



AUDIT COMMITTEE

DATE:	Thursday, 22 September 2016
TIME:	7.30 pm
VENUE:	Council Chamber, Council Offices, Thorpe Road, Weeley, CO16 9AJ

MEMBERSHIP:

Councillor Coley
Councillor Griffiths
Councillor Chapman

Councillor Poonian
Councillor Stephenson

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For further details and general enquiries about this meeting, contact Janey Nice on 01255 (68)6572

DATE OF PUBLICATION: TUESDAY, 13 SEPTEMBER 2016

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Minutes of the Last Meeting (Pages 1 - 6)

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on Thursday 30 June 2016.

3 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary interests or other interest, and the nature of it, in relation to any item on the agenda.

4 Report of Audit and Governance Manager - A.1 Report on Internal Audit - June 2016 - August 2016 (Pages 7 - 14)

To provide the Committee with a periodic report on the Internal Audit function for the period June 2016 – August 2016.

5 Reports of Corporate Director (Corporate Services) - A.2 - Audit Results Report 2015/16 (Report to Follow)

To present to the Committee:

- The External Auditor's Audit Results Report for the period ending 31 March 2016 and Letter of Representation for consideration and approval to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor;
- The Statement of Accounts 2015/16 for consideration and approval for publication by the end of September 2016; and
- A revised Annual Governance Statement 2015/16 for approval.

6 Reports of Corporate Director (Corporate Services) - A.3 - Audit Committee - Table of Outstanding Issues (Pages 15 - 22)

To present to the Committee the progress against outstanding actions identified by the Committee.

7 Items Scheduled for the Next Meeting of the Committee in December 2016

Items currently scheduled for that meeting include:

- 1) Internal Audit Regular Monitoring Report
- 2) Internal Audit Letter 2015/16
- 3) Corporate Risk Register (six monthly review)
- 4) Table of Outstanding Issues (including update against External Audit Recommendations)

8 Exclusion of Press and Public

The Cabinet is asked to consider the following resolution:

“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.

B.1 - Risk Based Verification Policy”

9 Report of Corporate Director - B.1 Risk Based Verification Policy (Pages 23 - 32)

To seek the Committee’s necessary annual approval of the Council’s Risk Based Verification Policy

Date of the Next Scheduled Meeting

The next scheduled meeting of the Audit Committee is to be held in the Council Chamber - Chamber at 7.30 pm on Thursday, 15 December 2016.

Information for Visitors

FIRE EVACUATION PROCEDURE

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the hall and follow the exit signs out of the building.

Please heed the instructions given by any member of staff and they will assist you in leaving the building and direct you to the assembly point

Please do not re-enter the building until you are advised it is safe to do so by the relevant member of staff.

Your calmness and assistance is greatly appreciated.

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD**ON THURSDAY 30 JUNE 2016****AT 7.30 P.M. IN THE COUNCIL CHAMBER, COUNCIL OFFICES, WEELEY**

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

In Attendance: Head of Finance, Revenues & Benefits Services & Section 151 Officer (Richard Barrett), Head of Public Realm (Ian Taylor), Audit and Governance Manager (Steve Blake) and Democratic Services Officers (Janey Nice and Katie Sullivan)

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

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Chapman (with Councillor Steady substituting) and Stephenson (with Councillor Hones substituting) and Councillor Skeels Jnr.

2. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Committee held on 17 March 2016 were approved as a correct record and signed by the Chairman, subject to the requested amendments made by the External Auditor in respect of Minute 30, of the Presentation from the Council's External Auditor being incorporated therein.

3. DECLARATIONS OF INTEREST

There were none on this occasion.

4. REPORT ON INTERNAL AUDIT – MARCH – MAY 2016 AND ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2015/16

The Council's Audit and Governance Manager (Steve Blake) provided a periodic report on the Internal Audit function for the period of March to May 2016 and the Audit and Governance Manager's Annual Report for 2015/16, as required by professional standards.

The Audit and Governance Manager informed the Committee of the level of audit activity undertaken in the period and where improvements had been identified as being required.

