

## Audit Committee – 17 April 2018

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Minutes of the meeting of the **Audit Committee** held on **17 April 2018** when there were present:-

Chairman: Cllr A L Williams  
Vice-Chairman: M J Lucas-Gill

Cllr R R Dray  
Cllr A H Eves  
Cllr M Hoy

Cllr R Milne  
Cllr Mrs L Shaw  
Cllr M J Webb

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs D S Efde and T E Mountain.

### **SUBSTITUTES**

Cllr Mrs D Hoy - for Cllr T E Mountain

### **OFFICERS PRESENT**

J Bostock - Assistant Director (Democratic Services)  
N Lucas - Section 151 Officer  
M Petley - Head of Finance  
M Porter - Chief Audit Executive  
J Kevany - Principal Auditor  
S Worthington - Democratic Services Officer

### **ALSO PRESENT**

D Hanson - EY  
K McDonald - Essex Pension Fund

### **76 MINUTES**

The Minutes of the meeting held on 16 January 2018 were approved as a correct record and signed by the Chairman.

### **77 LOCAL GOVERNMENT PENSION SCHEME – UPDATE**

The Committee received a presentation from Mr K McDonald, Director of Essex Pension Fund on the latest position in respect of the Local Government Pension Scheme.

During the presentation the following points were noted:-

- There were approximately 150,000 members of the Essex Pension Fund.
- The average Essex Fund pension was approximately £5,000 per annum.
- There was a higher than average number of employers in the scheme, primarily due to the large number of academies in the county.

- The Leader of this Council was a member of the Pension Advisory Board as a representative for all the District Councils.
- Valuations were conducted every three years; the last one was conducted in 2016 with the next one due in 2019.
- An independent actuary conducts the 3-yearly valuations, which effectively set three years' worth of employer contributions.
- Employees pay between 5.5% - 12.5 % of their salaries annually into the Fund.
- Employers' contributions include ongoing costs, i.e. a percentage of employees' salaries, plus an amount towards the Fund deficit.
- Rochford District Council's pension deficit, as of 2016, was around £10 million. Progress has been made since 2010 in reducing the deficit.
- Rochford District Council was paying the deficit over 17 years. The average period for other District/Borough Councils was 16 years. In response to a Member question relating to whether the Council had responded to the last consultation on the investment strategy and funding strategy for Essex Pension Fund liabilities and assets, it was noted that a copy of this presentation would be circulated to the Audit Committee outside the meeting, together with details of any response to the last consultation.

Responding to a further Member question around whether there were any restrictions on investments, the Fund Director advised that the Pension Fund had a fiduciary duty to gain the maximum return from investments in order to reduce liabilities. There were no specific restrictions on investments, other than, in order to avoid any potential conflicts of interest, the Fund was not able to invest in properties within the county. In response to a supplementary question relating to the nature of investments, he confirmed that investments were predominantly long term; however, there was the flexibility to take on shorter term investments although the Fund took advice on short term asset investment decisions as it did not have expertise in that area. He confirmed that he would also provide the Committee with information relating to investment restrictions outside the meeting.

It was noted that the Committee was currently reviewing investment allocations for the future.

In response to a question relating to the security of Pension Fund monies, the Director advised that there were a number of measures taken to ensure that Pension Fund monies could not be misappropriated, including separate bank account, separate set of accounts, separate treasury management strategy and separate general ledger.

### 78 EXTERNAL AUDITOR REPORTS – UPDATE

The Committee considered the report of the Assistant Director, Democratic Services drawing Members' attention to the findings, recommendations and management responses arising from the Final Audit Report for the year ended 31 March 2017 and from the Certification of Claims and Returns Annual Report for 2016/17.

It was noted that recommendations 1 and 2 detailed on page 6.3 of the officer report had been completed.

In response to a Member question relating to the management response in respect of recommendation 1 on page 6.3, officers confirmed that there were no plans to change the Council's finance system.

Officers confirmed, in response to a Member question on recommendation 4 on page 6.4 of the officer report that a non-technical overview was planned in time for the next meeting of this Committee.

Responding to a question on the recommendation detailed on page 6.5 of the report, officers confirmed that the external auditors had already met the Benefits Team and agreed the areas that need to be explored.

#### **Resolved**

That the updates provided in the monitoring sheet in respect of the external auditor's recommendations be noted. (ADDS)

### 79 INTERNAL AUDIT PLAN AND CHARTER 2018/19

The Committee considered the report of the Assistant Director, Democratic Services presenting the proposed 2018/19 internal audit plan and charter for Members' approval.

It was noted that the ICT contract review, as detailed on page 7.5 of the officer report, had been planned for 2017/18, but had not yet been started. Officers advised that the review may take the form of a self-assessment, but that this would then be sent to an external specialist company to review.

In response to a Member question on the audit work relating to the corporate risk detailed on page 7.9 of the report around failure to produce and meet a balanced budget and a medium term financial strategy (MTFS) that allows for the successful delivery of the Business Plan priorities or the capital programme, officers confirmed that this audit work would go beyond budget monitoring and would also address the MTFS.

Officers confirmed, in response to a question around whether there had been any fraud uncovered during 2017/18, that there had been none.

Responding to a Member question about Internal Audit staffing, officers advised that, in addition to the Chief Audit Executive and Principal Auditor, a new senior auditor had been appointed, subject to pre-employment checks.

Officers confirmed, in response to Member questions relating to risk, that each individual benefits claim was checked through thoroughly and that major projects such as the ICT migration project, had their own risk assessments.

### **Resolved**

That the proposed audit plan and charter for 2018/19 be approved. (ADDS)

## **80 SCHEDULE OF BUSINESS FOR THE AUDIT COMMITTEE – 2018/19**

The Committee considered the report of the Assistant Director, Democratic Services summarising the Audit Committee's proposed schedule of business for 2018/19.

### **Resolved**

That the proposed schedule of business for the Audit Committee for 2018/19 be noted. (ADDS)

## **81 REVIEW OF THE COUNCIL'S CORPORATE RISK MANAGEMENT POLICY, FRAMEWORK AND RISK REGISTER**

The Committee considered the report of the Section 151 Officer presenting a review and update of the Council's risk management policy, framework and risk register for Members' consideration and approval.

It was noted that the corporate risk register included a new risk in respect of GDPR.

The following points were noted in response to Member questions:-

- Quality of controls were currently judged poor in respect of risk 3b (a serious health and safety incident) detailed on page 10.22 of the officer report; however, a number of actions had been taken to mitigate the risk.
- Work was ongoing in respect of risk 5 (data loss, disclosure or misuse) detailed on page 10.23 of the officer report. A lot of work was needed in order to ensure compliance with GDPR legislation; however, work was ongoing to meet that need.
- Risk 10 on page 10.25 of the report was the highest risk detailed. There would always be an inherent risk in relation to the recruitment and retention of staff. However, this risk was one that would be actively reviewed within the next six months. The Council's People Plan and annual staff survey provided the Leadership Team with details relating to specific issues. The risk varied in different areas of the Council;

in Planning, for example, an issue previously noted related specifically to recruitment and as such a market supplement had been introduced in order to help address the problem.

- Risk 10 had probably increased as the number of Council employees had decreased. The Council was therefore working to ensure that skills were distributed within teams rather than restricted to individual members of staff.

### Resolved

- (1) That the updated risk management policy and framework be approved.
- (2) That the content of the corporate risk register for 2018/19 be noted. (S151O)

The meeting closed at 8.35 pm.

Chairman .....

Date .....

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