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**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD****ON THURSDAY 25 SEPTEMBER 2014****AT 7.30 P.M. IN THE COUNCIL CHAMBER, COUNCIL OFFICES, WEELEY**

**Present:** Councillors Griffiths (Chairman), Challinor, I J Henderson, Sambridge and Talbot

**In Attendance:** Finance and Procurement Manager (Richard Barrett), Audit and Governance Manager (Steve Blake), Parking and Seafronts Manager (Ian Taylor) and Democratic Services Officer (Janey Nice)

**Also in Attendance:** Chris Hewitt (Ernst & Young – External Auditor) and Neil Harris (Ernst & Young - Audit Director)

**9. ELECTION OF VICE-CHAIRMAN OF THE COMMITTEE**

In light of the casual vacancy in the office of Vice-Chairman of the Committee, it was moved by Councillor Challinor, seconded by Councillor Talbot and **RESOLVED**, that Councillor Sambridge be elected Vice-Chairman of the Committee for the remainder of the 2014/2015 Municipal Year.

**10. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none on this occasion.

**11. MINUTES OF THE LAST MEETING**

The minutes of the meeting of the Committee held on 26 June 2014 were approved as a correct record and signed by the Chairman.

**12. DECLARATIONS OF INTEREST**

There were none.

**13. PRESENTATION BY THE EXTERNAL AUDITOR ON THE EFFECTIVENESS OF AN AUDIT COMMITTEE**

This item was deferred until 23 October 2014 and will form part of the Audit Committee training session on that date.

**14. PARKING SERVICES UPDATE**

The Committee received an update on Parking Services from the Parking and Seafronts Manager (Ian Taylor).

He said that in 2011, when on street parking was taken over by the North East Essex Partnership, staffing levels within the Councils parking service was reduced from about 25 Officers to 3 full time Officers supported by a small management team. However, he added, despite this reduction in numbers the level of service for off street car parks was not only undiminished but had also received awards for safe and secure car parks and for innovative work with the Police on anti-social behaviour initiatives. The Council has over 30 pay and display car parks and 40 off street car parks altogether. He went on to say that the service collected over £400,000 annually in small coin and in addition to collecting the coin, the service also banked it and reconciled it against tickets sold and there had never been concerns raised about missing money during this period.

Mr Taylor added that the reconciliation of parking incomes that was carried out by the service was unusual in local authority parking services because the skills and ability required to undertake this work was not normally available within the frontline service. The majority of other Councils parking services contacted had this work undertaken for them by their Financial Service departments. Mr Taylor considered this represented a considerable financial benefit to this Council as did the collection of money from the ticket machines by the Council's own staff as opposed to outside contractors.

He said the parking service is responsible for over 40 pay and Display ticket machines which were left out in all weathers and were often on the receiving end of bad treatment from a variety of sources and this could cause collections in the cash boxes to differ from the information in the audit tickets provided due to the computer software being corrupted.

Mr Taylor confirmed that the parking service along with the Council's Internal Audit were both aware of these fallibilities and the parking service had procedures for highlighting machine and cash anomalies

Mr Taylor said a benefit of internal audit procedures was that areas of concern could be highlighted and addressed. He added that it was always helpful for better ways of handling cash and tickets to be suggested and that the parking service always followed up recommendations made by Internal Audit

He said that where procedures were out of date, or required updating, again it was helpful when these were brought to the services attention. He added that Parking Services had moved three times during the last 18 months due to Council restructuring which had been difficult for all concerned and also explained this to be the reason for at least one of the concerns expressed in the last service audit relating to the banking of cash when taken at the parking service office. He added that procedures were in place so that money could not be taken without being quickly identified and databases were kept on all machines

Councillor Griffiths asked Mr Blake if he was satisfied with the Parking Services procedures and he replied by saying that a follow up audit was due shortly to check if procedures were being followed correctly.

The Chairman thanked Mr Taylor for attending the meeting.

*Mr Taylor left the meeting at this time.*

## **15. REPORT ON INTERNAL AUDIT – JUNE 2014 TO AUGUST 2014**

Before this item was presented the Chairman announced that due to the Parliamentary By Election and the political 'purdah' the Finance and Procurement Manager (Richard Barrett) would be reading out a statement from the Council's Chief Executive (Ian Davidson).

The Council's Audit and Governance Manager provided a report which gave a periodic report on the Internal Audit function for the period June 2014 to August 2014.

The Audit and Governance Manager (Steve Blake) informed the Committee that:

- All audits completed in the period had achieved a substantial or adequate level of assurance;
- Vacant posts in the Internal Audit Section had now been filled, and the Section was now looking to recover some of the slippage that had occurred in the year to date;

- The Section would be upgrading its software later in the year to a more modern system, which would provide a more flexible solution to the delivery of future audits, but would have a resource impact whilst implementation took place;
- Key financial systems audits were to be prioritised in the forthcoming quarter, with a review of audits in the plan to be undertaken in order to balance the plan to the resources available.
- The planned audit relating to elections and electoral registration was proposed to be deferred given the current workload within that service, which deferral would not present a significant risk at the present time.

At this point Mr Barrett read out the Statement from the Council's Acting Returning Officer, Electoral Registration Officer and Chief Executive.

"The proposal to defer the planned audit of Elections and Electoral Registration is primarily as a result of the fact that the Council is currently mid-way through the implementation of Individual Electoral Registration (involving a major data matching exercise with the Department of Works and Pensions, over 100,000 letters to Electors, in excess of 10,000 invitations to register for properties where no-one was registered, many thousands of follow-up letters and door-to-door visits and a very large volume of calls and enquiries) which will end with the publication of the new Register in December, and that planning for the May 2015 Elections (the first time Parliamentary, District and Parish Elections have been held on the same date) will start early in the New Year. Additional staffing resources have been added to the Elections Team on a temporary basis to enable these major pieces of work to be completed successfully.