Following an investigation, the Audit and Governance Manager was only able to provide a qualified opinion on the Council's control environment at the end of 2015/16, which would be reviewed / revisited as part of on-going work in 2016/17. Actions had been identified from the investigation, which were being implemented, with the Committee putting forward additional items to support the improvement plan. The improvement plan would be reported back to the Committee as part of future Table of Outstanding issue reports

In respect of the investigation mentioned above, The Head of Public Realm (Ian Taylor) gave an update to the Committee. Councillor Coley remained concerned that lack of training had caused the problem and needed reassurance that proper procedures were in place. Mr Taylor said this would be followed up at all team meetings in the future and the improvement plan included a number of items to address such issues.

Councillor Griffiths raised concerns that Officers were processing orders without adequate details on them and added that the Managers needed to check that all orders had adequate details and asked again what checks were made on orders as he did not think it should be left to Audit to pick up these matters.

Officers responded to the concerns raised and confirmed that the improvement actions highlighted would support many of the issues raised. Councillor Coley added it was a major concern for future risks and he would be interested to see the structure of training and how it was developed.

The Audit and Governance Manager also informed Members that The Public Sector Internal Audit Standards required the Audit and Governance Manager to make arrangements for reporting to Senior Management (Management Board) and to the Board (Audit Committee) during the course of the year and for producing an annual Internal Audit opinion and report that could be used to inform Members of the Annual Governance Statement. He added that no guidance had yet been published on the updates from the Government from 1 April 2016 so no work had been done on this to date.

The Audit and Governance Manager also informed the Committee that The Accounts and Regulations 2015 Act made it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

General updates / assurances were also provided on a number of issues emerging from internal audit work including S106, debtors and asset strategy.

ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2015/16

(1) Opinion on the Overall Adequacy and Effectiveness of the Council's Internal Control Environment

The Audit and Governance Manager informed Members that the Internal Audit function had completed 35 scheduled audits during the year, and a further eight 2015/16 audits had been completed by May 2016. For the audits that were completed, assurance had been classified as:-

Assurance	Number of Audits (2015/16)
Substantial	17
Adequate	23
Improvement Required	3
Significant Improvement Required	0

The Audit and Governance Manager informed the Committee that the result of each audit completed had been included in periodic reports produced during the year, and the Committee's attention had been drawn to any significant issues where the level of Assurance had been classified as Improvement Required. Whilst there had been audits during the year given this level of Assurance, the number at this level was low. No audits had come close to being classified Significant Improvement Required.

(2) Qualification to the Opinion

Mr Blake said that the opinion that had been given above had been based upon the level of Internal Audit activity that it had been proved possible to deliver with the resources available during the year. He said it was not possible to fully complete the planned work during the year as detailed elsewhere in this report, although all key audits had been undertaken or **Page 2** progress at the year end. In forming an opinion he said, audit outcomes identified, but not reported until the 2016/17 plan

year had been taken into account. He added that the level of coverage achieved was considered sufficient to be able to provide the assurance required.

(3) Summary of the Internal Audit Work Undertaken to Formulate the Opinion, and Reliance Placed on the Work by Other Assurance Bodies

The Committee requested and received further details regarding issues raised as a result of work undertaken by the Internal Audit function.

In accordance with best practice and the requirements of the Public Sector Internal Audit Standards, the 2015/16 plan had included arrangements for the follow up of issues found at previous audits. This had taken the form of: -

- Separate follow up audits and embedded follow up work within assurance audits. In those cases any ongoing outstanding issues were formally reported to management, with any significant issues drawn to the attention of the Committee.
- Action Tracking – monthly reminders had been issued, and responses verified by evidence where it was appropriate to do so.

A schedule of the audits undertaken during 2015/16 was included at Appendix B of the Report of the Audit and Governance Manager.

Upon completion of each audit a draft report was issued to the appropriate Corporate Director / Head of Department, containing details of any findings required addressing that which had been identified. Subsequent discussions had been held with appropriate Senior Managers and final reports were then issued, which included detail of agreed actions to resolve the issues identified. There were no instances, for the reports issued during 2015/16, where a satisfactory action had not been identified and agreed.

