

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 25TH JANUARY, 2018 AT 7.30 PM
IN THE COUNCIL CHAMBER, COUNCIL OFFICES, THORPE ROAD, WEELEY,
CO16 9AJ**

| | |
|-----------------------|--|
| Present: | Councillors Coley (Chairman), Poonian (Vice-Chair), Alexander, Hones and Scott |
| In Attendance: | Richard Barrett (Head of Finance, Revenues and Benefits Services), Ian Ford (Committee Services Manager) and Craig Clawson (Principal Auditor) |

15. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were no apologies or substitutions on this occasion.

16. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Committee held on 21 September 2017 were approved as a correct record and signed by the Chairman.

17. DECLARATIONS OF INTEREST

There were none on this occasion.

18. REPORT OF THE AUDIT AND GOVERNANCE MANAGER - A.1 - REPORT ON INTERNAL AUDIT - SEPTEMBER TO NOVEMBER 2017

The Committee had before it a periodic report (A.1) on the Internal Audit function for the period of September to November 2017.

The Council's Principal Auditor (Craig Clawson) informed the Committee that ten audits had been completed in the period of which four had been given Substantial Assurance and six had been given Adequate Assurance.

The Committee was aware that The Public Sector Internal Audit Standards required the Audit and Governance Manager, in their role as Chief Audit Executive / Head of Internal Audit, to make arrangements for reporting periodically to senior management (Management Team) and to the board (Audit Committee). Following the recent retirement of the Audit and Governance Manager it was a requirement of the relevant CIPFA Code of Practice that the Council appointed an alternative Officer to undertake the role of Head of Internal Audit.

Members were informed that it was proposed to appoint the Head of Finance, Revenues and Benefits to the role of Head of Internal Audit for an interim period whilst a restructure of the Internal Audit Service was considered, which would, in turn, provide a longer term appointment to the role. However, in order to ensure the independence required of the role, it was proposed to delegate the day-to-day operation of delivering an effective Internal Audit Service to the Council's Principal Auditor via acting up arrangements to the role of Audit and Governance Manager.

The Committee was advised that the Head of Finance, Revenues and Benefits would support the Principal Auditor, where necessary, via a consultative approach, to enable him to independently undertake the relevant duties set out in the CIPFA Code of Practice. The Principle Auditor would therefore retain the required independence to report directly to the Chief Executive, Management Team and the Audit Committee as he felt necessary in order to ensure that there was no undue influence from the Head of Finance, Revenues and Benefits.

The Principal Auditor also informed the Committee of the current position in relation to:

- (i) Internal Audit Plan Progress – Proposed removal of Payments Received Audit, deferral of Corporate Counter-Fraud and Departmental Procurement audits;
- (ii) Quality Assurance;
- (iii) Outcomes of Internal Audit Work;
- (iv) Management response to Internal Audit Findings;
- (v) External Quality Assessment – Assessor’s Final Report; and
- (vi) Internal Audit Budget 2018/19.

Following discussion and questions by Members, it was moved by Councillor Scott, seconded by Councillor Alexander and:

RESOLVED that –

- (a) the contents of the report be noted;
- (b) the changes to the Internal Audit Plan, as detailed in the report, be approved; and
- (c) the Committee approves the appointment of the Head of Finance, Revenues and benefits to the role of Head of Internal Audit in the interim period whilst the future structure of Internal Audit is decided.

19. REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES) - A.2 - CORPORATE RISK UPDATE

The Head of Finance, Revenues & Benefits Services & Section 151 Officer (Richard Barrett) presented to the Committee a report on the Risk Management Framework and the updated Corporate Risk Register.

It was reported that, within the period under review, no new risks had been added to the register, no risks had been removed, one risk score had been amended and there were no items that were currently under review. Risks had been amended in respect of –

- (1) 1b Catastrophic IT Network Failure;
- (2) 1c Ineffective Communication / Management of Information;
- (3) 2c Community Leadership Projects;
- (4) 5a Financial Straegy
- (5) 6c Disconnection from PCN Network; and
- (6) 7a Local Plan.

The Risk Score in respect of item 7a Local Plan had been reduced from 16 to 12 to reflect the latest position.

