
**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD
ON THURSDAY 24 SEPTEMBER 2015
AT 7.30 P.M. IN THE COUNCIL CHAMBER, COUNCIL OFFICES, WEELEY**

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)

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

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 TO 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 it is likely that an adjustment to the plan would now be required to accommodate the additional time 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 Committee raised a number of issues in respect of the Jaywick Development project and following a discussion with the External Auditors it was acknowledged that phase 1 of the project had been completed satisfactorily with no significant issues highlighted by the Auditors. The issue had also been addressed in the Audit Results Report set out below with a number of recommendations made in respect of the next phases of the project.

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 of Ernst & Young 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 due to the ever challenging financial environment, 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 Business Rate 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 which had resulted in a significant number of appeals being submitted just before the cut off 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 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 identified at an early stage.

The following two key points raised by the External Auditor were discussed and it was agreed to ensure these were brought to the attention of Cabinet as part of developing the budget for the 2016/17 budget:

- Use of reserves to balance the budget would not be sustainable in the long term and savings gaps would need to be met through the identification of on-going savings.
- Members need to consider carefully the level of Council Tax increase against the background of maintaining a sustainable financial position.

It was requested by the Committee that any late reports for future meetings of the Audit Committee that were over 20 pages, if they could be hand-delivered rather than posted as it was difficult to read a large report in a short period of time.

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 that may be required under the delegation set out in (e) below, 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 that may be required under the delegation set out in (e) below, approved for publication, the audited Statement of Accounts for 2014/15, amended for the adjusted items identified;
 - (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; and
 - (f) That subject to (e) above, if subsequent changes to the Statement of Accounts are in excess of the External Auditor's materiality level, then it is agreed that the Members of the Audit Committee are informed before the Statement of Accounts are published.
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.

The meeting was declared closed at 8.27pm.

Chairman