

AUDIT COMMITTEE

18 DECEMBER 2014

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.5 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(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.

EXECUTIVE SUMMARY

- The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee at its 25 September 2014 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** or elsewhere on the agenda where appropriate.
- Updates against actions identified within the Annual Governance Statement 2013/14 are set out in **Appendix B** with no significant issues to highlight at the present time.

RECOMMENDATION(S)

That the Committee:

- a) Reviews and notes the progress against the 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 of the agreed actions or responses. If additional resources are required 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 that form part of its governance responsibilities.

An updated Table of Outstanding Issues is set out in **Appendix A**. An update against actions relating to the Annual Governance Statement 2013/14 is set out separately in **Appendix B**.

Update Against Issues Raised

Any actions identified by the Committee at its last meeting have now been included where appropriate.

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

Other Matters for Consideration

Code of Corporate Governance – Work in updating this document remains in progress. Given the current timing associated with the separate review of the Council's Constitution which forms the backcloth to the content of the Code of Corporate Governance, it remains practical to defer this item to enable all changes to the Constitution to be reflected in the revised code where necessary. It is important to note that the existing Code of Corporate Governance still remains 'live' and will remain so until a revised document is presented and approved by the Audit Committee.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Table of Outstanding Issues (Dec 2014) – General.

Appendix B - Table of Outstanding Issues (Dec 2014) - Annual Governance Statement Actions

AUDIT COMMITTEE - Table of Outstanding Issues (December 2014)

GENERAL					
Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date
Audit Committee Effectiveness	Periodic review of the operation and effectiveness of the Audit Committee.	<p>At its 26 September 2013 meeting the Committee considered a formal update against outstanding actions following the on-going monitoring of the Committee's effectiveness.</p> <p>The following two items remain in progress along with the wider request to review and determine future training opportunities for the Committee which could encompass all other members and officers:</p> <p>1) Committee's input into the External Audit Programme 2) The Committee periodically obtaining the views of External Audit on the work and effectiveness of the Committee.</p>	Finance and Procurement Manager	<p>In respect of item 1), the Local Audit and Accountability Act, which has recently come into force sets out a number of arrangements primarily around the appointment and conduct of local auditors. Therefore the role of the Committee in relation to the performance of the external auditor and the input into work programmes will form part of the associated work when this Council appoints its own external auditors which will not be until after 2017.</p> <p>In respect of item 2), the Council's External Auditor presented information on effective Audit Committee's and other associated information at the Committee's training session on 23 October 2014.</p> <p>The practicality of obtaining the views of the Council's External Auditors on a regular basis will become a standing item on the Committee's work programme in 2015.</p>	On-going
General Governance	Outcomes from work of Internal Audit	<p>The Audit Committee have maintained a watching brief on a range of planning issues such as enforcement and S106 agreements. The relevant Portfolio Holder and a representative from the service have attended previous Committee's to provide general updates. The latest update was provided to the Committee at its June 2014 meeting following which it resolved:</p> <p>(a) an extra column/data field be added to the Section 106 database that would highlight where individual Section 106 agreements had a related Essex County Council Section 106 agreement; and</p> <p>(b) the Section 106 Agreements database remains on the Table of Outstanding Issues.</p> <p>At its meeting on 25 September 2014, the Committee invited a representative from Planning along with the Portfolio Holder for Planning and Corporate Services to their meeting in December 2014 to respond to various questions on the administration of S106 funds.</p>	Head of Planning Services	<p>In respect of a), a practical response to achieve the aim of providing a joined up approach to the use of S106 money is being explored.</p> <p>In respect of b) the most up to date report detailing the current position against various S106 amounts will be provided at the meeting.</p> <p>A representative from Planning along with the Portfolio Holder for Planning and Corporate Services are scheduled to attend this meeting of the Committee to answer questions the Committee may have.</p>	On-going

External Audit	Future Change	At its meeting on 13 December 2012, the Audit Committee resolved: <i>That the local procurement of external audit services along with any impact on Parish/Town Councils is added to the Table of Outstanding Issues for future consideration.</i>	Finance and Procurement Manager	Under current proposals, Local Authorities will be able to appoint their own external auditors from 2017 (subject to the potential extension of existing arrangements). Independence, quality and governance arrangements will form part of any procurement decision which will be undertaken within the necessary timescales to be in a position to confirm appointment when applicable.	2016/17
Risk Management	Effective Management of the Council's Property Portfolio	Following the Audit Committee's training session on 23 October 2014, Officers were requested to keep the Committee up to date with the property risk audit that is to be undertaken in partnership with the Council's insurers.	Finance and Procurement Manager	Officers are currently working on the 'property questionnaire' provided by the Council's insurers. Once completed this will inform the next phase of the work to be undertaken with a meeting with the Council's insurers planned in early 2015.	On-going

AUDIT COMMITTEE - Table of Outstanding Issues (December 2014)