(4) Performance of the Internal Audit Function

The performance measures used during 2015/16 were as follows: -

Performance Measure	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13	Actual 2011/12
Percentage of Audit Plan Completed	79% *	71%	94%	91%	81%
Percentage of Satisfactory Responses to Satisfaction Surveys Issued with Final Audit Reports	96%	96%	100%	96%	98%

*At the time of producing this report 90.5% of the 2015/16 plan had been completed.

(5) Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards had been in place from 1 April 2013. Progress updates had been periodically reported to the Committee, on the work being undertaken to demonstrate conformance with the requirements of the Standards.

Having considered and discussed the report, it was **RESOLVED** that the contents of the report be noted.

5. ANNUAL GOVERNANCE STATEMENT 2015/16 AND CODE OF CORPORATE GOVERNANCE

The Audit and Governance Manager submitted the Annual Governance Statement 2015/16 for the Committee's approval and advised Members on progress regarding the changes required to the Code of Corporate Governance following the publication of a new framework by CIPFA/ Solace.

Mr Blake said that Appendix A gave an overview of the Annual Governance Statement for 2015/16 and included updates on significant issues identified in the previous year's Annual Governance Statement.

Officers provided further details around the formulation of the AGS for 2015/16 along with a number of actions for progressing in 2016/17. Updates against the actions identified would be reported to the Committee as part of future Table of Outstanding Issue Reports.

Officers informed the Committee that following the publication of the new CIPFA/Solace framework in April 2016, it was necessary to review the content of the Code. The results of that review would be brought to a future meeting of the Committee, together with an updated Code for approval.

Councillor Griffiths asked if the recent EU Referendum would have any effect on resources specifically with regard to the 'budget gap' and if there were any specific issues to be identified. Mr Barrett said there could be a number of issues that could affect the Council, grant funding being the biggest threat. Councillor Coley commented it was still early to tell what effect the referendum result could have on the Council and other Local Authorities.

Mr Barrett said that updates would be provided whenever possible to the Committee and also to the Corporate Management Committee.

Following a discussion around the TV company due to start filming in Jaywick, the Committee requested updates on the project as part of the general position on Jaywick, which forms part of the actions set out in the Annual Governance Statement.

After consideration of the report, it was **RESOLVED** that:

- (a) the Annual Governance Statement 2015/16 be approved; and
- (b) the Chief Executive and Leader of the Council be advised of the outcome of the annual review and be authorised to sign the Annual Governance Statement, as set out as Appendix A to the afore-mentioned report.

6. CORPORATE RISK UPDATE

The Audit and Governance Manager presented to the Committee a report on the updated Corporate Risk Register which included a limited number of changes since it was last considered by the Committee in December 2015.

In respect of Member Conduct which was a risk included on the register, the Committee raised concerns about the number of complaints against Councillors and the amount of time that the Council's Monitoring Officer must spend in responding to such issues. The Committee confirmed its commitment to keeping a watching brief on this issue as part of the future risk register updates.

In respect of potential future risks, Officers stated that although there were a number of projects currently being developed such as Garden Communities, associated risks would only be included on the risk register once the Council was exposed to the associated risks, which could be financial, non-financial or both.

After further consideration of this item it was **RESOLVED** that the contents of the report be noted.

7. AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

The Head of Finance, Revenues & Benefits Services updated the Committee with the progress against outstanding actions identified by the Committee.

Mr Barrett provided an update on the work scheduled to be undertaken with the Council's insurers. Following a change in the Council's insurers, this activity would now be progressed in discussion with the new insurers.

It was **RESOLVED** that the Committee had noted the outstanding issues.

8. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN SEPTEMBER 2016

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

- 1) Annual Governance Report 2015/16 (includes Statement of Accounts and VFM Opinion)
- 2) Internal Audit Regular Monitoring Report
- 3) Fraud and Corruption Strategy, Benefit Security Strategy and Prosecution Policy
- 4) Annual Review of the Risk Based Verification Policy
- 5) Table of Outstanding Issues

The meeting was declared closed at 8.35 p.m.

Chairman

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AUDIT COMMITTEE

22 SEPTEMBER 2016

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – JUNE 2016 TO AUGUST 2016

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period June 2016 – August 2016

EXECUTIVE SUMMARY

- All audits completed in the period achieved a satisfactory level of assurance, with one exception receiving an improvement required classification.

