

# AUDIT COMMITTEE

19 MARCH 2015

## REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

### A.6 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 18 December 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 (March 2015) – General.

**Appendix B** - Table of Outstanding Issues (March 2015) - Annual Governance Statement Actions

**AUDIT COMMITTEE - Table of Outstanding Issues (March 2015)**

GENERAL					
Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date
<b>Audit Committee Effectiveness</b>	<b>Periodic review of the operation and effectiveness of the Audit Committee.</b>	<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 as on-going items 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 one of the Committee's training sessions last year.</p> <p>The practicality of obtaining the views of the Council's External Auditors on an annual basis has been included as a standing item on the Committee's work programme in 2015/16.</p>	<b>On-going</b>
<b>General Governance</b>	<b>Outcomes from work of Internal Audit</b>	<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.</p> <p>At its December 2014 meeting the Committee discussed the Community Infrastructure Levy and its future impact on the Council and requested that the topic be included in a Member's Briefing session when next appropriate.</p>	Head of Planning Services	<p>A general S106 update has been included on the Committee's work programme for 2015/16 as set out elsewhere on the agenda.</p> <p>The Community Infrastructure Levy has been put forward as a future item for an All Members briefing session when the next appropriate opportunity arises.</p>	<b>On-going</b>
<b>External Audit</b>	<b>Future Change</b>	<p>At its meeting on 13 December 2012, the Audit Committee resolved:</p> <p><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></p>	Finance and Procurement Manager	<p>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.</p>	<b>2016/17</b>

<b>Risk Management</b>	<b>Effective Management of the Council's Property Portfolio</b>	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 have now completed the first of the property risk questionnaires provided by the Council's insurers. Discussions are on-going to phase the risk review across the diverse range of properties owned / operated by the Council which will include site visits over the coming months.	<b>On-going</b>
<b>General Governance</b>	<b>Internal Audit Arrangements</b>	At its 18 December 2014 meeting the Committee considered the regular Internal Audit Monitoring Report for the period September to November 2014 and resolved:  <i>(b) the Committee has no comments to make regarding the draft Internal Audit budget for 2015/2016 but would request that the review and/or approval of the Internal Audit Budget and resource plan be included in its Terms of Reference; and</i>	Finance and Procurement Manager	The review of the Internal Audit Budget has been included within the Committee's Terms of Reference as part of the 4th phase of the review of the Constitution that is planned to be presented to Council on 24 March 2015.	<b>Mar-15</b>

## AUDIT COMMITTEE - Table of Outstanding Issues (March 2015)

### ANNUAL GOVERNANCE STATEMENT ACTIONS

Governance Issue	Action	Current Position / Update
<b>Financial Resilience</b>	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 2015/16 budget was agreed by Council on the 10 February 2015.</p> <p>Work is scheduled to commence early in 2015/16 on the financial forecast for 2016/17 with the identification of the necessary net savings forming the key element of the overall process.</p> <p>Previous recommendations from the Council's external auditor such as utilising scenario / sensitivity testing will form part of the 2016/17 financial planning and forecasting process.</p>
<b>Council's Constitution</b>	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.	The outcome from the 4th phase of the review process is scheduled to be presented to Council on 24 March 2015.
<b>Local Audit and Accountability Act 2014</b>	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.
<b>Other Major Issues</b>	<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 204 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><b>Financial</b></p> <ul style="list-style-type: none"> <li>- The annual review of the LCTSS includes analysis of the financial impact of the options proposed.</li> <li>- The annual council tax base calculations include a comprehensive review of the impact of any changes to the LCTSS.</li> <li>- 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.</li> <li>- At the end of December 2014, the actual cost of the Local Council Tax Support Scheme was £12.398m compared to the budget £13.041m</li> <li>- For the same period, actual collection for accounts where LCTS has been awarded was 68.51%, a small decrease compared to the same period last year (70.77%)</li> <li>- The annual financial forecast and budget setting process includes separate analysis of the Council Tax position including any impact of the LCTSS.</li> <li>- Detailed analysis of the LCTSS is included within the financial monitoring of the Council Tax Sharing agreement currently in place with the major preceptors.</li> <li>- Surpluses remain within the Council Tax Collection Fund to be drawn down in future years.</li> </ul> <p><b>Reputational / Governance</b></p> <ul style="list-style-type: none"> <li>- The Council's LCTSS continues to be developed in conjunction with a Pan Essex group which draws on independent and specialist advice.</li> <li>- The annual development of the LCTSS is undertaken with involvement of the relevant scrutiny committee.</li> <li>- The necessary consultation process is undertaken at the relevant stage of the development of the scheme each year. The timing of the consultation process will be reviewed for 2015/16 in response to the issue that developed in 2014/15 where the LCTSS scheme was subject to an amendment when it was considered by Full Council in November 2014 that then required a further period of consultation.</li> <li>- 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.</li> <li>- The Council needs to continue to react in a timely manner to any emerging issues nationally.</li> <li>- The potential failure to achieve income streams such as from Council Tax is recognised within the Council's Corporate Risk Register.</li> <li>- Investigating potential fraud associated with the Local Council Tax Support Scheme forms part of the work of the Council's Internal Fraud Investigation Service.</li> </ul>

	<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><b>Coast Defence Scheme</b> - 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 claimed as early as possible, with a period of 3 months in advance aimed for, to ensure a positive cash flow position can be 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 4th phase of the review of the Council's constitution mentioned above, includes 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><b>Crematorium Enhancements</b> - The outcome from the associated tender process, which was supported by external specialists, was agreed by Cabinet on 4 July 2014.</p> <p>The issue concerning Common Pipistrelle bats roosting within the Crematorium Building has now been successfully resolved with English Nature and the major works have now commenced.</p> <p>The total cost of this project, that was identified as part of the tender process, is within the overall budget agreed. The new contractor has taken over the maintenance of the existing equipment in line with the contract requirements.</p> <p><b>Swimming Pool Redevelopment</b> - Work at the Dovercourt facility has 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 and subject to the required tender arrangements with work planned to commence 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 have subsequently requested updates on 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>