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AUDIT COMMITTEE30 JUNE 2016

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

Stand-by Member:- j

In Attendance:- Head of Finance, Revenues & Benefits Services & Section 151 Officer (Richard Barrett), Head of Public Realm (Ian Taylor), Audit and Governance Manager (Steve Blake) and Democratic Services Officers (Janey Nice and Katie Sullivan)

Also in Attendance:- Chris Hewitt (Ernst & Young - External Auditor)

(7.30 p.m. - 8.35)  
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1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Chapman (with Councillor Steady substituting) and Stephenson (with Councillor Hones substituting) and Councillor Skeels Jnr.

2. MINUTES OF THE LAST MEETING HELD ON THURSDAY 17 MARCH 2016

The minutes of the meeting of the Committee held on 17 March 2016 were approved as a correct record and signed by the Chairman, subject to the requested amendments made by the External Auditor in respect of Minute 30, of the Presentation from the Council's External Auditor being incorporated therein.

3. DECLARATIONS OF INTEREST

There were none on this occasion.

4. REPORT ON INTERNAL AUDIT - MARCH - MAY 2016 AND ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2015/16

The Council's Audit and Governance Manager (Steve Blake) provided a periodic report on the Internal Audit function for the period of March to May 2016 and the Audit and Governance Manager's Annual Report for 2015/16, as required by professional standards.

The Audit and Governance Manager informed the Committee of the level of audit activity undertaken in the period and where improvements had been identified as being required.

Following an investigation, the Audit and Governance Manager was only able to provide a qualified opinion on the Council's control environment at the end of 2015/16, which would be reviewed / revisited as part of on-going work in 2016/17. Actions had been identified from the investigation, which were being implemented, with the Committee putting forward additional items to support the improvement plan. The improvement plan would be reported back to the Committee as part of future Table of Outstanding issue reports

In respect of the investigation mentioned above, The Head of Public Realm (Ian Taylor) gave an update to the Committee. Councillor Coley remained concerned that lack of training had caused the problem and needed reassurance that proper procedures were in place. Mr Taylor said this would be followed up at all team meetings in the future and the

improvement plan included a number of items to address such issues.

Councillor Griffiths raised concerns that Officers were processing orders without adequate details on them and added that the Managers needed to check that all orders had adequate details and asked again what checks were made on orders as he did not think it should be left to Audit to pick up these matters.

Officers responded to the concerns raised and confirmed that that the improvement actions highlighted would support many of the issues raised. Councillor Coley added it was a major concern for future risks and he would be interested to see the structure of training and how it was developed.

The Audit and Governance Manager also informed Members that The Public Sector Internal Audit Standards required the Audit and Governance Manager to make arrangements for reporting to Senior Management (Management Board) and to the Board (Audit Committee) during the course of the year and for producing an annual Internal Audit opinion and report that could be used to inform Members of the Annual Governance Statement. He added that no guidance had yet been published on the updates from the Government from 1 April 2016 so no work had been done on this to date.

The Audit and Governance Manager also informed the Committee that The Accounts and Regulations 2015 Act made it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

General updates / assurances were also provided on a number of issues emerging from internal audit work including S106, debtors and asset strategy.

#### ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2015/16

##### (1) Opinion on the Overall Adequacy and Effectiveness of the Council's Internal Control Environment

The Audit and Governance Manager informed Members that the Internal Audit function had completed 35 scheduled audits during the year, and a further eight 2015/16 audits had been completed by May 2016. For the audits that were completed, assurance had been classified as:-

(Table as on page 14 of the report.)

The Audit and Governance Manager informed the Committee that the result of each audit completed had been included in periodic reports produced during the year, and the Committee's attention had been drawn to any significant issues where the level of Assurance had been classified as Improvement Required. Whilst there had been audits during the year given this level of Assurance, the number at this level was low. No audits had come close to being classified Significant Improvement Required.

##### (2) Qualification to the Opinion

Mr Blake said that the opinion that had been given above had been based upon the level of Internal Audit activity that it had been proved possible to deliver with the resources available during the year. He said it was not possible to fully complete the planned work during the year as detailed elsewhere in this report, although all key audits had been undertaken or were in progress at the year end. In forming an opinion he said, audit outcomes identified, but not reported until the 2016/17 plan year had been taken into

account. He added that the level of coverage achieved was considered sufficient to be able to provide the assurance required.

(3) Summary of the Internal Audit Work Undertaken to Formulate the Opinion, and Reliance Placed on the Work by Other Assurance Bodies

The Committee requested and received further details regarding issues raised as a result of work undertaken by the Internal Audit function.