RECOMMENDATION(S)

That the report be considered and noted

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The Internal Audit function is operating within the budget set.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

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.

Internal Audit activity assists the Council in maintaining a control environment that

mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Public Sector Internal Audit Standards require the Audit and Governance Manager, in his role as Chief Audit Executive, to make arrangements for reporting periodically to senior management (Management Board) and to the board (Audit Committee).

CURRENT POSITION

Public Sector Internal Audit Standards

The standards were revised from April 2016. Updates regarding compliance with the standards have been regularly brought to the attention of the Committee. The Quality Assurance and Improvement Programme required by the standards was reported to the June 2016 meeting of the Committee.

During the last quarter the Internal Audit Manual has been updated to reflect changed working practices arising from the introduction of new audit management software during 2015/16, and to reflect the revisions to the standards, and the outstanding item regarding this in the Quality Assurance and Improvement Programme is now considered complete. The Audit Manual is a living document and will be subject to update as and when required.

Internal Audit Plan Progress

The Internal Audit Plan approved by the Audit Committee in March 2016 has been kept under review, in accordance with the requirements of the Public Sector Internal Audit Standards. No amendments are currently considered necessary.

Appendix A provides details of the status for each audit as at August 2016.

Quality Assurance – The Internal Audit function issues 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.

Outcomes of Internal Audit Work

The standards require the Audit and Governance Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report 10 audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Year to Date	
Substantial	Green	1	5	
Adequate	Light Green	8	11	
Improvement	Yellow	1	3	

Required				
Significant Improvement Required		0	0	

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

S106 (Follow Up)

At the June 2013 meeting, the Committee's attention was drawn to the results of a s106 audit where only Limited Assurance (current classification Improvement Required) could be given. This was a consequence of the lack of knowledge of systems / processes following the loss of the former s106 officer. The Committee at that time sought assurances from the then Portfolio Holder and the Planning Manager that effective action was being taken to resolve the issues identified. Since that audit the issues raised had been subject to action tracking to monitor progress with a follow up audit scheduled to be undertaken to review the effectiveness of the actions taken once sufficient progress had been made.

At the June 2016 meeting, the Committee's attention was drawn to the results of the S106 (Follow Up) audit which had been given an Improvement Required classification. However no details regarding the significant issues raised were reported as the Planning Manager had advised of a Court of Appeal decision that impacted upon S106 and further work was required to establish if those significant issues raised remained relevant. Since that meeting discussions have been had with the Head of Governance and Legal Services and relevant senior Planning staff and whilst that remains ongoing it appears that many of the issues raised in the Internal Audit report remain valid.

The report identified a limited number of high severity issues and a number of lower severity issues. These indicated that further improvements were required to improve the control environment to a level where substantial or adequate assurance could be given.

It is important to highlight that no money has been identified as repayable by the Council to date, and the actions being developed revolve around processes and improving the overall governance arrangements.

The outstanding issues are subject to action tracking with a deadline for completion of each action required having been agreed. A further follow up audit will be undertaken either later in the current financial year or early in 2017/18.

Housing Allocations

The audit was given an Improvement Required classification as there were inadequate records available to demonstrate that each property let had been allocated to the highest priority suitable tenant on the waiting list at that time. There were software limitations that prevented an electronic solution, and it was agreed that a hard copy of the top of the waiting list annotated as appropriate be retained for each letting. The required action has been taken, and adequate controls are now in place.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -




Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	2	Regular reminders are issued to relevant managers to establish that corrective action has been taken / encourage resolution of each issue
Not yet due	6	





