

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 26TH SEPTEMBER, 2019 AT 10.30 AM  
IN THE CONNAUGHT ROOM - TOWN HALL, STATION ROAD, CLACTON-ON-SEA,  
CO15 1SE**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Codling, King (except items 9 - 12), Placey and Steady
<b>In Attendance:</b>	Richard Barrett (Head of Finance, Revenues and Benefits Services & Section 151 Officer), Craig Clawson (Internal Audit Manager) and Ian Ford (Committee Services Manager & Deputy Monitoring Officer)
<b>Also in Attendance:</b>	Nuwan Indika (Audit Manager)(representing BDO LLP, the Council's External Auditors)

**9. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were submitted on behalf of Councillor Miles and Aphrodite Lefevre (Director & Engagement Lead for BDO LLP, the Council's appointed External Auditors).

**10. MINUTES OF THE LAST MEETING**

The minutes of the previous meeting of the Committee, held on 29 July 2019, were approved as a correct record and signed by the Chairman.

**11. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

**12. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38**

There were none on this occasion.

**13. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT: JULY 2019 - AUGUST 2019**

There was a report submitted by the council's Internal Audit Manager (Craig Clawson) (report A.1) which provided a periodic update on the Internal Audit function for the period July and August 2019. The report was split into two sections as follows:-

- (1) Internal Audit Plan Progress 2019/20;and
- (2) Internal Audit Charter.

(1) INTERNAL AUDIT PLAN PROGRESS 2019/20

It was reported that a total of four audits had been completed since the previous update given to Members in July 2019. A further two audits were at the fieldwork completion stage and awaited an 'exit meeting' in order to discuss and agree the findings within the audits in question. Six audits were currently in the fieldwork phase and 13 audits had been allocated and would commence soon.

As there were a number of audits that were continuous or consultative, the Internal Audit Manager had provided the following summary of progress:-

### ***Office Transformation Programme***

The Internal Audit Manager continued to attend scheduled meetings regarding the Transformation Programme. This cross departmental meeting had a set agenda to review the progress of the programme and address issues as they arose. Internal Audit was kept up to date with progress of the programme and action plans in place to mitigate key risks within the programme. Senior Management and the Portfolio Holder for Corporate Finance and Governance also attended those meetings.

### ***Digital Transformation Programme***

Meetings were held between key Officers involved in the programme and a third party company providing a network re-design solution on behalf of TDC. No significant issues had been raised to date. The current work plan was in phase two of implementation which was designed to create self-service portals for services within the Environmental Services department.

### ***Project Management***

It was reported that a new Project Management process had been put in place at Officer level in order to ensure that all Project Initiation Documents (PID) were scrutinised and assessed as early as possible before and after agreement from Cabinet. The premise of the arrangement was to ensure that all projects were practically assessed within resources available on a project by project basis. It was emphasised that this process was not in place to approve or reject projects, only to ensure that all available information was provided to Members before a decision was taken by Cabinet and continuous assessments were in place, if required; after a Cabinet decision had been made. The idea was to manage expectations and ensure that each project was assessed in its own right in order to challenge the following key elements:

Priorities – Did this activity meet the Council’s priorities? Did it deliver against key objectives?

Financials – What was the value of the activity overall?

Risk – Were all risks being addressed?

Sustainability – Were the outcomes achievable; what was the long term impact; were the potential savings short term or long term?

Deliverability – Likelihood of delivering the project with the resources available?

Outcome – Would the project provide the expected outcome e.g. would the savings be made, the service be transformed or key priorities met?

A Project Management Board had been put in place to ensure that the above areas were assessed in detail with recommendations made to the responsible Officers on areas that might require more information or areas to think about that might not have been thought about at the time when writing the PID.

The Board comprised of a Corporate Director, two Heads of Service from different departments and the Internal Audit Manager. This ensured that all projects were assessed by Officers with different sets of expertise prior to commencement.

The above process was a key action within the Annual Governance Statement Action Plan.