In addition to this already exceptional level of work over most of 2014/15 the Elections Team is now organising a Parliamentary By Election and a County Division By Election on 9 October.

Strong governance and management arrangements are in place and the changes to Electoral Registration and all Elections work are carried out in accordance with the Electoral Commission's National Performance Standards and monitoring regime.

It is not considered that the deferral of the audit will result in increased risk and it will be beneficial to carry it out after the major changes and electoral projects in 2014/15."

During the ensuing discussions comments and questions were made on the following:

- (a) The Audit Committee would want an update report on housing in Jaywick, this to be on the next Audit Committee agenda; and
- (b) Not only the houses in Jaywick, but other properties including Brightlingsea, purchase of flats and a derelict house, it would useful if the Committee could be able to track progress on these.

**RESOLVED** that

- (a) the contents of the report be noted;
- (b) the Elections and Electoral Registration audit be deferred to 2015/16; and
- (c) an update on housing was brought back as a report to the next Audit Committee.

## 16. 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). Further information was set out in Appendix B to that report that gave updates against actions identified within the Annual Governance Statement, again with no significant issues to highlight at the present time.

Other matters reported for the Committee's consideration were:

- (1) Housing Benefit Security Strategy and Housing Benefit Prosecution Policy;
- (2) Insurance Claims Review; and
- (3) Code of Corporate Governance.

Councillor I Henderson referred to P.17 of the Appendix attached to the Report and spoke about his concern over Section 106 monies acquired from developers for Harwich had been spent in the purchase of property in the Clacton area as the agreement money would have run out of time to be spent. He strongly felt that this should have been better organised so the money could have spent within the time within the area and benefit for the people of Harwich. He asked how many of these agreements were still awaiting payment from the developers as he was aware of at least one that had not been paid to the Council.

After further discussion, the Committee requested that a representative from the Planning Service along with the relevant Portfolio Holder be invited to attend the next meeting of the Committee to respond to the various questions on the use of S106 money.

**RESOLVED** that:

- (a) the progress against the Table of Outstanding Issues be noted;
- (b) the proposed amendments to the Housing Benefit Security Strategy and Prosecution Policy to reflect an organisational change, with all delegations previously held by the Finance and Procurement Manager being transferred to the Revenues and Benefits Manager, be approved; and
- (c) That a representative from Planning along with the Portfolio Holder for Planning and Corporate Services be invited to the next meeting of the Audit Committee.

## **17. EXTERNAL AUDIT – AUDIT RESULTS REPORT 2013/14**

There was submitted a report by the Council's Corporate Director (Corporate Services) which presented to the Committee the External Auditor's Audit Results Report 2013/14 and Letter of Representation for 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, including a revised Annual Governance Statement for approval.

The Audit Director of Ernst and Young (Neil Harris) referred to the Letter of Representation and added that the external audit had started later than had wanted however he was happy with the way the Council had responded to his questions and queries and confirmed his report should be concluded by 30 September 2014. He drew to the Committee's attention a number of items including:

1. Increase in provision for business rate appeals;
2. Inclusion of Contingent Liability – this referred to the LCTS High Court Ruling that Sandwell's Council residency criteria was unlawful; and
3. Three unadjusted items in the accounts

After discussion of this item it was **RESOLVED** that:

1. (a) The Committee had considered and noted the contents of the External Auditor's Audit Results Report 2013/14 including the required adjustments to the Financial Statements as set out on page 8 of the afore-mentioned report;
  - (b) Subject to (a) above the Committee approved the Letter of Representation after including the amendments discussed and delegates to the Finance and Procurement Manager in consultation with the Chairman of the Audit Committee to make any further changes to the Letter of Representation that may arise from the ongoing work of the External Auditor;
  - (c) Subject to (b) above authorised the Finance and Procurement Manager and Audit Committee Chairman to sign the Letter of Representation for forwarding to the External Auditor; and
  - (d) Subject to (b) and (c) above, approval is given for the publication of the Statement of Accounts for 2013/14, amended for the adjustments identified and delegation be given to the Finance and Procurement Manager in consultation with the Chairman of the Audit Committee to undertake any further changes that may arise from the on-going work of the External Auditor.
2. (a) The Committee approved the revised Annual Governance Statement set out in Appendix A to the afore-mentioned Report;
  - (b) The Committee authorised, subject to 2(a) above, the Chief Executive and Leader of the Council to sign the Annual Governance Statement as set out in Appendix A to the afore-mentioned Report; and
  - (c) That further details of the Council's Local Council Tax Support Scheme is reported to the next meeting of the Council covering the reputational, governance and financial risks of the scheme.

## **18. DATE OF NEXT MEETING AND ITEMS SCHEDULED FOR THAT MEETING**

The Chairman thanked the External Auditors for attending the meeting and notified the Committee that the Audit Committee would be having a special meeting in the Council Chamber on Thursday 23 October 2014 which would be a training exercise for the whole of the Committee

The Committee further noted that the date for its next meeting was Thursday 18 December 2014 commencing at 7.30 p.m. in the Council Chamber, in the Council Offices, Thorpe Road, Weeley.

It was reported that items currently scheduled for that meeting included:

- (1) Annual Audit Letter 2013/14;
- (2) Internal Audit Regular Monitoring Report;
- (3) Corporate Risk Register;
- (4) Table of Outstanding Issues; and
- (5) Certification of Claims and Returns 2013/14.

The meeting was declared closed at 9.16 p.m.

Chairman