

AUDIT COMMITTEE

13 DECEMBER 2013

REPORT OF HEAD OF RESOURCE MANAGEMENT

A.4 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES AND DRAFT LOCAL AUDIT BILL UPDATE

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Committee the progress against outstanding actions identified by the Committee and provide an update on the Draft Local Audit Bill.

EXECUTIVE SUMMARY

The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee at its 25 September 2012 meeting.

To date there are no significant issues to bring to the attention of the Committee, with updates provided against individual items set out in **Appendix A**.

An update has also been provided on the progress of the Draft Local Audit Bill which will have an impact on the Council's external audit arrangements.

RECOMMENDATION(S)

That the Committee reviews and notes the progress against the Table of Outstanding Issues.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of Corporate priorities supported by effective management and forward planning within this overall framework.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no significant financial implications associated with monitoring and implementation of agreed actions or responses. If additional resources are required to deliver an agreed action then appropriate steps will be taken including any necessary reporting requirements.

Risk

The Table of Outstanding Issues is in itself a response to potential risk exposure with further activity highlighted to address matters raised by the Audit Committee.

LEGAL

There are no direct legal implications associated with this report.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

This report does not have a direct impact although such issues could feature in future recommendations and actions. Any actions that may have an impact will be considered and appropriate steps taken to address any issues that may arise.

PART 3 – SUPPORTING INFORMATION

TABLE OF OUTSTANDING ISSUES

A Table of Outstanding Issues is maintained and reported to each meeting of the Committee. This approach enables the Committee to effectively monitor progress against issues and items it has raised as part of its governance responsibilities.

An updated Table of Outstanding Issues is set out in **Appendix A**.

Update Against Issues Raised

Actions identified by the Committee at its 25 September 2012 meeting have now been included.

Updates against items either appear as separate reports elsewhere on the agenda or set out within the Appendix, with work scheduled or remaining in progress against all items.

Interim Update on On-Going Items

The on-going activity shown in **Appendix A** that relates to actions against Audit Commission recommendations is covered in more detail within a separate report presented elsewhere on the agenda.

Draft Local Audit Bill

The Council has recently received a copy of the consultation responses in respect of the Draft Local Audit Bill that builds on the earlier consultation on the future of local public audit that the Committee considered at its 27 June 2011 meeting, with this report providing a timely opportunity to provide the Committee with the latest update.

The draft bill sets out the Government's vision for a new local audit framework, where bodies will be able to appoint their own auditors from an open and competitive market, on the advice of an independent auditor appointment panel. The Government's decision to close the Commission and the outsourcing of all of its work to the private sector as the first steps of implementing the wider reforms has already happened with Ernst and Young being the new External Auditors for the Council.

The reforms will also include the potential oversight by bodies such as the National Audit Office, Financial Reporting Council and professional accountancy bodies to ensure that high standards of auditing continue.

One of the key issues considered within the Bill involves how authorities can appoint their own External Auditors from 2015 when the current Audit Commission outsourcing arrangements end. A key principle put forward concerns the use of Independent Auditor panels to oversee the appointment process. The Government are keen to safeguard

auditor independence whilst limiting the burden on authorities so the use of existing Audit Committees could play a vital part of this process if they meet any independence requirements. The draft Bill includes a provision for the Secretary of State to issue guidance on how panels will operate in practice, and they will be working with the sector to develop this and address the issues raised in the consultation responses.

In progressing the Draft Bill, the Government are now considering a number of more detailed and technical points on specific clauses along with the consultation responses.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Table of Outstanding Issues (December 2012)

AUDIT COMMITTEE - Table of Outstanding Issues (December 2012)

Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date
Internal Audit	Outcomes from Internal Audit Monitoring Report	At its 27 June 2011 meeting the Committee resolved: <i>(d) That officers explore alternative ways of using change, rather than simply banking as cash.</i>	Head of Resource Management	The Council's cash collection services now incorporates an outsourced bill pay service. Although this change is still being embedded an early impact of the change has been a significant reduction in the 'availability' of cash. Cash that is collected from remote sites such as Leisure Facilities are placed in sealed and reconciled bags in readiness for banking. This has the knock on effect of a reduced ability to open or split such reconciled bags of money for any other purpose which follows good audit and governance practice. However the position will remain under review in terms of identifying opportunities in response to the Audit Committee's request.	Mar-13
Corporate Governance	Constitution Update	At its 22 March 2012 meeting the Committee resolved: d) That the role of an internal Contractor as against the role of an external Contractor be reviewed in the next review of the Constitution.	Head of Resource Management	A number of wider amendments to the Constitution are required such as those associated with the outcome from Fundamental Service Reviews. As more changes are emerging it is planned on taking the practical step of incorporating the change requested by the Committee with the wider changes to enable them to be brought together for consideration by Cabinet, Scrutiny Committee and Council in early 2013.	Jan-13
Audit Committee Effectiveness	Periodic review of the operation and effectiveness of the Audit Committee.	At its 28 June 2012 meeting the Committee considered a formal update against actions previously identified and resolved: <i>That the proposed actions set out in the Appendix to item A.4 of the Report of Head of Resource Management be approved, subject to the Officers investigating further opportunities for general Audit Committee training for Members</i>	Finance and Procurement Manager	Activity against outstanding items remain in progress. In terms of potential training opportunities, a possible external training session being held in January 2013 is currently being investigated with further details planned on being presented directly at the meeting for further consideration.	Dec-12

Risk Management	Membership of Outside Bodies	In considering an ongoing item regarding member representation on outside bodies at its 28 June 2012 meeting, the Committee resolved: <i>That the Member Representation on Outside Bodies governance issue be added to the Table of Outstanding Issues.</i> At its meeting on 25 September 2012, the Audit Committee also resolved : <i>'in respect of Member representation on outside bodies, in the opinion of this Committee, a Member representing the Council on an outside body should produce appropriate reports to the relevant Portfolio Holder detailing his/her activities on that outside body. '</i>	Head of Corporate Services	The timing of the current review of this issue along with the recent change in Leadership of the Council has had a knock on impact on finalising the appointment of Members on outside bodies. However it is currently being considered whilst recognising the need to finalise the matter as soon as practical.	Dec 12 / Jan 13
Risk Management	Service Updates	At its 25 September 2012 meeting the Committee considered updates from both the Planning and Regeneration Services and resolved: <i>'that the Head of Planning Services and the Regeneration Manager be invited back to provide an update to the Committee at an appropriate time in the future.'</i>	Head of Planning Services/ Head of Corporate Services	The timing of the next update will be considered by the Committee as part of its work programme for 2013/14 subject to any earlier date considered more appropriate by Members.	Mar-13
Risk Management	Local Council Tax Support Scheme	At its 25 September 2012 meeting the Committee considered a report setting out the potential risks associated with the introduction of the Local Council Tax Support Scheme and resolved: <i>'that the actions being taken to manage and mitigate the risks associated with the implementation of the Local Council Tax Support Schemes across Essex be noted and that a further update be provided to the Committee at its December meeting.'</i>	Head of Resource Management	A separate update is set out elsewhere on the agenda.	Dec-12

INTERIM UPDATE - ONGOING ITEMS (more detailed information reported to the Committee via separate monitoring reports)

External Audit and Inspection	Implementation of Recommendations	Recommendations / opportunities for improvement are included in various reports received from the External Auditor following the completion of audit work they are required to undertake.	Finance and Procurement Manager	Detailed monitoring of these issues are undertaken via the six monthly External Audit Recommendations Action Plan. The latest position is set out in a separate report elsewhere on the agenda.
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Risk Management	Risk Management Strategy and Strategic Risk Register	Timing of Risk Management activities and reporting	Head of Resource Management	<p>To reflect the reorganisation and restructuring that has taken place over the last two years and to ensure the Council maintains a robust approach in the longer term it is currently proposed to undertake workshop based activities, involving members, our external auditors and insurance advisors, to comprehensively update and develop the Council's risk management approach, strategy and register. Activity is planned on being undertaken as early as possible in 2013, following which the outcome will be presented to the Committee.</p> <p>Notwithstanding the above, there are no major concerns at the current time as timely action would in any case be taken where significant issues or exposure to risk were identified in the interim period.</p>
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