### **Quality Assurance**

The Internal Audit function as a matter of course issued satisfaction surveys for each audit completed. In the period under review 100% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

Members were informed that Internal Audit was undertaking a self-assessment against the Public Sector Internal Audit Standards (PSIAS) which in turn would create a Quality Assurance Improvement Programme (QAIP). The QAIP would identify areas requiring operational improvement within the Internal Audit Team with management actions attached. This had been due to be reported at the September 2019 meeting of the Committee. Unfortunately, due to the restructuring of Internal Audit and other unexpected commitments the self-assessment had not been completed. The Internal Audit Manager therefore requested that the submission of the QAIP be deferred to the January 2020 meeting of the Committee.

### **Resourcing**

The restructuring of the Internal Audit Team had now been completed and the Council had appointed a new Internal Auditor within the structure. The Team was currently at 75% capacity due to the ongoing issues regarding sickness and maternity leave.

### **Outcomes of Internal Audit Work**

The Public Sector Internal Audit Standards required the Internal Audit Manager to report to the Committee on significant risk exposures and control issues. Since the last such report four audits had been completed and the final report issued. Two audits had received a 'Substantial assurance' audit opinion and one had received an 'Adequate Assurance' audit opinion. The remaining audit had received an 'Improvement Required' audit opinion. That audit was in relation to Housing Allocations. The required actions were:-

- (i) Allocations System

*"Northgate to be approached to enquire whether the highlighted issues can be rectified by an update or consultancy work.*

*Failing this, alternative options be investigated and considered, in liaison with IT and audit, with a view of implementing a replacement system which is able to perform the functions and safeguards needed, as well as being able to be integrated with any other relevant council system and/or software, such as 'My Tending'.*

*Should a new system be adopted, a review of current practices is to be undertaken to ensure efficiencies are maximised and processes are linked to software capabilities."*

## (ii) Validation of Declarations

*“Liaise with relevant parties to explore ways to reasonably validate declarations made on applications for council housing.”*

## (iii) Scanned Documentation

*“To prevent any relevant data pertinent to the allocation process being misplaced and unable to be retrieved at a later date for examination, all documentation within applicant files are to be scanned and indexed.”*

**Management Response to Internal Audit Findings**

There were processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action had been taken. There were no high severity issues currently outstanding.

**Update on previous significant issues reported to the Audit Committee on 29<sup>th</sup> July 2019**

## Inventory Management / Stock Control

Following a first of a kind across the authority review of the Council's inventory and stock management processes a good practice guide had been developed which would be distributed to all relevant areas of the Council and would be available on the intranet. Unfortunately a significant issue had been identified with a management action relating to more than one department as detailed below:

“Some departments have a rudimentary stock control system or do not have a working inventory stock control system in place.

- *To use the generic inventory management spreadsheets provided by Internal Audit or procure a bespoke inventory control system that works more flexibly with the service need.*
- *Heads of Service with stocks and stores to review the best practice guide and distribute to their relevant Officers.”*

Heads of Service had begun to distribute the best practice guide to their departments. The inventory management spreadsheets were a larger task and this action could be overtaken by events if an electronic solution was implemented instead. A copy of that best practice guide was circulated to those Members present at the meeting.

This was considered timely as the Internal Audit Manager needed to request that the Housing Repairs and Maintenance audit for 2019/20 be replaced by a full security and inventory review of depots supporting the services based there in order to implement stronger controls and improve security arrangements. The 2018/19 Housing Repairs audit had been brought forward from the previous audit plan and was currently 90% complete. As it had started later in the year and was due to finish shortly, it was felt that resources would be better spent supporting services to improve their security arrangements.

(2) INTERNAL AUDIT CHARTER

Members were aware that it was a requirement of the PSIAS for the Audit Committee to review and approve the Internal Audit Charter on an annual basis. The current Charter had last been updated and approved in September 2018.