In accordance with best practice and the requirements of the Public Sector Internal Audit Standards, the 2015/16 plan had included arrangements for the follow up of issues found at previous audits. This had taken the form of: -

- Separate follow up audits and embedded follow up work within assurance audits. In those cases any ongoing outstanding issues were formally reported to management, with any significant issues drawn to the attention of the Committee.
- Action Tracking – monthly reminders had been issued, and responses verified by evidence where it was appropriate to do so.

A schedule of the audits undertaken during 2015/16 was included at Appendix B of the Report of the Audit and Governance Manager.

Upon completion of each audit a draft report was issued to the appropriate Corporate Director / Head of Department, containing details of any findings required addressing that which had been identified. Subsequent discussions had been held with appropriate Senior Managers and final reports were then issued, which included detail of agreed actions to resolve the issues identified. There were no instances, for the reports issued during 2015/16, where a satisfactory action had not been identified and agreed.

(4) Performance of the Internal Audit Function

The performance measures used during 2015/16 were as follows: -

(Table on Page 12 of the Report)

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#### (4) Performance of the Internal Audit Function

The performance measures used during 2015/16 were as follows(: -

Table on Page 14 of the report)

\*At the time of producing this report 90.5% of the 2015/16 plan had been completed.

#### (5) Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards had been in place from 1 April 2013. Progress updates had been periodically reported to the Committee, on the work being undertaken to demonstrate conformance with the requirements of the Standards.

Having considered and discussed the report, it was RESOLVED that the contents of the report be noted.

### 5. ANNUAL GOVERNANCE STATEMENT 2015/16 AND CODE OF CORPORATE GOVERNANCE

The Audit and Governance Manager submitted the Annual Governance Statement 2015/16 for the Committee's approval and advised Members on progress regarding the changes required to the Code of Corporate Governance following the publication of a new framework by CIPFA/ Solace.

Mr Blake said that Appendix A gave an overview of the Annual Governance Statement for 2015/16 and included updates on significant issues identified in the previous year's Annual Governance Statement.

Officers provided further details around the formulation of the AGS for 2015/16 along with a number of actions for progressing in 2016/17. Updates against the actions identified would be reported to the Committee as part of future Table of Outstanding Issue Reports.

Officers informed the Committee that following the publication of the new CIPFA/Solace framework in April 2016, it was necessary to review the content of the Code. The results of that review would be brought to a future meeting of the Committee, together with an updated Code for approval.

Councillor Griffiths asked if the recent EU Referendum would have any effect on resources specifically with regard to the 'budget gap' and if there were any specific issues to be identified. Mr Barrett said there could be a number of issues that could affect the Council, grant funding being the biggest threat. Councillor Coley commented it was still early to tell what effect the referendum result could have on the Council and other Local Authorities.

Mr Barrett said that updates would be provided whenever possible to the Committee and also to the Corporate Management Committee.

Following a discussion around the TV company due to start filming in Jaywick, the Committee requested updates on the project as part of the general position on Jaywick, which forms part of the actions set out in the Annual Governance Statement.

After consideration of the report, it was RESOLVED that:

- (a) the Annual Governance Statement 2015/16 be approved; and
- (b) the Chief Executive and Leader of the Council be advised of the outcome of the annual review and be authorised to sign the Annual Governance Statement, as set out as Appendix A to the afore-mentioned report.

## 6. CORPORATE RISK UPDATE

The Audit and Governance Manager presented to the Committee a report on the updated Corporate Risk Register which included a limited number of changes since it was last considered by the Committee in December 2015.

In respect of Member Conduct which was a risk included on the register, the Committee raised concerns about the number of complaints against Councillors and the amount of time that the Council's Monitoring Officer must spend in responding to such issues. The Committee confirmed its commitment to keeping a watching brief on this issue as part of the future risk register updates.

In respect of potential future risks, Officers stated that although there were a number of projects currently being developed such as Garden Communities, associated risks would only be included on the risk register once the Council was exposed to the associated risks, which could be financial, non-financial or both.

After further consideration of this item it was RESOLVED that the contents of the report be noted.

## 7. AUDIT COMMITTEE - TABLE OF OUTSTANDING ISSUES

The Head of Finance, Revenues & Benefits Services updated the Committee with the progress against outstanding actions identified by the Committee.

Mr Barrett provided an update on the work scheduled to be undertaken with the Council's insurers. Following a change in the Council's insurers, this activity would now be progressed in discussion with the new insurers.

It was RESOLVED that the Committee had noted the outstanding issues.

8. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN SEPTEMBER 2015

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

- 1) Annual Governance Report 2015/16 (includes Statement of Accounts and VFM Opinion)
- 2) Internal Audit Regular Monitoring Report
- 3) Fraud and Corruption Strategy, Benefit Security Strategy and Prosecution Policy
- 4) Annual Review of the Risk Based Verification Policy
- 5) Table of Outstanding Issues

9. 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.

10. 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.

#### 11. 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.

#### 12. 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