

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 27TH SEPTEMBER, 2018 AT 7.30 PM  
IN THE COUNCIL CHAMBER, COUNCIL OFFICES, THORPE ROAD, WEELEY,  
CO16 9AJ**

<b>Present:</b>	Councillors Coley (Chairman), Poonian (Vice-Chairman), Alexander, Bray, Scott and Yallop (except item 53)
<b>In Attendance:</b>	Richard Barrett (Head of Finance, Revenues and Benefits Services & Section 151 Officer), Craig Clawson (Acting Audit and Governance Manager), Ian Ford (Committee Services Manager) and Martin Klaassen (Senior Governance Officer)(except items 45 – 48)
<b>Also in Attendance</b>	Kevin Suter (Executive Director) and Chris Hewitt (Audit Manager) [both representing Ernst & Young, the Council's External Auditor]

**45. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were no apologies for absence received on this occasion and therefore there were no substitutions.

**46. MINUTES OF THE LAST MEETING**

The minutes of the meeting of the Committee held on 26 July 2018 were approved as a correct record and signed by the Chairman, subject to the third bullet point in Minute 42 being amended to read:-

“Emergency Planning arrangements, in respect of flooding or some other major incident, could result in the Council providing a significant number of alternative residences for a protracted period. This could seriously divert Council Officers from various departments and significantly deplete the financial reserves of the Council in the medium term.

The Council should also be mindful that, in these circumstances, experience shows that the Council will potentially be the target of financial fraud. This would also divert Officers from their normal responsibilities and deplete Council funds.”

**47. DECLARATIONS OF INTEREST**

There were none made at this time though later in the meeting when the Committee considered Agenda Item 9 Councillor Yallop declared a Personal Interest.

**48. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 37**

There were none.

**49. REPORT OF THE AUDIT AND GOVERNANCE MANAGER - A.1 - PERIODIC REPORT ON INTERNAL AUDIT - JULY - AUGUST 2018 AND UPDATED INTERNAL AUDIT CHARTER**

REPORT ON INTERNAL AUDIT FOR JULY TO AUGUST 2018 AND INTERNAL AUDIT PLAN PROGRESS 2018/19

The Council's Acting Audit and Governance Manager (Craig Clawson) provided a periodic report on the Internal Audit function for the period of July to August 2018.

The Acting Audit and Governance Manager informed the Committee five audits had been completed in the period in question of which two had been given Adequate Assurance. Two audits had been rated Substantial Assurance and one audit had been rated Improvement Required. No audits had been rated Significant Improvement Required.

The Committee was informed that the audit completed in the period under review which had received an 'Improvement Required' opinion and which therefore required reporting to Members was:-

*Development Management - Retention of Funds by Third Party Company (Income Management)*

It was reported that the planning portal had recently amended the circumstances relating to payments made by applicants and how they were received by Councils. Those new arrangements allowed the company administering the planning portal to keep the monies paid; take their £20 charge per application and then transfer the funds to the Council in one BACS payment. This created a risk because customer monies were retained by a third party, which if they were to become insolvent the money would be lost and the Council would still have an obligation to honour the application without ever having received the money. There was also an increased risk of fraud from outside of the Council. This was a national issue as the planning portal was used by the majority of district and borough councils across the country.

The Committee was informed that the agreed action was for the service to explore whether the planning portal could revert to the previous process of allowing the payments to be sent directly to the Council and the Council then paid back the commission owed to the planning portal supplier. If this was not an option then it had been recommended that a portal be created 'in-house' in order to allow applications to be processed via the Council's own website.

Members were aware that the Internal Audit function 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.

The Committee was reminded that at its previous meeting there had been two significant issues reported. One related to Payment Card Industry Data Security Standard (PCI DSS) compliance which had been addressed in this report. The second related to a Health and Safety programme of works. That action was not due yet. However, the Fraud and Risk Manager had reported that her team was currently working on creating that programme of works for the Health and Safety Officer to work to and to pro-actively plan ahead.

The Acting Audit and Governance Manager also informed the Committee of the current position in relation to the following continuous or consultative audits:

- (i) Office Transformation Programme;
- (ii) Digital Transformation Programme;

- (iii) Project Management; and
- (iv) PCI DSS.

#### INTERNAL AUDIT CHARTER

The Committee was reminded that the Public Sector Internal Audit Standards required the Council's Internal Audit Charter to be a formal document that: -

- Defined the Internal Audit activity's mission, purpose, authority and responsibility;
- Established the Internal Audit activity's position within the organisation including the nature of the "Chief Audit Executive's" (i.e. the Audit and Governance Manager's) functional reporting relationship with the Board (i.e. the Audit Committee);
- Authorised access to records, personnel and physical properties relevant to the performance of engagements;
- Defined the scope of Internal Audit activities;
- Defined the terms "Board" and "Senior Management" for the purpose of Internal Audit activity;
- Covered the arrangements for appropriate resourcing;
- Defined the role of Internal Audit regarding fraud-related work; and
- Included arrangements for avoiding conflicts of interest if Internal Audit undertook any non-audit activities.

Members were informed that the Internal Audit Charter had been updated to reflect the current working arrangements of the Internal Audit function. The key principles of the Charter remained as they had been as they were the foundations of all Internal Audit activity. However, there had been some changes made where areas had been expanded further in order to explain ways of working and some elements had been removed to provide a leaner audit charter that reflected the current structure of the function.