Having considered and discussed the contents of the Internal Audit Manager's report and its appendices it was:-

**RESOLVED** that –

- a) the contents of the report be noted;
- b) the Audit Plan 2019/20 be amended as requested by the Internal Audit Manager;
- c) consideration of the Quality Assessment Improvement Programme be deferred to the scheduled January 2020 meeting of the Committee;
- d) the Internal Audit Charter, as set out in Appendix B to the Report of the Internal Audit Manager, be approved;
- e) the Committee compliments the Internal Audit Manager and his Team for their quality of work and dedication in challenging on-going circumstances but places on record that it wants to see a timely resolution to the on-going personnel issues that are leaving the Internal Audit Team at under-capacity; and
- f) the Head of Building and Engineering Services be required to attend the next meeting of the Committee in order to (1) give an update on the Council's business continuity response following the liquidation of ROALCO, the Council's former external contractor for repairs and refurbishment of the Council's housing stock; and (2) contribute to the discussion of the Council's new waste and recycling collection contract as part of the consideration of the Council's Risk Management Strategy.

**14. REPORT OF THE DEPUTY CHIEF EXECUTIVE - A.2 - EXTERNAL AUDIT'S ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2019**

There was submitted a report by the Council's Deputy Chief Executive (report A.2) which present for the Committee's consideration the External Auditor's Annual Audit Letter for the year ended 31 March 2019.

The Committee was 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.*

Members were informed that there were a number of different strands of external audit work undertaken during the year but primarily they related 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 therefore 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 publicly available.

It was reported that the Annual Audit Letter relating to 2018/19 had raised no significant concerns. Page 7 of the Auditor's letter highlighted general risks around sustainable resource deployment and financial resilience, which continued to be actively managed within the Council's long term financial forecast. That action had also been recognised within the Council's 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 which would be considered later in the meeting.

Having considered and discussed the contents of the Annual Audit Letter it was:-

**RESOLVED**, that the contents of the Annual Audit Letter, for the year ended 31 March 2019 be noted.

**15. REPORT OF THE DEPUTY CHIEF EXECUTIVE - A.3 - TABLE OF OUTSTANDING ISSUES**

There was submitted a report by the Deputy Chief Executive (report A.3) which presented to the Committee the progress on outstanding actions identified by the Committee.

The Committee was informed that there were usually two appendices to this report which would contain: 1) updates against general issues previously identified by the Committee; and 2) updates against the Annual Governance Statement that the Committee had agreed at its July meeting each year.

Members were made aware that, as there were no outstanding actions in respect of general issues identified by the Committee, only updates against the Annual Governance Statement were included and detailed in Appendix A to the report.

It was reported that, to date, there were no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda where appropriate.

The Committee was advised that the Council's Risk Based Verification Policy was usually reported to the September meeting of the Committee. However, it was suggested that the annual reporting cycle be amended so that it was agreed instead in March each year, just ahead of the start of the financial year it related to.

Similarly, it was suggested that the review of the Council's Anti-Fraud and Corruption Strategy would, in future, be presented to the January meetings of the Committee each year instead of in September as had previously been the Committee's practice.

Having considered and discussed the contents of the report and its appendix it was:-

**RESOLVED** that –

- (a) the progress made on the outstanding issues be noted;
- (b) the change to the annual review cycle for the Risk Based Verification Policy with the Committee now considering the policy at its March meeting each year instead of its September meeting be approved;

- (c) the Risk Based Verification Policy previously approved by the Committee at its meeting held in September 2018, remains in place for the period up to 31 March 2020;
- (d) the change to the annual review cycle for the Anti-Fraud and Corruption Strategy with the Committee now considering the Strategy at its January meeting each year instead of its September meeting be approved; and
- (e) a letter be sent in the name of the Chairman of the Committee to strongly urge all Members to attend all Members' Briefings and that such letter also requests feedback from non-attending Members as to the reasons why they were unable/unwilling to attend Members' Briefings.

The meeting was declared closed at 11.50 am

**Chairman**