

# AUDIT COMMITTEE

26 JANUARY 2017

## REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

### A.6 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 22 September 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 latest Annual Governance Statement are set out in **Appendix B** with no significant issues to highlight at the present time.

##### RECOMMENDATION(S)

**That the progress made 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 latest Annual Governance Statement is set out separately in **Appendix B**.

#### **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.

During its 22 September 2016, the Committee agreed to invite the Planning and Regeneration Portfolio Holder to the next meeting of the Committee to discuss issues relating to S106 agreements. This invite has been revised to the March 2017 meeting of the Committee, which provides the opportunity to review the latest position / update from the service in terms of improvement actions taken.

#### **BACKGROUND PAPERS FOR THE DECISION**

None

#### **APPENDICES**

**Appendix A** – Table of Outstanding Issues (December 2016) – General.

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

## AUDIT COMMITTEE - Table of Outstanding Issues (December 2016)

GENERAL					
Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date
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	The most up to date position is set out in a separate report elsewhere on the agenda.	<b>March 2017</b>
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.  Discussion remain on-going with the new insurers to determine the scope and cost of this work.	<b>On-going</b>
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.	<b>The outcome from the work of the External Auditor in respect of the 2015/16 claim is scheduled to be reported to the March 2017 meeting of the Committee</b>

<b>Fraud and Compliance</b>	<b>Effective delivery of Corporate Fraud and Compliance activities</b>	<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"> <li>• Staff within the Revenues and Benefits Service continue to undergo the necessary training to undertake fraud investigation work.</li> <li>• 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.</li> <li>• 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.</li> </ul>	Head of Finance and Revenues and Benefits	<p>Following the recent Senior Management restructure, which is now embedded, a review of 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 is reaching a conclusion. Associated changes are planned on being implemented by the end of March 2017 as part of a further staff reorganisation.</p>	<b>March 2017</b>
<b>The Council's Governance arrangements</b>	<b>Land / Property Acquisition Policy</b>	<p>At its 22 September 2016 meeting, the Committee considered the Table of Outstanding Issues Report, following which it resolved that Cabinet review the policy in respect of any future land purchases in Jaywick given the impairment loss of £0.700m in 2015/16.</p>	Head of Finance and Revenues and Benefits	<p>The Committee's comments were reported to Cabinet on 4 November 2016.</p> <p>The Finance, Revenues &amp; Benefits Portfolio Holder had considered the Audit Committee's comment and had responded as follows:-          "It has been and remains the policy that all land purchases are carefully considered to fully assess the financial implications."</p> <p>Having considered the comment of the Audit Committee and the Portfolio Holder's response, Cabinet resolved that the Finance, Revenues &amp; Benefits Portfolio Holder's response be endorsed.</p>	<b>Completed</b>
<b>The Council's Governance arrangements</b>	<b>Procurement / Contract Arrangements</b>	<p>At its 22 September 2016 meeting, the Committee considered the Table of Outstanding Issues Report, following which it resolved that in light of the recent experiences in connection with the public conveniences contract the Council reviews its current procurement/contract processes to identify if such issues could be prevented in the future.</p>	Head of Finance and Revenues and Benefits	<p>As part of the wider review of procurement processes that are planned for 2017/18, this issue will be taken into account in consultation with Legal Services.</p>	<b>On-going</b>

<p><b>The Council's Governance arrangements</b></p>	<p><b>Procurement / Contract Arrangements</b></p>	<p>At its meeting on 22 September 2016, the Committee were presented with an update against actions identified as part of the Seafronts Investigation Action Plan. As most actions have now been completed a separate appendix is no longer included within this report with the following outstanding actions now included within this table:</p> <p>The centralisation of repair / maintenance type work to reduce the potential for untrained staff to become involved in the procurement process is continues to be reviewed as there may be a number of potential advantages from this approach.</p> <p>Guidance / Mandatory training remains under development which will include the following key points:</p> <ul style="list-style-type: none"> <li>* Actions to protect the Council from fraud</li> <li>* Expectation of officers if covering another officer's duties where procurement is undertaken</li> <li>* The nature and level of assistance that can be provided to people / organisations bidding for Council work</li> <li>* Disaggregation of works to avoid procurement procedure rules is not permitted</li> <li>* Checks to undertake ensure potential contractors have the capacity and financial stability to deliver the Council's requirements</li> <li>* What activities need to be completed before payment is released to contractors / suppliers</li> <li>* The correct coding of expenditure within the financial systems</li> <li>* Contractors not to be paid in advance unless contractually obliged to do so</li> <li>* 'Spot' checks required by Senior Managers to ensure rules / guidance is being adhered to</li> </ul>	<p>Head of Finance and Revenues and Benefits</p>	<p>In addition to responding the outstanding actions set out, once the training / guidance has been provided to officers, restrictions are also 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 confirmed that they have read and understood the guidance.</p>	<p><b>March 2017</b></p>
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## AUDIT COMMITTEE - Table of Outstanding Issues (December 2016)

### ANNUAL GOVERNANCE STATEMENT ACTIONS

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Governance Issue	Action	Current Position / Update
<b>Sustainable Resource Deployment</b>	<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>At the time of printing this report, detailed budget proposals for 2017/18 were scheduled to be presented to Cabinet on 20 January 2017 which delivered a balanced budget by taking 2016/17 and 2017/18 across a two year budget cycle.</p> <p>A key priority for the Council is to now look ahead to the budget for 2018/19 which will present a significant financial challenge with early forecasts indicating savings of nearly £2.000m being required by the end this calendar year.</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>The on-going and comprehensive review of assets continues to form an important strand of work associated with the wider office transformation project. Decisions in respect of the Council offices in Weeley have now been taken and are being taken forward along with a number of further asset related initiatives.</p>

<p><b>Working with Partners and Other Third Parties</b></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 comprehensive report referred to when this issue was reported to the Committee in September 2016 was presented to Full Council on 29 November 2016, which set out the first steps in this major project. The Council continues to work with partnering authorities to take this project forward with further decisions planned to be presented to members as appropriate.</p>
<p><b>Other Major Issues</b></p>	<p>To revise the Code of Corporate Governance taking account of the new CIPFA/ Solace framework applicable from 2016/17.</p>	<p>A revised Code of Corporate Governance is presented elsewhere on the agenda.</p>
	<p>To continue to embed the arrangements regarding the recording of Officer Decisions and the Scheme of Delegation within Departments.</p>	<p>Training was provided to Senior Officers on the new Committee Management System in 2016, which also covered the requirements for Officer Decisions. The Scheme of Delegation to Officers remains as an on-going activity to reflect the most up to date position in respect of Portfolios and Senior Management Structures.</p>