BACKGROUND PAPERS FOR THE DECISION



Audit Reports

APPENDICES

Appendix A – Internal Audit Plan 2016/17 Progress Report

Audit Subject	Status August 2016	Opinion	Comments
<u>2014/15 Internal Audit Plan</u>			
(Audits where Final Report not issued by 31 st March 2016)			
<u>Assurance Work – Other Systems</u>			
S106 (Follow Up)	Completed	Improvement Required	Reported June 2016
<u>2015/16 Internal Audit Plan</u>			
(Audits where Final Report not issued by 31 st March 2016)			
<u>Assurance Work – Key Systems</u>			
Corporate and Ethical Governance	Completed	Substantial Assurance	Reported June 2016
Housing Benefits	Completed	Adequate Assurance	Reported June 2016
Housing Rents	Completed	Substantial Assurance	Reported June 2016
National Non Domestic Rates	Completed	Adequate Assurance	Reported June 2016
Sundry Debtors	Completed	Improvement Required	Reported June 2016
<u>Assurance Work – Other Systems</u>			
Development Management	Completed	Adequate Assurance	
Elections and Electoral Registration		Substantial Assurance	Reported June 2016
Emergency Planning	Completed	Adequate Assurance	Reported June 2016
Household Waste and Recyclable Materials	Completed	Adequate Assurance	
Housing Repair and Maintenance	Completed	Adequate Assurance	
Open Spaces, Horticulture and Play Areas	Draft Report		

Audit Subject	Status August 2016	Opinion	Comments
Parking Services	Completed	Adequate Assurance 	
Planning Enforcement	Completed	Adequate Assurance 	
Risk Management	Completed	Substantial Assurance	Reported June 2016
<u>Assurance Work – Computer Audit</u>			
ICT Business Continuity / Disaster Recovery	Completed	Adequate Assurance 	
IT Governance	Completed	Adequate Assurance 	
<u>AUDITS SCHEDULED TO COMMENCE IN 2016/17</u>			
<u>2016/17 Internal Audit Plan</u>			
<u>Assurance Work – Key Systems</u>			
Bank Account	Unallocated		
Business Rates	Unallocated		
Corporate and Ethical Governance	Unallocated		
Corporate Procurement Review	Unallocated		
Council Tax	Allocated		
Creditors	Allocated		
Departmental Procurement			
Procurement – Contractor Use	Fieldwork		
Public Realm Procurement	Allocated		
Housing Benefit	Unallocated		
Housing Rents	Unallocated		
Main Accounting System	Allocated		

Audit Subject	Status August 2016	Opinion	Comments
Payments Received	Unallocated		
Payroll	Unallocated		
Sundry Debtors	Unallocated		
Treasury Management	Unallocated		
<u>Assurance Work - Emerging Key Projects</u>			
Audits to be arranged	Unallocated		
<u>Assurance Work – Other Systems</u>			
Beach Huts	Draft Report		
Bereavement Services	Allocated		
Building Control	Unallocated		
Coast Protection	Unallocated		
Financial Resilience	Allocated		
Fraud and Compliance Team	Unallocated		
Grants / Financial Assistance	Unallocated		
Housing Allocations	Completed	Improvement Required	
Housing Repairs and Maintenance	Unallocated		
Leisure Services Development Programme	Completed	Substantial Assurance	
Planning Policy	Unallocated		
Public Conveniences	Allocated		
Risk Management	Unallocated		
Staff Allowances			
Corporate Services Staffing	Fieldwork		
Operational Services	Allocated		
Street Sweeping	Completed	Adequate Assurance	

Audit Subject	Status August 2016	Opinion	Comments
Walton – on – the – Naze Lifestyles	Allocated		
<u>Assurance Work – Computer Audit</u>			
I T Governance	Unallocated		
I T Project Management	Allocated		
Payroll / Human Resources – Computer Application Review	Fieldwork		
Revenues and Benefits Computer Application Review	Fieldwork		
Uniform Application Review	Unallocated		
Status Key			
Unallocated	Audit in Audit Plan, but no work undertaken yet		
Allocated	Audit is being scoped / has been scoped and awaiting commencement		
Fieldwork	Audit in progress		
Draft Report	Audit fieldwork complete, but Final Report not yet issued		
Completed	Final Report issued and audit results reported to Audit Committee		
Deferred	Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee		
Delayed	Valid request from function being audited for audit to be undertaken later than proposed		

AUDIT COMMITTEE

22 SEPTEMBER 2016

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.3 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 30 June 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.
- Updates against actions identified within the Annual Governance Statement 2015/16 are set out in **Appendix B** with no significant issues to highlight at the present time.

