

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD
ON THURSDAY 17 DECEMBER 2015
AT 7.30 P.M. IN THE COUNCIL CHAMBER, COUNCIL OFFICES, WEELEY**

Present: Councillors Coley (Chairman), Griffiths (Vice-Chairman), Chapman and Hones

In Attendance: Finance and Procurement Manager & Section 151 Officer (Richard Barrett), Audit and Governance Manager (Steve Blake) and Senior Democratic Services Officer (Ian Ford)

Also in Attendance: Chris Hewitt (Ernst and Young – External Auditor)

15. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Stephenson (with Councillor Hones substituting) and Councillor Broderick.

16. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Committee held on 24 September 2015 were approved as a correct record and signed by the Chairman.

17. DECLARATIONS OF INTEREST

There were none on this occasion.

18. REPORT ON INTERNAL AUDIT – SEPTEMBER 2015 TO NOVEMBER 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 September 2015 to November 2015.

The Audit and Governance Manager highlighted the following matters:

(1) Public Sector Internal Audit Standards

The Committee was aware that the Standards had been introduced from 1 April 2013, and that updates regarding compliance with those Standards had been regularly brought to the attention of the Committee.

Standard 1110 Organisational Independence included a requirement for the Audit Committee to "approve the internal audit budget and resource plan". Guidance issued subsequently by CIPFA regarding Audit Committees had indicated that the Committee could have a role, but did not indicate that it was mandatory. The Council's Constitution had been updated in 2015 to enable the Audit Committee to "consider the annual budget for the Internal Audit service as part of the Council's budget setting process".

The proposed budget for Internal Audit for 2016/17 was currently £167,770. This figure could change as the result of decisions made by Cabinet or Council. If there was any significant change made, this would be drawn to the Committee's attention in the Annual Internal Audit Plan report at its March 2016 meeting. The comparable figure for 2015/16 had been £160,200.

Whilst the work required to establish the audit needs assessment, and the resource plan, for 2016/17 had not yet been undertaken, the budget available was sufficient to enable an Internal Audit Plan of similar size to that for 2015/16 to be produced, and is expected to provide sufficient audit coverage.

(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 volume of work carried forward had been estimated at 106 days compared with the provision in the plan of 50 days.

The 2015/16 plan had included a provision of time for implementation of the new Internal Audit computer system, but that provision had been found to be insufficient and an adjustment to the plan was required to accommodate the additional time required for the project. The possible need for such an adjustment had been acknowledged by the Committee at its March 2015 meeting. Training for the new system had been undertaken mid-November 2015, and the system effectively went live the following week. Audits in progress at that time were completed in the old system to avoid the need for data transfer, with all new audits now being commenced in the new system. Although the system had gone live some implementation work continued to bring full functionality on line.

Following a review of audits not yet undertaken in 2015/16, and taking into account changes within the Council; the current position regarding those activities scheduled to be audited; coverage that had been / could be provided in other audits; and risk, it was proposed that the following audits be deferred at this time:

- (1) Public Experience Departmental Procurement Follow Up;
- (2) Fraud Investigation Team;
- (3) New Build / Acquisition of Stock;
- (4) Business Continuity;
- (5) Office Rationalisation and Modernisation;
- (6) Community Leadership Projects;
- (7) Food Safety; and
- (8) Health and Safety.

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 100% 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. Seven audits had been completed and issued since the last report to this Committee, of which two had achieved a "Substantial Assurance" and five 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 by more than three months and only one that was overdue by less than three months.

Having considered and discussed the detailed report it was **RESOLVED** that:

- (a) the contents of the report be noted;
- (b) that the Committee has no comments to make on the annual budget for the internal audit service at this time; and
- (c) the deferral of audits, as detailed in the report, be approved.

19. **CORPORATE RISK UPDATE**

There was submitted a report by the Council's Corporate Director (Corporate Services), which presented to the Committee an updated Corporate Risk Register.

It was reported that the Corporate Risk Register was regularly updated and presented to the Committee every six months.

