

AUDIT COMMITTEE

24 SEPTEMBER 2015

Present:- Councillors Coley (Chairman), Griffiths (Vice-Chairman), Stephenson and Steady

Also Present:- Councillor Hones

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

Also in Attendance:- Chris Hewitt and Neil Harris (Ernst and Young - External Auditor)

(7.30 p.m. - 8.27 p.m.)  
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9.. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Chapman (with Councillor Steady substituting) and Councillor Broderick.

10. MINUTES OF THE LAST MEETING HELD ON THURSDAY 25 JUNE 2015

The minutes of the meeting of the Committee held on 25 June 2015 were approved as a correct record and signed by the Chairman.

11. DECLARATIONS OF INTEREST

There were none on this occasion.

12. REPORT ON INTERNAL AUDIT - JUNE 2015 - AUGUST 2015

There was submitted a report by the Council's Audit and Governance Manager (Steve Blake) which provided a periodic report on the Internal Audit function for the period June 2015 to August 2015.

The Audit and Governance Manager highlighted the following matters:

(1) Public Sector Internal Audit Standards

There were no issues to report at this time.

(2) Internal Audit Plan Progress

As previously reported to the Committee the volume of work incomplete at the financial year-end and therefore carried forward into 2015/16 had exceeded that allowed for in the 2015/16 audit plan. The plan had included a provision of time for implementation of the new Internal Audit computer system, but that provision had been found to be insufficient, and adjustment to the plan would now be required to accommodate the additional time required to complete the project. The Committee were informed that the company who were providing the software would be arranging the training of staff in the new system which meant the system would go live in November 2015. The possible need for such an adjustment had been acknowledged by the Committee at its March 2015 meeting.

Whilst the need for plan adjustments had been identified, it was not proposed to make

those changes at this time, but to defer such changes to the December meeting of the Committee. This would enable the ongoing impact of the computer system implementation to be taken into account when the adjustments were made. Traditionally the forthcoming period was when audit work on the key financial systems was undertaken, such work being considered compulsory in terms of being able to form an annual overall opinion of the control environment at the end of the financial year, and as such deferral of a decision on plan adjustments would have little impact at this time.

It was also currently expected that the new computer system would go 'live' before the next meeting of the Committee.

Appendix A to item A.1 of the Report of the Audit and Governance Manager provided the Committee with details of the status for each audit in the plan.

(3) Quality Assurance

The Internal Audit section had issued satisfaction surveys for each audit completed. In the period under review 93% of the responses received had indicated that the auditee was satisfied with the audit work undertaken.

(4) Outcomes of Internal Audit Work

The Public Sector Internal Audit Standards required the Audit and Governance Manager to report to the Audit Committee on significant risk exposures and control issues. Eight audits had been completed and issued since the last report to this Committee, of which 5 had achieved a "Substantial Assurance" and 3 had achieved an "Adequate Assurance". There were no issues requiring the Committee's attention.

(5) Management Response to Internal Audit Reports

There were processes in place to track action taken regarding issues raised in Internal Audit reports and to seek assurance that appropriate corrective action had been taken, with follow up work being undertaken where necessary. At this time there were no high severity issues that were overdue.

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

13. AUDIT COMMITTEE 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.2 of the Report of the Corporate Director (Corporate Services), or elsewhere on the agenda where appropriate. The only issue the Finance and Procurement Manager (Richard Barrett) drew to the Committee's attention was that on the Risk Management item he was hoping to have more information on this to bring to the Committee's attention at the December meeting.

It was also reported that there were no significant issues to bring to the attention of the Committee, with updates provided against actions identified within the Annual Governance Statement, as set out in Appendix B to the afore-mentioned Report.

The Chairman asked the Auditors present about the work on Phase 2 and how it was

progressing and Mr Hewitt of Ernst & Young gave a verbal update.

Having discussed the contents of the report it was:

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

14. AUDIT RESULTS REPORT 2014/15

The Committee gave consideration to item A.3 of the Report of the Corporate Director (Corporate Services) which presented:

- The External Auditor's Audit Results Report 2014/15 and Letter of Representation for Members' consideration and approval in order to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor;
- The Statement of Accounts 2014/15 for Members' consideration and approval for publication by the end of September 2015; and
- A revised Annual Governance Statement 2014/15 for Members' approval.

Mr Harris clarified that the auditors' prime function was to audit the final statement and to give a fair picture of the Council's financial position and to check its financial efficiency. Mr Hewitt further commented that any issues raised with the Finance and Procurement Manager's team had been corrected and he wished it to be placed on record that he was happy with the way that the Council Officers had worked with the Auditors, which reflected well on this Council.

It was also stated that the financial position of the Council, in common with other Local Authorities, had come under close scrutiny in recent years, and it was explained how various issues were looked at, including checking to see that the Council did not rely on grant funding, and there were no signs that there was any concern on financial resilience. Mr Harris said that significant work had been undertaken during the last year on the coastal defence project and he was happy with the way in which it had been dealt with. He said that, he had no concerns about the project management and that the Council continued to plan a significant capital programme.

Councillor Steady asked about the Council's links with Essex County Council (ECC), if any, and also asked if the Auditors would flag up any concern with ECC. Mr Harris said that as this Council was the host Council he would bring any concerns to the Audit Committee.