ANNUAL GOVERNANCE STATEMENT ACTIONS

Governance Issue	Action	Current Position / Update
Financial Resilience	Via the Financial Strategy process, continue to maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the backcloth of the potential for further cuts in Government funding.	<p>The revised financial baseline for 2015/16 will be considered by Cabinet on 12 December 2014. Significant savings have been identified supported by savings achieved in 2014/15 via the Austerity Reserve. Work remains on-going to provide an updated position to Cabinet in January for recommending onto Full Council on 10 February 2015.</p> <p>Recommendations from the Council's external auditor such as utilising scenario / sensitivity testing is now under review as part of the on-going financial forecasting process going into 2015/16.</p>
Council's Constitution	Complete the comprehensive review of the Council's Constitution to ensure that it is fit for the future, including consideration of social, environmental and economic issues.	<p>The outcomes from 'Phase 3' of the review of the constitution was agreed at Council on 25 November 2014.</p> <p>The Scheme of Delegation remains under review and it is currently planned to be presented to Council in February or March 2015.</p>
Local Audit and Accountability Act 2014	To take appropriate action to comply with the legislative requirements of the act.	A major element of the Act relates to the appointment of external auditors which will become relevant once the existing arrangements expire after 2017, although other / more specific implications of the Act remain under on-going review.
Other Major Issues	<p>To continue to manage the emerging financial and reputation risks of the changes arising regarding Local Council Tax support and localisation of Business Rates.</p> <p>(in addition to the above the Committee requested at their 25 September 2014 meeting an update on the Council's LCTS Scheme in terms of reputational, governance and financial risk).</p>	<p>A clear focus remains on these two significant financial risks with both the Financial Strategy process and budget monitoring reports including relevant information on a timely basis.</p> <p><i>How is the Council responding to the reputational / governance and financial risks associated with the Local Council Tax Support Scheme (LCTSS)?</i></p> <p>Financial</p> <ul style="list-style-type: none"> - The annual review of the LCTSS includes analysis of the financial impact of the options proposed. - The annual council tax base calculations include a comprehensive review of the impact of any changes to the LCTSS. - Corporate budget monitoring reports presented to members during the year include separate reporting of the financial performance of the LCTSS, including the overall council tax collection performance. - At the end of September, the actual cost of the Local Council Tax Support Scheme was £12.372m compared to the budget £13.041m - Actual collection for accounts where LCTS has been awarded was 44.16%, a small decrease compared to the same period last year (47.66%) - The annual financial forecast and budget setting process includes separate analysis of the Council Tax position including any impact of the LCTSS. - Detailed analysis of the LCTSS is included within the financial monitoring of the Council Tax Sharing agreement currently in place with the major preceptors. - Surpluses remain within the Council Tax Collection Fund to be drawn down in future years. <p>Reputational / Governance</p> <ul style="list-style-type: none"> - The Council's LCTSS is developed in conjunction with a Pan Essex group which draws on independent and specialist advice. - The annual development of the LCTSS is undertaken with involvement of the relevant scrutiny committee. - The necessary consultation process is undertaken at the relevant stage of the development of the scheme each year. - The Council remains alert to the evolution of the LCTSS regime nationally via emerging issues such as the High Court ruling relating to the residency criteria in Sandwell Metropolitan Borough Council's LCTS Scheme. - The Council needs to continue to react in a timely manner to any emerging issues nationally. - The potential failure to achieve income streams such as from Council Tax is recognised within the Council's Corporate Risk Register. - Investigating potential fraud associated with the Local Council Tax Support Scheme forms part of the work of the Council's Internal Fraud Investigation Service.

	<p>To ensure that adequate, effective and robust management and procurement arrangements remain in place throughout key projects such as the Clacton to Holland Haven coast defence scheme, to deliver value for money, and implement the findings from the external auditor following their specific review of this project.</p>	<p>Coast Defence Scheme - The appropriate cash flow management processes remain in place following the start of the project and payments to the relevant contractors need to be balanced against the receipt of the associated grant funding from the other funding partners. Grant funding from the Environment Agency is being claimed 3 months in advance based on a current spend profiles with the aim of ensuring a positive cash flow position is maintained.</p> <p>The Council is working with the EA and ECC to keep monitoring and reporting requirements/ obligations under review to ensure all stakeholders are informed as necessary.</p> <p>It is recognised that there will be an annual cost of maintaining the scheme on an ongoing basis once it is completed. This issue will be included in future financial strategies / forecasts and it is also worth highlighting that feasibility studies to maximise commercial opportunities from the scheme are in progress with the aim of generating income to support the long term maintenance of the seafront / coast defence scheme.</p> <p>The process for revising the Council's constitution will include changes to the Tender Evaluation Panel process to ensure any external specialist / consultants who are invited onto the panel declare any potential conflicts of interest which responds to a specific issue identified as part of the procurement process.</p> <p>The Professional Services Contractor overseeing the works are actively challenging the invoices / claims for payment being submitted by the works contractor, along with providing TDC with weekly site reports and utilising access to their specialist legal team in supporting the delivery of the overall project.</p> <p>Crematorium Enhancements - The outcome from the recent tender process, which was supported by external specialists, was agreed by Cabinet on 4 July 2014 with work now underway to implement the project. The costs identified as part of the tender process are within the overall budget set aside for this project. The new contractor has already taken over the maintenance of the existing equipment in line with the contract requirements.</p> <p>Common Pipistrelle Bats have been found to be roosting within the Crematorium Building which requires the Council to obtain the necessary licence from English Nature before any major work can be undertaken. The necessary activity is being undertaken with the aim of starting work as early as possible in 2015.</p> <p>Dovercourt Swimming Pool Redevelopment - Work at the site has now been completed with the new facility opened to the public in early December. A similar scheme at the Frinton and Walton Swimming Pool remains in progress with completion planned in 2015/16.</p>
	<p>To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, with a view to facilitating development or directly developing the sites for housing / regeneration stimulation.</p> <p><i>(in addition to the above the Committee requested at their 25 September 2014 meeting an update of the provision of housing in Jaywick along with other council housing development elsewhere in the district)</i></p>	<p>An update is set out in a separate report elsewhere on the agenda.</p>