

AUDIT COMMITTEE17 MARCH 2016

Present:- Councillor A D Coley (Chairman), Councillor C W Griffiths (Vice-Chairman) and Councillor J Broderick

In Attendance:- Finance and Procurement Manager and Section 151 Officer (Richard Barrett), Audit and Governance Manager (Steve Blake), Democratic Services Officer (Janey Nice) and Democratic Services Officer (Katie Sullivan)

Also in Attendance:- Chris Hewitt (Ernst & Young – External Auditor) and Kevin Suter (Ernst & Young - Executive Director)

(7.30 p.m. - 8.43 p.m.)

24. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Chapman and Stephenson.

25. MINUTES OF THE LAST MEETING HELD ON THURSDAY 17 DECEMBER 2016

The minutes of the meeting of the Committee held on 17 December 2015 were approved as a correct record and signed by the Chairman.

26. DECLARATIONS OF INTEREST

There were none on this occasion.

27. ANNOUNCEMENT BY CHAIRMAN

The Chairman announced that he would change the order of the items of the agenda for the meeting with item 4 (Presentation by the External Audit Manager) being held after item 5 (Reports of Audit and Governance Manager).

28. REPORT ON INTERNAL AUDIT - DECEMBER 2015 TO FEBRUARY 2016

The Council's Audit and Governance Manager (Steve Blake) provided a report which gave a periodic report on the Internal Audit function for the period December 2015 to February 2016.

The Audit and Governance Manager informed the Committee that:

- With the exception of the audit on Asset Management, all audits completed in the period had achieved a satisfactory level of assurance. Progress regarding the significant issues arising from the Asset Management audit would be brought back to the next meeting of the Committee; and
- Scheduled audits that had been unable to be progressed in the current year had been taken into account in preparing the 2016/17 Audit Plan.

He also informed Members that a self-assessment of the Internal Audit function against the Public Sector Internal Audit Standards would be undertaken shortly and brought to the Committee's attention at the next meeting of the Committee. He also added that there was an investigation ongoing which had impacted upon the functions performance against the Internal Audit plan, but that he could not give any details at that point but would bring

this back to the Committee when it had been resolved.

The Audit and Governance Manager also informed the Committee of the current position in relation to:

- (i) Public Sector Internal Audit Standards;
- (ii) Internal Audit Plan Progress;
- (iii) Quality Assurance;
- (iv) Outcomes of Internal Audit Work; and
- (v) Management response to Internal Audit findings.

Following discussion and questions by Members, it was:

RESOLVED that the contents of the report be noted.

29. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2016/17

There was submitted a report by the Council's Audit and Governance Manager which sought the Committee's approval for an updated Internal Audit Charter and the Internal Audit Plan for 2016/17.

The Committee was reminded that Public Sector Internal Audit Standards required that the Audit and Governance Manager: -

1. Periodically reviewed the Internal Audit Charter and presented it for approval.
2. Provided a high level statement of how the Internal Audit Service would be delivered and developed in accordance with the Internal Audit Charter and how it linked to the organisational objectives and priorities.
3. Established a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.
4. Had in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
5. Produced a plan that took into account the need to produce an annual Internal Audit opinion.
6. Considered the input of senior management and the Audit Committee in producing the plan.
7. Assessed the Internal Audit resource requirements.

It was reported that the Internal Audit Charter had been reviewed and updated to reflect the introduction of the Accounts and Audit Regulations 2015, and to improve clarity. The Internal Audit function would continue to deliver a service that took account of, and followed, the requirements as set out in the Charter, and which:

- Discharged the Council's statutory responsibilities with regard to internal audit;
- Contributed to the Council's governance, risk and assurance arrangements;
- Enabled the Audit and Governance Manager to provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment; and
- Delivered a quality service.

The Internal Audit resources available were considered sufficient to be able to deliver an

Internal Audit Plan that met the above requirements.

Having discussed the proposed Internal Audit Plan it was:

RESOLVED that

- (a) The updated Internal Audit Charter be approved;
- (b) the Internal Audit Plan for 2016/17 be approved; and
- (c) the existing arrangements for updating the Plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this Committee as part of the periodic Internal Audit reporting arrangements

30. PRESENTATION BY EXTERNAL AUDIT MANAGER

The Ernst & Young External Auditor (Chris Hewitt) gave the background to the Requirement of Local Audit & Accountability Act 2014 Section 21(1) and informed the Committee that it was a National Audit Office (NAO) requirement which required the Council's need to plan and conduct risk assessment and undertake sufficient work against any identified significant risks. He added that in terms of burden on the Local Authority the overall aim was not to put extra burden of Officers.

He said that the overall criterion was that in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for tax payers and local people. He added that this criteria replaced the previous two criteria for audited bodies which were: (1) securing financial resilience and (2) challenging how they secured economy, efficiency and effectiveness.

Mr Hewitt informed the Committee of the three Sub-Criteria and 10 Proper Arrangements, and said that the Council did not have to work on all of the 10 items, just the main key issues.

Mr Hewitt gave further details of the Auditor's risk assessment and where the Auditor drew information from and explained again how they would concentrate on areas of concern rather than on all of the Council's range of documents that had been produced. He gave potential examples of risk which were:

1. Organisational change and transformation;
2. Significant funding gaps in financial planning;
3. Legislative/policy changes;
4. Repeated financial difficulties or persistently poor performance; and
5. Other sources which could come from an independent inspectorate or other review agency identified significant concerns about the quality of services provided.