The Finance and Procurement Manager then informed the Committee about appeals, especially as 2014/15 had been an unusual year, in that any appeals that were raised after April 2015 could be backdated prior to that date.

Further questions from the Committee included concerns about Universal Credit and the impact it may have on the Council and also about the impact of fraud on the Council and if there was an early warning system in place. It was confirmed that there was a likely impact on the Council on the implementation of Universal Credit with the Council being asked to give more and more advice and with the concern about fraud, the Audit and Governance Manager explained the systems in place to stop funds being diverted so that the Council had no exposure to that kind of fraud. Mr Barrett commented that a fraud was attempted but it had no effect on the Council as it was noticed before it caused any problem.

It was noted that the Committee would be notified by email by the Finance and Procurement Manager if anything significant needed to be reported to the members of the Committee.

Mr Harris notified the Committee that he would not be attending any future meetings of the

Committee and that Mr Kevin Souter would be attending in his place.

Having considered the matters raised, the Committee RESOLVED:

1. That, in respect of the Audit Results Report, the Audit Committee:

(a) Considered and noted the contents of the External Auditor's Audit Results Report 2014/15, including the required adjustments to the Financial Statements, as set out on Pages 6 and 7 of the report A.3 of the Report of the Corporate Director (Corporate Services);

(b) Subject to (a) above and subject to further changes under delegated powers, approved the Letter of Representation, as set out as Appendix B to the External Auditors Audit Results Report 2014/15;

(c) Subject to (a) above and subject to further changes under delegated powers, authorised the Finance and Procurement Manager and Audit Committee Chairman to sign the Letter of Representation for forwarding to the External Auditor;

(d) Subject to (b) and (c) above and subject to further changes under delegated powers, approved for publication, the audited Statement of Accounts for 2014/15, amended for the adjusted items identified; and

(e) Approved a delegation to the Finance and Procurement Manager, in consultation with the Chairman of the Audit Committee, to make amendments to the Letter of Representation for forwarding onto the External Auditor and or Statement of Accounts 2014-15 before publication, if further changes were recommended by the External Auditor, following the completion of the outstanding areas of their work and for the Committee to be made aware of such amendments.

2. That, in respect of the Council's Annual Governance Statement 2014/15:

(a) The revised Annual Governance Statement, as set out in Appendix A to the report be approved; and

(b) Subject to 2(a) above, the Chief Executive, in consultation with the Leader of the Council, be authorised to sign the Annual Governance Statement, as set out in Appendix A to the report.

15. 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.4 of the Report of the Corporate Director (Corporate Services), or elsewhere on the agenda where appropriate.

The Committee also had before it for its information the External Auditor's Fee letter relating to 2015/16. This highlighted a 2015/16 proposed fee that was significantly lower than 2014/15, which reflected the on-going reduction in fees seen over the last few years. The 2015/16 budget was £86,840 which was sufficient to meet the external audit fees of £75,087 and allow for the cost of additional work that may be required outside of the basic fee.

Having discussed the contents of the report it was:

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

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

The Committee noted that the date for its next meeting was Thursday 24 September 2015 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 Governance Report 2014/15 (includes Statement of Accounts);
2. Internal Audit Regular Monitoring Report; and
3. Table of Outstanding Issues (including update against External Audit Recommendations and obtaining the views of External Audit on the effectiveness of the Committee).

The Committee was informed that the Council's Fraud and Corruption Strategy, Benefit Security Strategy and Prosecution Policy would need to be updated following the transfer of statutory responsibilities from the Council to the Department of Work and Pensions. It was agreed that potential risks around the transference of data and outstanding investigations would need to be carefully managed.

17. ANNUAL GOVERNANCE STATEMENT 2010/11

The Committee gave consideration to the Annual Governance Statement for 2010/11 presented for their approval and were advised of minor updates to be made to the Code of Corporate Governance for 2011.

It was moved by Councillor Talbot, seconded by Councillor Challinor and:-

RESOLVED – (a) That the Annual Governance Statement be approved.

(b) That the Chief Executive and Leader of the Council be advised of the outcome of the review and authorised to sign the Annual Governance Statement set out in the Appendix to item A.7 of the report of the Head of Legal Services and Monitoring Officer.

18. MEMBER TRAINING

At the request of the Committee the Head of Financial Services undertook to research possible external training options for Members. It was suggested that training could possibly be undertaken in conjunction with other Authorities in the area.

19. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN JUNE 2015

The Committee noted that the date for its next meeting was Thursday 25 June 2015 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) Update on use of S106 Funding
- 6) Review / Update in respect of Housing Development in the Tendring District
- 7) Table of Outstanding Issues (including update against External Audit Recommendations)

The Chairman thanked the Officers and Chris Hewitt 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.

20. ITEMS FOR THE NEXT MEETING OF THE AUDIT COMMITTEE

It was noted that the following matters would be brought before the Audit Committee for consideration at its next meeting, to be held on Thursday 12 December 2013:

- Internal Audit Monitoring Report
- Annual Audit Letter 2012/13
- External Audit – Certification of Claims and Returns
- Risk Strategy and Register
- Table of Outstanding Issues

Chairman