The aesthetics of the Charter had also been updated to provide a consistent design in line with all other Internal Audit Reports. The amended Internal Audit Charter was set out in Appendix B to the report.

#### EXTERNAL QUALITY ASSESSMENT (EQA) UPDATE

It was reported that there was only one issue outstanding from the EQA undertaken by an approved assessor and previously reported in full to the Committee and this was due to be completed by December 2018. That issue had related to a consistent approach to risk management to be followed by all departments as well as Internal Audit. This was being addressed as part of the Risk Management review within the annual audit plan in order to develop a risk framework that all service areas and Internal Audit could use as a consistent basis for assessing risk.

It was moved by Councillor Scott, seconded by Councillor Alexander and **RESOLVED** that –

- (a) the contents of the periodic report be noted; and
- (b) the amended Internal Audit Charter, as set out as the Appendix to the Report of the Acting Audit and Governance Manager, be approved.

50. **REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE RESOURCES) - A.2 - EXTERNAL AUDIT'S ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018**

The Committee had before it a report (A.2) which presented the External Auditor's Annual Audit Letter for the year ended 31 March 2018 which primarily summarised the outcomes from various audit activities undertaken during the year.

Members were reminded that the Accounts and Audit Regulations required that:

- (1) *A committee must meet to consider the letter as soon as reasonably practicable;*
- (2) *following consideration of the letter in accordance with paragraph (1) the authority must—(a) publish (which must include publication on the authority's website) the audit letter; and (b) make copies available for purchase by any person on payment of such sum as the authority may reasonably require.*

It was reported that there were a number of different strands of external audit work undertaken during the year such as specific activity in relation to the financial statements and value for money opinion. The outcomes from those activities were reported to the Council separately as they were completed during the year. The Annual Audit Letter was effectively an end of year report for the Council which captured and summarised those outcomes in one document. It was primarily directed to Members but it must also be made available as a public document.

The Committee was informed that the Annual Audit Letter relating to 2017/18 had raised no significant concerns raised. Page 15 of the Audit Letter highlighted the general risks associated with financial resilience / sustainability, which were actively being managed within the Council's long term financial sustainability plan. That action had also been recognised within the Annual Governance Statement and updates would be provided to the Committee over the course of the year, with the first one set out within the Table of Outstanding Issues Report elsewhere on the agenda.

Members were made aware that External Audit had highlighted three issues for consideration in the future which were set out on pages 21 and 22 of the Audit Letter. Those issues were:-

- (1) IFRS9 Financial Instruments;
- (2) IFRS15 Revenue from Contracts with Customers; and
- (3) IFRS16 Leases.

The Committee was advised that responses to those issues would form part of the work that would be undertaken in 2019 to close the Council's accounts and produce the formal Statement of Accounts for 2018/19 by the required statutory deadlines.

Kevin Suter, Executive Director (Ernst & Young) referred to the fact that this was the last Annual Audit Letter that E & Y would be producing before the end of their contract. He thanked the Officers and the Committee for all their help, courteous consideration of E & Y's recommendations plus the Council's positive actions taken in response to those recommendations.

Richard Barrett, Head of Finance, Revenues and Benefits Services, on behalf of the Council, placed on record appreciation of E & Y's work, help and advice. He also paid tribute to the excellent working relationship that the Council had had with E & Y.

Mr Suter informed the Committee that an additional audit fee of £646 had been agreed by the Public Sector Audit Appointments Ltd in relation to the audit of the Comprehensive Income and Expenditure Accounts.

It was moved by Councillor Alexander, seconded by Councillor Bray and **RESOLVED** that the contents of the External Auditor's Annual Audit Letter for the year ended 31 March 2018 be noted.

**51. REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE SERVICES) - A.3 - TABLE OF OUTSTANDING ISSUES**

There was submitted a report by the Council's Deputy Chief Executive (Corporate Services) (A.3) which presented to Members the progress against outstanding actions identified by the Committee.

It was reported that the Table of Outstanding Issues had been reviewed and updated since it was last considered by the Committee at its meeting held on 26 July 2018.

It was further 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.3 of the Report of the Deputy Chief Executive (Corporate Services), or elsewhere on the agenda where appropriate.

In addition, it was reported that, with respect to actions identified in the latest Annual Governance Statement, there were no significant issues to bring to the attention of the Committee, with updates provided against individual items, as set out in Appendix B to item A.3 of the Report of the Deputy Chief Executive (Corporate Services).

In respect of the legionella issue experienced at the Frinton and Walton Lifestyles, the Committee was advised that the Council was currently engaged in on-going discussions with the Health and Safety Executive.

It was moved by Councillor Scott, seconded by Councillor Yallop and **RESOLVED** that the progress on the outstanding issues be noted.

**52. EXCLUSION OF PRESS AND PUBLIC**

It was moved by Councillor Bray, seconded by Councillor Yallop and:-

**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 9 on the grounds that it involves the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1 of Schedule 12A, as amended, of the Act.

**53. REPORT OF DEPUTY CHIEF EXECUTIVE - B.1 - RISK BASED VERIFICATION POLICY**

**RESOLVED** that, following the 2018/2019 annual review, the Risk Based Verification Policy as set out in Appendix A attached to the Report B.1 of the Deputy Chief Executive (Corporate Services) be approved.

The meeting was declared closed at 8.10 pm

**Chairman**