Members were informed that no new risks had been identified and added to the Register, one risk had been removed and one risk had been amended. Risk 1d (Careline – Potential Loss of ECC Contract) had been removed as a review of that risk had identified that at the current time the inherent risk was below the threshold for inclusion in the Corporate Risk Register. Risk 2a (Coastal Defence Scheme – Unforeseen Expenditure/Delivery) had been amended to a generic Coastal Defence risk reflecting exposure to a failure of sea defences along the coastline that is under the Council's control and which followed on from the completion of the major coastal defence scheme.

Members were further informed of the reasons that risk score amendments had been made in respect of:

- (i) Risk 1a (Failure to Effectively Manage Assets);
- (ii) Risk 2a (Coastal Defence);
- (iii) Risk 4a (Loss of Key Staff) & Risk 4b (Lack of Capacity to Deliver Key Services); and
- (iv) Risk 6a (Loss of Sensitive and/or Personal Data through Malicious Actions, Loss, Theft and/or Hacking).

Having considered and discussed the report it was **RESOLVED** that the current Corporate Risk Register be noted.

20. **EXTERNAL AUDIT'S ANNUAL AUDIT LETTER 2014/2015**

There was submitted a report by the Council's Corporate Director (Corporate Services) which presented to the Committee the External Auditor's Annual Audit Letter for 2014/2015.

The Committee was informed that the Letter primarily summarised the outcomes from various audit activities undertaken during the year. The key messages set out in the letter highlighted that the Council had received an unqualified opinion on both its financial statements and value for money arrangements.

It was reported that, whilst no significant concerns had been raised relating to 2014/15, a number of future / on-going risks had been identified which would be addressed via a number of strands of work, which included the following:

- End of year accounting processes were already in progress which responded to the risk relating to the treatment of Highways Network Assets (as detailed on page 10 of the Annual Audit Letter);

- The risks identified relating to the delivery of significant capital projects (also detailed on page 10 of the Annual Audit Letter) formed part of the Council's budget / performance monitoring processes (which were regularly reported to both Cabinet and the Corporate Management Committee) along with being included in the Table of Outstanding Issues report; and
- The Annual Audit Letter provided a comprehensive review of the Council's financial position along with the challenges that lay ahead. The Council's financial strategy and budget setting processes continued to provide a robust mechanism to respond to such challenges. Specific risks associated with using one-off reserves to fund the on-going budget along with the level of Council Tax and its relationship to the freeze grant funding potentially available from the Government had been drawn to Members' attention within the detailed financial forecast and budget report considered by Cabinet on 11 December 2015.

RESOLVED that the contents of the Annual Audit Letter 2014/2015 be noted.

21. 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.4 of the Report of the Corporate Director (Corporate Services), or elsewhere on the agenda where appropriate.

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.

In respect of other matters the Committee was reminded that, at its meeting held on 24 September 2015, it had raised a number of questions concerning the transfer of housing benefit fraud investigation work from the Council to the Department of Works and Pensions (DWP). Four officers had formally been transferred to DWP at the end of October 2015 and there were no outstanding issues with all outstanding work, data and documentation transferred to the DWP where necessary.

Having discussed the contents of the report it was:

RESOLVED that the progress made against the Table of Outstanding Issues, be noted.

22. DATE OF NEXT MEETING AND ITEMS SCHEDULED FOR THAT MEETING

The Committee noted that the date for its next meeting was Thursday 17 March 2016 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. External Audit – Audit Plan 2015/16;
2. Internal Audit Regular Monitoring Report;
3. Annual Internal Audit Plan 2016/17 (includes review of Internal Audit Charter);
4. Audit Committee Work Programme 2016/17;
5. Fraud and Corruption Strategy, Benefit Strategy and Prosecution Policy;

6. Certification of Claims and Returns 2014/15; and
7. Update on the restructure of an internal Fraud Investigation Team.

23. EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED** that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of Agenda Item 7 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act.

The meeting was declared closed at 8.16 p.m.

Chairman