

# AUDIT COMMITTEE

30 JUNE 2016

## REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

### A.4 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 17 March 2016 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.

##### RECOMMENDATION(S)

**That the Committee 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.

For information the External Auditors Fee letter relating to 2016/17 is attached. This highlights a 2016/17 proposed fee that remains broadly the same as 2015/16. The 2016/17 budget is **£74,840** which is sufficient to meet the indicative audit fees of **£74,183**. If the total fees for the year increase due to the cost of additional work that may be required outside of the basic fee for example, then it is expected that these can be managed within the overall budget position.

###### 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**.

Previously the Committee have been advised of the progress against actions identified within the 2014/15 Annual Governance Statement within this report. The latest position on these actions is set out within the 2015/16 Annual Governance Statement that appears elsewhere on the agenda. Subject to the agreement of the 2015/16 Annual Governance Statement, any outstanding, revised or new actions will be included in future Table of Outstanding Issues reports to ensure members are kept up to date with progress.

#### **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.

## BACKGROUND PAPERS FOR THE DECISION

None

## APPENDICES

**Appendix A** – Table of Outstanding Issues (June 2016) – General.

***Attached – External Audit Fee Letter 2016/17***

**AUDIT COMMITTEE – Table of Outstanding Issues (June 2016)**

<b>GENERAL</b>					
Governance Area	Activity / Subject	Recommendation/Issue	Lead Service	Progress/Comments	Status – Target Date
<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>	Head of Finance and Revenues and Benefits	<p>Under current proposals, Local Authorities will be able to appoint their own external auditors from 2018/19 (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> <p>The latest position on the appointment of external auditors includes the possibility of the body created by the Local Government Association to oversee audits following the abolition of the Audit Commission (the PSAA) being able to procure audits on a national level. This would mean that Councils would not have to create their own audit appointment panels to oversee the appointment of external auditors. In principle this is a positive development, although how it will work in practice and deliver value for money will need to be considered as the proposals are further developed.</p>	<b>2018/19</b>

<p><b>Risk Management</b></p>	<p><b>Effective Management of the Council's Property Portfolio</b></p>	<p>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.</p>	<p>Head of Finance and Revenues and Benefits</p>	<p>The Council's insurance policies are scheduled to be retendered in the first quarter of 2016/17 which has had an impact on this work, especially as the Council may appoint alternative insurers for its property portfolio.</p> <p>However, this work will now be progressed with the Council's new property insurers as soon as possible after they are appointed from 1 July 2016. This is a change from the previous approach of continuing to discuss the issue with the Council's current insurers as it has not been possible to satisfactorily progress the matter given the retender process that has been on-going.</p>	<p><b>On-going</b></p>
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<b>Recommendations from the External Auditor</b>	<b>Certification of Claims and Returns Annual Report 2014/15</b>	<p>At its 17 March 2016 meeting the Committee considered the External Auditor's Certification of Claims and Returns Report for 2014/15 and approved the following recommendation :</p> <p>[That in respect of the Housing Benefits Subsidy Claim]</p> <p>Perform early extended testing in those areas where errors were identified in 2014-15, to ascertain the extent of similar errors arising in 2015-16.</p>	Head of Finance and Revenues and Benefits	<p>A report considered by the Committee at its March 2016 meeting confirmed that the Council implemented the recommendations from last year but it needed to continue to undertake extended testing in the areas identified this year to ascertain the extent of similar errors, if any, in 2015/16. This was undertaken at the end of 2015/16 along with a review by subsidy officers within the service and the Head of Finance and Revenues and Benefits.</p>	<b>Subject to External Audit review in the summer / autumn 2016 with outcomes formally reported to the December 2016 or March 2017 meeting of the Committee</b>
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<p><b>Fraud and Compliance</b></p>	<p><b>Effective delivery of Corporate Fraud and Compliance activities</b></p>	<p>At its 17 March 2016 meeting the Committee considered the Table of Outstanding Issues Report which provided an update on the how the Council is delivery non-housing benefit anti-fraud activities and included the key points below:</p> <ul style="list-style-type: none"> <li>• Staff within the Revenues and Benefits Service continue to undergo the necessary training to undertake fraud investigation work.</li> <li>• Anti-fraud activities form part of wider compliance work undertaken by the relevant team that seeks to maximise income for the Council such as undertaking checks on entitlement to Council Tax discounts, undeclared change of circumstances and tenancy fraud.</li> <li>• The Council's overall corporate approach to anti-fraud and associated investigation work across the whole Council needs to be balanced against key priorities and staff capacity. This is being reviewed as part of the wider reorganisation associated with the senior management restructure currently in progress. A further update will be provided to the Committee later in the year when the reorganisation has been completed / embedded.</li> </ul>	<p>Head of Finance and Revenues and Benefits</p>	<p>Work remains on-going including the wider reorganisation associated with the senior management restructure. At the present time, it is expected that this work will be concluded in readiness for a more comprehensive update to be provided to the September 2016 meeting of the Committee.</p>	<p><b>September 2016</b></p>
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Ian Davidson  
Chief Executive  
Tendring District Council  
Town Hall  
Clacton-On-Sea  
Essex  
CO15 1SE

18 April 2016

Ref: 16 TDC/Fee letter/ 2016-17  
Your ref:

Direct line: 07876 397986

Email: [ksuter@uk.ey.com](mailto:ksuter@uk.ey.com)

Dear Ian,

## **Tendring District Council Annual Audit and Certification Fees 2016/17**

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Tendring District Council (the Council).

### **Indicative audit fee**

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

For Tendring District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including that:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- Officers meet the agreed timetable of deliverables;
- We can rely on the work of internal audit where we need to do so;
- Our accounts opinion and value for money conclusion are unqualified;
- The Council provides appropriate quality of documentation;

- There is an effective control environment; and
- Officers provide prompt responses to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

In addition, we will charge in addition to the scale fee for the auditor's consideration of correspondence from the public and formal objections.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. We will review and update fees as necessary, within the parameters of our contract.

### Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with a complete and accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	58,708	58,708*	78,277
Certification of housing benefit subsidy claim	15,475	16,379	20,633**
Non audit work	To Be Confirmed	To Be Confirmed	3,250***

\*We reported the results of our work on the proposed options and cost implications of the restructuring of the Management Team in August 2015 and will revisit the impact of the restructuring as part of our 2015/16 audit of the financial statements and our value for money conclusion. We will submit a scale fee variation increase for agreement by the PSAA, in line with their timetable for considering such variations.



\*\* The scale fee for certification of the housing benefits subsidy claim in 2014/15 was £19,090. We agreed a scale fee variation of £1,543 for the extra work we undertook in 2014/15 with the Finance and Procurement Manager. The PSAA has approved the scale fee variation increase.

\*\*\* Non audit work in 2014/15 related to agreed upon procedures work covering the pooling of capital receipts return to the Department for Communities and Local Government (DCLG). We understand that the DCLG are to request this work again in 2015/16. As for 2014/15 this work will be subject to a separate engagement letter which we will agree with the Finance and Procurement Manager.

We will negotiate separately and agree with you in advance any further additional work that we may agree to undertake (outside of the Code of Audit Practice).

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

### **Billing**

The indicative audit fee will be billed in 4 quarterly instalments.

### **Audit plan**

We expect to issue our plan in March 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Finance and Procurement Manager and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

### **Audit team**

The key members of the audit team for the 2016/17 financial year are:

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Executive Director

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Kevin Suter  
Executive Director  
For and on behalf of Ernst & Young LLP  
United Kingdom

Cc. Alan Coley, Chairman of the Audit Committee  
Richard Barrett, Finance and Procurement Manager