Audit work to be undertaken, he said, would be proportionate to work done in the previous year and to a level sufficient to be clear on the conclusion and reduce the initial audit risk. He added that the reporting of the Auditor's findings would include, the Audit Plan – risk assessment, ISA260 completion of fieldwork, results of work and proposed conclusion, Auditor's conclusion, the Annual Audit Letter with key findings and conclusion and the possibility of needing to consider wider reporting arrangements.

Mr Hewitt concluded his presentation by informing the Committee of qualified conclusions and the NAO supplementary information.

The Council's Finance and Procurement Manager gave information which clarified the Committee on the Sub-Criteria and Proper Arrangements in that the Council was aware of how the Code of Corporate Governance was changing.

31. EXTERNAL AUDITOR'S AUDIT PLAN 2015/16

There was submitted a report by the Council's Corporate Director (Corporate Services for the Committee's consideration and agreement the External Auditor's Audit Plan for 2015/16.

Members were informed that the External Auditor's Audit Plan for the year ending 31 March 2016 set out the planned audit work in respect of the 2015/16 Financial Statements and Value for Money conclusion. The Plan had been developed taking into account a number of factors such as strategic, operational and financial risk which provided a reporting focus on the areas that mattered and would more likely be relevant to the Council.

Kevin Suter from the Council's external auditor, Ernst & Young, highlighted the salient points of their audit plan for 2015/16 and, in particular, focused on the Financial Statements Risks, the Responsibilities in respect of fraud and error and the Value for Money conclusions. He also highlighted the matter of Materiality which was item 4.4 on page 43 of the Appendix to item A.3 of the Corporate Director (Corporate Services) report

Having considered the proposed External Auditor's Audit Plan it was:

RESOLVED that the External Auditor's Audit Plan for 2015/16 be approved.

32. EXTERNAL AUDIT - CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014/15

There was submitted a report by the Council's Corporate Director (Corporate Services) which presented the External Auditor's certification of claims and returns annual report for 2014/15.

In summary, the key outcomes from the annual report were as set out below:

- In respect of the housing benefit subsidy claim, testing had identified some errors that had subsequently been amended, with no significant impact on the overall level of subsidy receivable. A qualification letter had been issued by the External Auditor based on the findings set out in their report.

In response, a recommendation had been agreed that related to the Council performing early and extended testing in those areas where errors had been identified in 2013/14 to ascertain the extent of similar errors arising in 2014/15.

- In respect of the second claim that was subject to external audit, no errors had been identified and the claim was certified without qualification.

Mr Hewitt from the Council's external auditor, Ernst & Young, highlighted the salient points of their audit report

Having considered the External Auditor's report it was:

RESOLVED that

- (a) the contents of the External Auditor's certification of claims and returns annual report

2014/15 be noted; and

(b) the recommended action in response to the External Auditor's findings be approved.

33. AUDIT COMMITTEE'S WORK PROGRAMME 2016/17

There was submitted a report by the Council's Corporate Director (Corporate Services) which presented for approval the Committee's proposed work programme for the period April 2016 to March 2017.

Members were aware that, in addition to the regulatory and statutory activities undertaken by the Committee such as the Statement of Accounts, Corporate Governance and Risk Management, the Committee were also required to review and scrutinise:

- The work and performance of the Internal Audit function;
- The outcomes from the work of the Council's External Auditor; and
- Progress against audit recommendations and other items identified by the Committee.

It was reported that as the year progressed, it might be necessary to review items as some reports / activities and associated timescales could be subject to change. As appropriate, the Chairman of the Committee would be consulted on any significant changes to the work programme.

Having considered the proposed Work Programme it was:

RESOLVED that

The Audit Committee's Work Programme for 2016/17 be approved.

34. TABLE OF OUTSTANDING ISSUES

There was submitted a report by the Council's Corporate Director (Corporate Services) which presented to Members the progress against outstanding actions identified by the Committee.

It was reported that there were no significant issues to bring to the attention of the Committee, with updates provided against individual items, as set out in Appendix A to item A.6 of the Report of the Corporate Director (Corporate Services). It was confirmed that the three items in Appendix A of the afore-mentioned report were a snapshot at this time and that the Committee would be kept up to date on the issue of the Council being able to appoint external auditors in 2017/18 and Mr Barrett gave further clarification on that issue. Further information was set out in Appendix B to that report that gave updates against actions identified within the Annual Governance Statement, again with no significant issues to highlight at the present time.

Mr Barrett also informed the Committee that the department had currently been working with insurers concerning a property risk audit.

Other matters reported for the Committee's consideration were the Code of Corporate Governance, how the department was dealing with fraud issues as identified in the afore-mentioned report. Mr Barrett informed the Committee he would report on updates as appropriate and include this as an item on future Table of Outstanding Issues reports along with arrangements in respect of the Garden Communities project that is currently being developed with Local Authority

Having discussed the contents of the report it was:

RESOLVED that the progress against the Table of Outstanding Issues be noted.

35. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN JUNE 2016

The Committee noted that the date for its next meeting was Thursday 23 June 2016 commencing at 7.30 p.m. in the Council Chamber, in the Council Offices, Thorpe Road, Weeley.

It was reported that items currently scheduled for that meeting included:

- 1) Annual Report of the Head of Internal Audit and Annual Review of Effectiveness of System of Internal Control
- 2) Internal Audit Regular Monitoring Report
- 3) Annual Governance Statement (including review of the Council's Code of Corporate Governance)
- 4) Corporate Risk Register (six monthly review)
- 5) Table of Outstanding Issues (including update against External Audit Recommendations)

The Chairman thanked the Officers and also Chris Hewitt and Kevin Suter for all the help, advice and assistance that they had given him and the Committee. He also thanked the Members of the Committee for their input and commitment to the work of the Committee.

Chairman