RECOMMENDATION(S)

That the progress against the outstanding issues be noted.

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.

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**. An update against actions relating to the Annual Governance Statement 2015/16 is set out separately in **Appendix B**.

Updates against actions identified as part of the seafronts investigation that was reported to the 30 June 2016 meeting of the Committee have been set out in **Appendix C**.

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 (September 2016) – General.

Appendix B - Table of Outstanding Issues (September 2016) - Annual Governance Statement Actions

Appendix C - Table of Outstanding Issues (September 2016) – Seafront Investigation – Action Plan

AUDIT COMMITTEE - Table of Outstanding Issues (September 2016)

GENERAL							
Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date		
Page 17	External Audit	Future Change		At its meeting on 13 December 2012, the Audit Committee resolved: <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>	Head of Finance and Revenues and Benefits	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. The latest position on the appointment of external auditors includes the proposal for 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. How this will work in practice and deliver value for money will be considered as the option is developed.	2018/19
	Risk Management	Effective Management of the Council's Property Portfolio		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.	Head of Finance and Revenues and Benefits	The Council's insurance policies were placed with alternative insurers in June 2016 which has had an impact on this work. Initial discussions have been held with the new insurers to progress this item during the second half of 2016/17.	On-going
	Recommendations from the External Auditor	Certification of Claims and Returns Annual Report 2014/15		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 : [That in respect of the Housing Benefits Subsidy Claim] 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.	Head of Finance and Revenues and Benefits	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.	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

<p>Fraud and Compliance</p>	<p>Effective delivery of Corporate Fraud and Compliance activities</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"> • Staff within the Revenues and Benefits Service continue to undergo the necessary training to undertake fraud investigation work. • 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. • 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. 	<p>Head of Finance and Revenues and Benefits</p>	<p>Following the recent Senior Management restructure, which is now embedded, a number of emerging / potential advantages (in respect of anti-fraud activities) from bringing the Finance and Governance activities together with the Revenues and Benefit function are being explored. At the present time it is anticipated that this work will have been completed by December 2016 which are anticipated to respond to the anti-fraud issues raised by the Committee.</p>	<p>December 2016</p>
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AUDIT COMMITTEE - Table of Outstanding Issues (September 2016)

ANNUAL GOVERNANCE STATEMENT ACTIONS

ANNUAL GOVERNANCE STATEMENT ACTIONS		
Governance Issue	Action	Current Position / Update
<p>Sustainable Resource Deployment</p>	<p>Via the Financial Strategy process, continue to maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the backcloth of the potential for further cuts in Government funding.</p> <p>The forecast budget 'gap' is £1.968m in 2017/18 rising to £5m on a cumulative basis by 2019/20. The budget 'gap' primarily reflects the continuing year on year reduction in Government funding.</p> <p>Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term, by aiming to find savings from within its underlying revenue budget rather than relying on potentially time limited income such as from the New Homes Bonus to balance the budget.</p> <p>Cabinet Members to lead on taking forward savings proposals which will include some difficult decisions such as ceasing service provision, decommissioning assets or reducing the level of services provided.</p>	<p>An updated forecast was presented to Cabinet in July which set out a revised budget gap of £1.565m in 2017/18.</p> <p>Portfolio led working parties are now being arranged (two have met already) to identify saving options. The initial outcomes from this work are due by 21 October 2016.</p>
	<p>A key / overlapping element of work that will be progressed during the year will be how the Council manages and utilises its assets effectively to support the delivery of services and priorities.</p>	<p>A comprehensive review of assets forms a strand of work being investigated via the Portfolio led working parties mentioned above with initial outcomes from this work planned for 21 October 2016.</p>

