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**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD****ON THURSDAY 16 MARCH 2017****AT 7.30 P.M. IN THE COUNCIL CHAMBER, COUNCIL OFFICES, WEELEY**

**Present:** Councillors Coley (Chairman), Griffiths (Vice-Chairman)(except items 31 – 35), Hones and Poonian

**In Attendance:** Head of Finance, Revenues & Benefits Services & Section 151 Officer (Richard Barrett), Head of Planning Services (Cath Bicknell)(except items 35 – 41), Audit and Governance Manager (Steve Blake), Committee Services Manager (Ian Ford) and Principal Auditor (Craig Clawson)

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

**31. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

An apology for absence was submitted on behalf of Councillor Stephenson (with Councillor Hones substituting).

**32. MINUTES OF THE LAST MEETING**

The minutes of the meeting of the Committee held on 26 January 2017 were approved as a correct record and signed by the Chairman.

**33. DECLARATIONS OF INTEREST**

There were none on this occasion.

**34. SECTION 106 AUDIT UPDATE**

The Committee had before it a report of the Head of Planning Services (Cath Bicknell) (A.1), which provided it with an update in relation to the Section 106 Audit.

The Committee was aware that the 2014/15 audit of Section 106 agreements had concluded that improvement was required. The high priority actions identified by that audit were in relation to the monitoring fees, monitoring of income and the collection of contributions.

**Monitoring fees**

The audit had questioned whether monitoring fees should be collected. A High Court decision had found the collection of monitoring fees to be unlawful but subsequent external legal advice had suggested that the collection of fees for the drafting of agreements and the monitoring of development was lawful. Currently, fees were collected from developers for both purposes.

**Monitoring of income**

The audit had identified that there was a backlog in the monitoring of income. A report generated from the Section106 database was used to identify developments that needed

to be checked for commencement. However, a backlog, resulting from staff changes and absences, existed in this area of work.

#### Collection of contributions

The audit had identified that the database was not being used to identify which developments needed to be monitored. However, alternative sources of information (planning permissions and building regulations approvals) were being used. The completion of Section 106 agreements was not affected, only their monitoring.

It was further reported that the Section 106 database used to monitor Section 106 agreements was now unsupported thereby making its contents vulnerable. A new system had been purchased to reduce this risk and was being configured for implementation. It would be ready to use for Section 106 monitoring mid-2017 once backfilling of data had been completed. The new system (Exacom) had been produced by the developers of the previous database but unlike its predecessor, it was compatible with the Council's back office Planning System (Uniform) and was fully supported. Exacom included a level of reporting capabilities that improved the robustness of the monitoring work. It was also designed to deal with the Community Infrastructure Levy (CIL) and so would be valuable into the future, when CIL was introduced by the Council.

The Committee was reminded that, historically, the Section 106 monitoring activities were undertaken by a Section 106 officer and more recently by various officers alongside other duties. Unfortunately, under those arrangements some tasks had not been kept up-to-date. A Planning Technician, dedicated to monitoring of Section 106 agreements and preparing for the monitoring of CIL was being recruited on an initial fixed term basis and was expected to commence duties during March 2017. Implementation of the new IT system would be followed by a process review.

It was recommended by Officers that a follow-up audit of Section 106 agreement monitoring be undertaken once the new IT system and staffing arrangements had been in place for 9-12 months. This would allow time for the areas of concern identified in the previous audit to be addressed.

Following discussion and questions by Members, it was:

#### **RESOLVED** that

- (a) the progress in relation to the Section 106 audit be noted;
- (b) a follow-up audit be undertaken in March 2018; and
- (c) the Section 106 Audit be added to the Table of Outstanding Issues.

#### **35. REPORT ON INTERNAL AUDIT – DECEMBER 2016 – FEBRUARY 2017**

The Council's Principal Auditor (Craig Clawson) provided a periodic report (A.2) on the Internal Audit function for the period of December 2016 to mid-February 2017.

The Principal Auditor informed the Committee that all audits completed in the period had achieved a satisfactory level of assurance and that scheduled audits that had been unable to be progressed in the current year had been taken into account in preparing the 2017/18 Internal Audit Plan, as part of a rolling programme and therefore there was no impact on risk exposure to the Council.

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

- (i) Public Sector Internal Audit Standards;
- (ii) Standard 1311 Internal Assessments and Standard 1312 External Assessments;
- (iii) Internal Audit Plan Progress;
- (iv) Quality Assurance;
- (v) Outcomes of Internal Audit Work; and
- (vi) Management response to Internal Audit findings.

In respect of item (ii) Standard 1312 External Assessments the Audit and Governance Manager (Steve Blake) informed the Committee that the Council had now accepted a quote from a suitable external contractor and that this Council's External quality Assessment would take place in September 2017 at the same time as that of Uttlesford District Council.

In respect of item (vi) Management response to Internal Audit findings the Principal Auditor informed Members that there were now no overdue high severity issues.

Following discussion and questions by Members, it was:

**RESOLVED** that the contents of the report be noted.

**36. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2017/18**

There was submitted a report by the Council's Audit and Governance Manager (A.3) which sought the Committee's approval for an updated Internal Audit Charter and the Internal Audit Plan for 2017/18.