It was reported that during the year a review had been carried out by the Council's Internal Audit Team relating to Risk Management. The following table set out the recommendations identified and the current position against each of those actions:

| Agreed Action | Current Position |
|--|--|
| <p>Management Team to promote the importance of operational risk management within the organisation and ensure that Senior Managers implement a process for identifying and mitigating risks in coordination with the Corporate Fraud and Risk Manager.</p> <p>One to one meetings are to take place between Senior Managers and the Corporate Fraud and Risk Manager to identify and record key operational risks within their service areas. Support to be provided by Internal Audit if required.</p> | <p>Management Team are currently working with the Fraud and Risk Manager to effectively promote the importance of operational risk management within the Council. The Corporate Fraud and Risk Manager will be attending Management Team meetings on a quarterly basis and provide monthly updates.</p> <p>One to one meetings have been booked with senior managers and reviews of the Council's departmental risk registers are being undertaken.</p> <p>Any gaps identified will be included in the next corporate risk register update.</p> <p>Update to be provided at the next Audit Committee in June 2018.</p> |
| <p>Once all departmental risk registers are implemented, the Corporate Fraud and Risk Manager is to embed a quality control process for monitoring business risks and verifying the recorded mitigating controls. This should involve process walkthrough's, reviews of supporting documentation and assessments of target dates / resources required to implement controls</p> | <p>The Corporate Fraud and Risk Manager has arranged one to one meetings with senior managers to discuss business risks, once identified the findings will be reviewed on a more regular basis.</p> <p>Update to be provided at the next Audit Committee in June 2018.</p> |

The Committee was informed that although no changes had been identified as being required at this time, the Risk Management Framework was included at Appendix A to the report for information purposes only.

After consideration of this item it was **RESOLVED** that -

- (a) the contents of the updates provided to the current Risk Register be noted; and

- (b) the Head of Finance, Revenues & Benefits Services requests the Head of IT and Corporate Resilience to consider providing training to Members on aspects of cyber security.

20. REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES) - A.3 - EXTERNAL AUDIT'S ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017

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 2016/17.

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 2016/17, risks highlighted in connection with financial resilience / sustainability and the Garden Communities project had been included within last year's Annual Governance Statement with on-going updates provided to the Committee.

Chris Hewitt (Audit Manager – Ernst & Young, the Council's External Auditor) highlighted the salient points in the Annual Audit Letter and, in particular, two issues to consider in the future. Responses to both those issues formed part of the work currently being undertaken to close the accounts and produce the Statement of Accounts for 2017/18 by the required deadlines. Those two issues were –

- (1) earlier deadline for the production and audit of the financial statements from 2017/18; and
- (2) forthcoming changes to accounting standards IFRS 9 (Financial Instruments), IFRS 15 (Revenue from contracts with customers) and IFRS 16 (Leases).

Mr Hewitt also highlighted that a final decision was still awaited from PSAA Ltd in relation to a scale fee variation for the Audit Fee for 2016/17.

After consideration of this item it was -

RESOLVED that the contents of the Annual Audit Letter for the year ended 31 March 2017 be noted.

21. REPORT OF THE CORPORATE DIRECTOR (CORPORATE SERVICES) - A.4 - TABLE OF OUTSTANDING ISSUES

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.4) 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.

Updates on the actions identified within the latest Annual Governance Statement were set out in Appendix B to the aforementioned report with no significant issues to highlight at the present time.

In respect of the latest position in terms of the legionella issue experienced at the Frinton and Walton Lifestyles facility, the Head of Finance, Revenues & Benefits Services informed Members that the Council had now finalised a Legionella Policy alongside undertaking a range of actions / activities in response to this issue. However, the Health and Safety Executive's final report and recommendations was still awaited. Once that report was received, any further actions required would be reviewed and a further update provided to the Audit Committee.

The Head of Finance, Revenues & Benefits Services also informed the Committee that although work had progressed on the Counter Fraud Strategy the Department for Works and Pensions (DWP) had recently approached the Council to ask if it would be willing to work together and undertake joint fraud investigations where opportunities arose. Discussions remained on-going with the DWP and as this would have an impact on the Counter Fraud Strategy it had been decided to defer this item until March 2018 in order to enable the associated arrangements to be finalised and reflected in the Strategy.

It was **RESOLVED** that the progress made against the outstanding issues be noted.

22. EXCLUSION OF PRESS AND PUBLIC

It was moved by Councillor Scott, seconded by Councillor Hones 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 Paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act.

23. REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES) - B.1 - RISK BASED VERIFICATION POLICY

RESOLVED that, following the 2017/2018 annual review, the Risk Based Verification Policy as set out in Appendix A attached to the Report B.1 of the Corporate Director (Corporate Services) be approved.

The meeting was declared closed at 8.39 pm

Chairman