<p>Working with Partners and Other Third Parties</p>		
<p>Working with partners effectively to deliver strategic priorities</p>	<p>To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, and with a view to facilitating development or directly developing the sites for housing / regeneration stimulation.</p>	<p>The Council continues to work with partners in progressing / developing the various strands of this major project.</p>
	<p>To continue to play a key role in the development of the Garden Communities Project including key governance and financial arrangements set against open and transparent decision making.</p>	<p>The Council continues to work with partnering authorities to develop this project. At the present time, it is expected that the project will have progressed to the stage where a comprehensive report can be presented to Council in November to enable members to formally consider this project and the key decisions and associated commitments required if taken forward.</p>
<p>Other Major Issues</p>	<p>To revise the Code of Corporate Governance taking account of the new CIPFA/ Solace framework applicable from 2016/17.</p>	<p>This is currently being reviewed to determine the necessary revisions to the current code of corporate governance to reflect the revised guidance.</p>
	<p>To continue to embed the arrangements regarding the recording of Officer Decisions and the Scheme of Delegation within Departments.</p>	<p>Recent training was provided to Senior Officers on the new Committee Management System, which includes a section for Officer Decisions. The Scheme of Delegation to Officers has been revised as a consequence of the change in Portfolios and restructure at Directors and Head of Service level, this is currently being reviewed by all relevant officers and is due to be published on the Council's intranet in October.</p>

AUDIT COMMITTEE - Table of Outstanding Issues (September 2016)

Seafront Investigation - Action Plan

Seafront Investigation - Action Plan		
Phase	Actions taken / Update	Outstanding Actions
Recovery Phase	<p>The money identified as being overcharged by a contractor has now been recovered.</p> <p>Two contractors continue to be suspended from undertaking any further work for the service.</p> <p>Remedial work has been undertaken by one contractor where the work was identified as not being to the required standard.</p>	<p>One contractor undertakes work for another service within the Council. Internal Audit are currently reviewing whether the issues identified have been repeated within this other service area with final outcomes available shortly.</p>

Improvement / Corporate Response Phase	Actions Taken / Update	Outstanding Actions
<p style="text-align: center;">Page 22</p>	<p>The Council's ordering System now includes a reference and a direct link to the Council's procurement rules. This appears at the top of the page that is displayed to the user when they log onto the ordering system.</p> <p>When a new supplier is set up within the ordering system, the officer requesting access to that supplier is emailed which includes a direct link to the Council's procurement rules.</p> <p>The introduction of a 'check' statement within in the ordering system has been explored and it has been identified that it is not currently possible to introduce this. The matter has however been raised with the software provider who have been asked to consider this within future system upgrades.</p> <p>The anti-collusion certificate required as part of tender submissions has now been updated which requires bidders to confirm that they have not colluded with external parties or anyone associated with the Council when developing their bid.</p> <p>An email has been sent out to relevant officers stating that procurement guidance is being developed with attention drawn to the bullet points mentioned in the next column but in the interim period they must ensure they refer to the Council's procurement procedure rules and seek advice from Procurement Services as necessary.</p> <p>The next phase of implementing a commitment accounting system is in progress which involves an underlying upgrade to the Council's current financial system / ledger.</p> <p>The need to ensure that contractors are not paid in advance unless contractually obliged to do so has been added as an item to be included within the Council's Constitution when it is next reviewed.</p>	<p>The centralisation of repair / maintenance type work to reduce the potential for untrained staff to become involved in the procurement process is currently being reviewed as part of the wider budget savings work as there may be a number of potential advantages from this approach.</p> <p>Guidance / Mandatory training is currently being developed which will include the following key points:</p> <ul style="list-style-type: none"> * <i>Actions to protect the Council from fraud</i> * <i>Expectation of officers if covering another officer's duties where procurement is undertaken</i> * <i>The nature and level of assistance that can be provided to people / organisations bidding for Council work</i> * <i>Disaggregation of works to avoid procurement procedure rules is not permitted</i> * <i>Checks to undertake ensure potential contractors have the capacity and financial stability to deliver the Council's requirements</i> * <i>What activities need to be completed before payment is released to contractors / suppliers</i> * <i>The correct coding of expenditure within the financial systems</i> * <i>Contractors not to be paid in advance unless contractually obliged to do so</i> * <i>'Spot' checks required by Senior Managers to ensure rules / guidance is being adhered to</i> <p>Once the training / guidance has been provided to officers, restrictions are planned on being made to the Council's ordering system to restrict the use of the system to only those officers who have undertaken the necessary training and have read the guidance.</p>

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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