The Committee was reminded that Public Sector Internal Audit Standards required that the Audit and Governance Manager: -

1. Periodically reviewed the Internal Audit Charter and presented it for approval.
2. Provided a high level statement of how the Internal Audit Service would be delivered and developed in accordance with the Internal Audit Charter and how it linked to the organisational objectives and priorities.
3. Established a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.
4. Had in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
5. Produced a plan that took into account the need to produce an annual Internal Audit opinion.
6. Considered the input of senior management and the Audit Committee in producing the plan.
7. Assessed the Internal Audit resource requirements.

It was reported that the Internal Audit Charter had been reviewed and updated to reflect recent changes to the Public Sector Internal Audit Standards together with other desirable changes.

Members were reminded that the Standards required the 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" (Audit and Governance Manager's) functional reporting relationship with the Board (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 made aware that further changes were due to be made to the Public Sector Internal Audit Standards in 2017, but had yet to be published. Any required revisions to the Charter required would be brought to a future meeting of the Committee for approval.

The Committee was informed that the Internal Audit function would continue to deliver a service that took account of, and followed, the requirements as set out in the Charter, and which:

- Discharged the Council's statutory responsibilities with regard to internal audit;
- Provided a service compliant with the requirements of the Standards;
- Contributed to the Council's governance, risk and assurance arrangements;
- Enabled the Audit and Governance Manager to provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment; and
- Delivered a quality service.

The Internal Audit resources available were considered sufficient to be able to deliver the proposed Internal Audit Plan 2017/18 that would meet the above requirements.

Having discussed the proposed Internal Audit Plan it was:

**RESOLVED** that

- (a) the updated Internal Audit Charter be approved;
- (b) the Internal Audit Plan for 2017/18 be approved; and
- (c) the existing arrangements for updating the Plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this Committee as part of the periodic Internal Audit reporting arrangements.

**37. EXTERNAL AUDITOR'S AUDIT PLAN 2016/17**

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.4) for the Committee's consideration and agreement of the External Auditor's Audit Plan for 2016/17.

Members were informed that the External Auditor's Audit Plan for the year ending 31 March 2017 set out their planned audit work in respect of the 2016/17 Financial Statements and Value for Money conclusion. The Plan had been developed taking into account a number of factors such as strategic, operational and financial risk which provided a reporting focus on the areas that mattered and would more likely be relevant to the Council.

Chris Hewitt from the Council's external auditor, Ernst & Young, highlighted the salient points of their audit plan for 2016/17 and, in particular, focused on the Financial Statements Risks, the Value for Money conclusions. He also highlighted the matters of Materiality, Independence and Fees.

Having considered the proposed External Auditor's Audit Plan it was:

**RESOLVED** that the External Auditor's Audit Plan for 2016/17 be approved.

**38. EXTERNAL AUDIT – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16**

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.5) which presented the External Auditor's certification of claims and returns annual report for 2015/16.

In summary, the key outcomes from the annual report were as set out below:

- Only one claim / return made by the Council had been subject to audit certification by the Council's External Auditor.
- A qualification letter had been issued in respect of the housing benefit subsidy claim, although there had been only a marginal effect on the grant due.
- To date no response had been received from the Department for Works and Pensions in response to the External Auditor's qualification letter which they received in early December 2016.
- One recommendation had been made by the External Auditor in respect of the Housing Benefits Subsidy Claim.

Mr Hewitt from the Council's external auditor, Ernst & Young, highlighted the salient points of their audit report including its recommendation in respect of the Housing Benefit Subsidy Claim and the 2015-16 Certification Fees.

Having considered the External Auditor's report it was:

**RESOLVED** that

- (a) the contents of the External Auditor's certification of claims and returns annual report 2015/16 be noted; and
- (b) the recommended action in response to the External Auditor's findings be approved.

**39. AUDIT COMMITTEE WORK PROGRAMME 2017/18**

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.6) which presented for approval the Committee's proposed work programme for the period April 2017 to March 2018.

Members were aware that, in addition to the regulatory and statutory activities undertaken by the Committee such as the Statement of Accounts, Corporate Governance and Risk Management, the Committee were also required to review and scrutinise:

- The work and performance of the Internal Audit function;
- The outcomes from the work of the Council's External Auditor; and
- Progress against audit recommendations and other items identified by the Committee.

It was reported that as the year progressed, it might be necessary to review items as some reports / activities and associated timescales could be subject to change. As appropriate, the Chairman of the Committee would be consulted on any significant changes to the work programme.

Having considered the proposed Work Programme it was:

**RESOLVED** that

The Audit Committee's Work Programme for 2017/18 be approved.

**40. AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES**

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.7) 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.7 of the Report of the Corporate Director (Corporate Services), or elsewhere on the agenda where appropriate.

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

Members were aware that the Frinton and Walton Lifestyles facility had recently reopened following the completion of remedial work and associated testing for legionella. Although a recovery plan remained in progress, including training and other health and safety related issues, longer term improvement actions and learning points identified from this event were being finalised. Once completed, it was planned to present a summary of the findings and associated actions to the Committee for review and monitoring going forward.

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

**41. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN JUNE 2017**

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

- 1) Annual Report of the Audit and Governance Manager
- 2) Internal Audit Regular Monitoring Report
- 3) Annual Governance Statement (including review of the Council's Code of Corporate Governance)
- 4) Corporate Risk Update
- 5) Table of Outstanding Issues (including update against External Audit Recommendations)

The meeting was declared closed at 8.29 p.m.

Chairman