unable to determine whether or not a set of financial statements were materially misstated.

It was emphasised that these circumstances were not within the Council's control and the Government acknowledged that such disclaimed opinions would be limited to the next two financial years.

Members noted that some Audit Committee meeting dates may need to be adjusted in order to align reporting requirements with the new backstop deadlines. Members would be advised as soon as the position had crystalized.

RESOLVED:

That the report be noted.

30 INTERNAL AUDIT PROGRESS REPORT 2024/25

The Committee received the Internal Audit Progress Report for 2024/25.

The purpose of the report was to provide the Committee with an overview of internal audit activity completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports. The report also showed the position where the management team had implemented actions arising from previous reviews.

Jade Lakeland was introduced as the new day to day Internal Audit Manager for NFDC, who would report to Antony Harvey.

It was reported that as at end of September 2024 (mid-year), 63% of audits had been started. In answer to queries, it was confirmed that the necessary resources were in place to complete all audits by the year end, and there were no concerns on NFDC officer availability. Reference was made to the pressures on the service in terms of market place supply and development of staff, which was improving.

The Chairman suggested that more accessible information be provided on progress stages in the report, and it was felt that although this could be considered, it was likely to be difficult to produce in this way.

It was noted that since the report had been compiled, all actions relating to the Housing Allocations Review had been completed.

In response to a question on progress with the overdue actions relating to Open Spaces and Playground Safety Checks, it was noted that these would be discussed at a management team meeting on 5 November 2024.

It was noted that Internal Audit had received a formal request from EMT for removal of the review of the project management of the mobilisation of the Waste Strategy, as it was felt there was already sufficient assurances of this through various internal channels. In answer to a related question, members were advised to that the Waste Programme Board were overseeing the project, and with general Government oversight also, it was not felt necessary to add further scrutiny, as it was unlikely to add additional value. Any specific queries relating to this would best be directed to the Leader of the Council or the Portfolio Holder.

RESOLVED:

That the content of the progress report, attached as Appendix A, summarising internal audit progress with delivering the 2024-25 audit plan to 30th September 2024, be noted.

31 TREASURY MANAGEMENT UPDATE 2024/25

The Committee received a quarterly update on treasury management activity including the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators were incorporated in the Council's normal quarterly Financial Monitoring report.

It was reported that Treasury Management activities were in line with the strategy agreed by the Council in February 2024.

No new borrowing had been taken out in the last quarter, and the Council's investment balances ranged from £30m – £64m, which was in line with the normal variations in funding. The report set out the diversification in investments in line with CIPFA guidance, to achieve security, liquidity and yield.

The liability benchmark for the Council showed that the Council was likely to require new long-term borrowing in the near future, which would be the most significant decisions that the Council would have to make in terms of Treasury Management. The most opportune time for this borrowing was under current detailed discussion, and the result of this would be reported to future meetings. It was anticipated that the borrowing would be from the Public Works Loan Board. It was confirmed that short as well as long term borrowing would be considered as part of these discussions.

The Chairman referred to the recent HCC Treasury Management session, at which it was indicated that NFDC appeared to be well placed.

On non-treasury investments at Table 6, it was noted that the net annual rate of return for the Platinum Jubilee Business Park of 1.48% looked low because it did not represent a full financial year. By way of assurance, officers reported that the business lettings were already at 83%, in line with the original business case, with 60 people employed among 11 businesses there. Also on Table 6, Officers would respond to Cllr Richards on why it showed a '–'at % annual rate of return for 1b Junction Road Totton.

RESOLVED:

That the report be noted.

32 AUDIT COMMITTEE WORK PLAN

The Committee considered its future Work Plan.

It was acknowledged that the January 2025 meeting had a large agenda and the Chairman asked officers to consider ways to make the meeting more manageable. Officers would try and rebalance the meetings so far as possible.

Officers explained that because of the new backstop dates of 28 February 2025, and 30 June 2025, some consideration would be needed as to how these could be accommodated in terms of Audit Committee meeting dates, which would mean some dates being changed. Officers would advise members of these changes as soon as possible. It was likely new February and June meeting dates would be required.

A member requested that the future Risk Management report should take into account any implications for NFDC flowing from the current HCC funding position. It was confirmed that this was already under review and the report would include the necessary commentary.

33 FINAL ANNUAL FINANCIAL REPORT 2022/23

The Committee considered the Annual Financial Report 2022/23.

The report explained the need for the request for delegated authority to be given for the approval of the final 2022/23 Annual Financial Report, and recommended that the final Annual Governance Statement 2022/23 be approved.

Members were reminded that the Committee had previously seen a draft version of the financial statements for 2022/23 at their May '23 meeting. In accordance with the new timescales, it was now necessary to finalise these accounts, in view of the backstop date of 13 December 2024.

However, as the External Auditor had yet to complete the audit and give a disclaimed opinion on the 2022/23 accounts, the report sought delegated authority for the Chairman of the Audit Committee and the S151 Officer to subsequently agree the accounts and the letter of representation once Ernst and Young had completed this.

Whilst noting the 2022/23 accounts had been largely superseded, members asked whether any specific matters had been raised. In reply, it was reported that there had been a minor difference of opinion on the method of valuation of the Council's leisure centres, and this had been taken on board and reflected in this latest draft.

It was now anticipated that the version now submitted would be the final document to be signed off, but officers undertook to report back to the Committee if there were any changes.

Members acknowledged that many other councils were in a similar position and going through the same process of bringing audits up to date in this way.

RESOLVED:

- (i) That the Strategic Director, Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given delegated authority to review and consider the 2022/23 Audit Completion Report from the Council's External Auditor.
- (ii) That further to the above review, the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given delegated authority to approve:
 - a) The Annual Financial Report for 2022/23; and
 - b) The 2022/23 letter of representation
- (iii) That the Final Annual Governance Statement 2022/23 be approved by the Chief Executive and Leader of the Council.

34 DATES OF FUTURE MEETINGS

The Committee considered recommended dates for future meetings.

It was explained that, given the newness of the audit backstop dates, some of the dates below would need to be changed and officers undertook to advise members of these changes as soon as possible.

RESOLVED:

That, subject to amendments advised by members in due course, the following dates be agreed for meetings in 2025/26:

(Fridays at 10 am (proposed change from 9.30am)):

2025

30 May

25 July

31 October

2026

23 January

27 March

CHAIRMAN