

Audit Committee – 28 September 2016

Minutes of the meeting of the **Audit Committee** held on **28 September 2016** when there were present:-

Chairman: Cllr Mrs L A Butcher

Vice-Chairman: Cllr D Merrick

Cllr R R Dray

Cllr D S Efde

Cllr A H Eves

Cllr Mrs J R Gooding

Cllr M Hoy

Cllr M J Webb

VISITING MEMBER

Cllr Mrs L Shaw

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs C I Black, R Milne and T E Mountain.

SUBSTITUTES

Cllr Mrs D Hoy for Cllr T E Mountain

OFFICERS PRESENT

R Manning	-	Section 151 Officer
G Mortimer	-	Interim Chief Audit Executive
M Petley	-	Principal Finance Officer
J Raveendran	-	Principal Accountant
M Power	-	Committee Administrator

ALSO PRESENT

K Suter	-	Ernst & Young
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204 MINUTES

The Minutes of the meeting held on 21 June 2016 were approved as a correct record and signed by the Chairman.

205 EXTERNAL AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE

The Committee considered the report of the Section 151 Officer on the external auditor's report on the results of their audit of the Council's financial statements for 2015/16.

Ernst & Young (EY) confirmed that they had given an unqualified opinion in respect of the accounts for the year 2015/16, and a qualified, 'except for'

opinion in respect of the Council's current arrangements to secure value for money from the use of its resources, specifically in regard to the 'making informed decisions' criteria. EY's opinion was due to there not being an effective Internal Audit function, to evaluate the effectiveness of risk management and governance processes.

In response to questions, the following was noted:

- Discrepancies in accounting entries identified by EY within Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulations) of the Financial Statements audit had been addressed. EY stated that the Council should have alerted EY of these issues earlier in the audit process. Going forward, processes within the Finance department will be put in place to prevent this re-occurring: the matter will be reviewed as part of next year's audit. The S151 Officer advised that a specialist accountant from Essex County Council had been brought in to address the issue.
- The conclusion reached by EY under the Value for Money aspect of the statements of a shortcoming in the internal audit function had been suitably addressed and EY were assured that the appropriate steps have been taken to rectify the situation. The matter would be re-visited in next year's audit, although it is unlikely that the situation would arise again.
- There was Member concern that, although the Audit Committee had highlighted the issue of low staffing levels within the Council's Internal Audit service at its meetings last year, the matter had not been addressed by officers. The Audit Committee had received a report in December 2015 identifying the deficiency in staffing levels (specifically the lack of a suitable Chief Audit Executive in post) which led to the peer review in February 2016, reported to the March 2016 Committee meeting. This was followed by the appointment of an interim Chief Audit Executive from April 2016.
- The current interim Chief Audit Executive is contracted until the end of the financial year: the Assistant Director, Democratic Services was finalising arrangements for the role in respect of 2017/18 onwards.

Ernst Young wished to relay their thanks to the Finance team for their hard work in preparing the accounts.

Resolved

- (1) That the report be noted and that implementation of any action plans be reported through the audit process.
- (2) That the Chairman of the Audit Committee sign the statement, as outlined in the report. (S151O)

206 FINANCIAL STATEMENTS 2015/16

The Committee considered the report of the Section 151 Officer presenting the audited reports for 2015/16 for Members' approval.

In response to Member questions, it was agreed that the final version of the financial statements would be amended as follows:

- Page 23: Exit packages – minor inaccuracies to be amended.
- Appendix 1 (Narrative Report for the 2015/16 Statement of Accounts) (page 6.62 of the report). The wording would be amended to clarify the meaning.

Resolved

- (1) That the financial statements, with amendments detailed above, be approved and signed by the Chairman.
- (2) That the movement in earmarked reserves be noted. (S151O)

207 NEW ARRANGEMENTS TO APPOINT EXTERNAL AUDITORS

The Committee considered the joint report of the Section 151 Officer and Assistant Director, Democratic Services on new arrangements for appointing the Council's external auditors.

Other Essex authorities had indicated that they were likely to opt into the central Public Sector Audit Appointments Service arrangements. The annual charges for the service were not yet known, but were unlikely to be higher than is currently paid to Ernst & Young.

Recommended to Full Council that the Council opts into the proposed central arrangements for appointing external auditors. (S151O/ADDS)

208 REVIEW OF THE COUNCIL'S CORPORATE RISK MANAGEMENT AND REGISTERS FOR 2016/17

The Committee considered the report of the Section 151 Officer presenting a review and proposed update of the Council's risk management policy and framework for 2016/17.

During discussion it was confirmed that the risks identified in the Corporate Risk Register in respect of the Council's Health and Safety and Food Safety Inspection regimes were now being addressed. An internal restructure within the Environmental Health team was currently being undertaken and the Assistant Director, Community & Housing would prepare a report for circulation to the Committee before the next meeting. The potential serious risk to residents as well as the reputational risk for the Council was recognised. The Internal Audit function would provide an independent opinion

on what is being put in place in this respect, providing a further layer of assurance.

In respect of the Key Corporate Risk identified in respect of recruiting, retraining and motivating staff, work is being undertaken by the Managing Director.

Resolved

- (1) That the updated corporate risk management policy and framework be approved.
- (2) That the content of the corporate risk register for 2016/17 be noted
- (3) That a report be made to the Audit Committee on how the risk identified within the Council's Health and Safety and Food Safety Inspection regimes is being addressed. (S151O/AD-CHS)

EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for the remaining item of business on the grounds that exempt information, as detailed in paragraph 3 of Part 1 of the Local Government Act 1972, would be disclosed.

209 AUDIT REPORT

The Committee considered the exempt report of the Assistant Director, Democratic Services, drawing Members' attention to a completed audit investigation and providing an update of audit recommendations.

The recent Peer Review continued to be progressed. The interim Chief Audit Executive gave a brief update on the level of progress being made on the recommendations and agreed to circulate an update report to Committee Members after the meeting. It was intended that a report would also be brought to the next meeting of the Committee on the structure, staffing and working practices of the internal audit team and the arrangements in relation to the appointment of a Chief Audit Executive from 1 April 2017 onwards, when the current memorandum of understanding with Essex County Council ends.

Regular meetings were held with the Leadership team to discuss controls and risk. In addition, directed guidance or training courses offered by the professional bodies was available.

An item relating to an aspect of the Council's Cash and Banking system would remain on the schedule until a version update takes place later in the year.

Resolved

- (1) That the conclusion and result from the audit engagement in Appendix 2 of the report be noted.
- (2) That the updated information on the audit recommendations, outlined in Appendix 4 of the report, subject to the amendment detailed above, be noted. (ADDS)
- (3) That an update report on progress made addressing the recommendations made in the peer review be circulated to Audit Committee members. (ADDS)

The meeting closed at 8.36 pm.

Chairman

Date

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