

Audit Committee – 24 July 2018

Minutes of the meeting of the **Audit Committee** held on **24 July 2018** when there were present:-

Vice-Chairman in the Chair: Cllr M J Lucas-Gill

Cllr A H Eves
Cllr J D Griffin
Cllr M Hoy
Cllr R A Oatham

Cllr Mrs C A Pavelin
Cllr Mrs L Shaw
Cllr P J Shaw

VISITING MEMBER

Cllr S P Smith, Portfolio Holder for Finance

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Mrs L A Butcher and D J Sperring.

SUBSTITUTES

Cllr Mrs C A Weston for Cllr Mrs L A Butcher

OFFICERS PRESENT

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

ALSO PRESENT

C Hewitt - Ernst and Young

161 MINUTES

The Minutes of the meeting held on 22 May 2018 were approved as a correct record and signed by the Chairman.

162 AUDIT PROGRESS REPORT

The Committee considered the report of the Assistant Director, Democratic Services which provided an update on completed audit engagements, delivery of the audit plan and progress in implementing audit recommendations.

In response to a question on the issue of staffing resources, Members were advised that interviews had taken place for the full-time auditor post.

Additionally, the Compliance Officer from Revenues and Benefits would be employed for a part-time six month period to assist in delivering audit work.

There were currently sixty live audit recommendations, which were being progressed with the Leadership Team.

In response to questions, the following was noted:-

- The additional resources that would be provided by the Compliance Officer and the recruitment of the additional staff member should ensure delivery of the audit plan this year as planned but any issues arising would be brought to the Committee. Internal Audit staffing was an issue for all local authorities of this size. The possibility of an audit consortium to pool resources could be explored, as well as an in-house trainee auditor programme.
- The Council subscribed to a Local Government tax advice service, which could be contacted with tax queries. It was recognised, however, that limited staffing resource within the finance team presented a weakness in this area and, going forward, suitable training would be provided for staff as 'super users' of the systems, which should address the instances of errors in VAT being not raised or raised incorrectly.
- Going forward, reports would make clearer the impact of any shortfall in staffing resources.
- In relation to the Environmental Health Service Plan, it was acknowledged that reports should make the link between the level of fees and charges raised and the level of service offered to residents.
- The Council may be held responsible if it did not pick up cases of housing benefit fraud in a timely manner. In the case of overpayment, this would be dependent on individual circumstances and the Council may not be liable.
- Cases where implementation dates had passed would be raised with the Leadership Team to raise with their departmental managers to ensure the implementation of recommendations in a timely manner going forward.
- The new system administrator group for the ICT migration project would now be meeting in the second week of August. This matter had been raised with the Leadership Team.

Members received an addendum to the report on findings from the internal audit of procurement. The Section 151 Officer advised, in response to a Member question, that the cost to supply specialist agency staff in the planning department over a 48 month period had been approximately £220,000, the EU threshold being £180,000 over a 48 month period. Training on procurement rules was an issue raised in the original internal audit report and was already planned to be addressed.

Resolved

- (1) That the update report on delivering the 2018/19 Audit Plan be noted.
- (2) That the conclusions and results from completed audit engagements in Appendix 2 of the report be noted.
- (3) That the updated status of audit recommendations in Appendix 3 of the report be noted.
- (4) That the actions relating to the findings from the internal audit of procurement, as detailed in the addendum, be undertaken. (ADDS)

163 FINANCIAL STATEMENTS 2017/18

(Note: Cllr Mrs L Shaw declared a non-pecuniary interest in this item by virtue of being a member of the Sanctuary in Rochford Committee.)

The Committee considered the report of the Section 151 Officer presenting the 2017/18 Financial Statements for approval.

The Section 151 Officer highlighted key areas of the audited reports, as follows:-

- Page 7.112: an error in the draft accounts due to the incorrect classification of the amount of £102,000 for migration of the Council's ICT systems as capital expenditure rather than as revenue expenditure, which was corrected in the final accounts.
- Page 7.113: errors relating to the omission of some community assets in prior years and an incorrect valuation methodology being applied to the community asset class had been rectified.
- Page 7.114: accounting for the Council's pension fund, in common with other Councils, involved a significant level of estimation by the Essex Pension Fund actuaries, which posed an inherent risk. The pension fund estimates had been revised after the draft accounts were published, due to updated information received from the actuary.
- Page 7.115: the external auditors had been satisfied with the Council's methodology in calculating the business rates appeals provision.
- Page 7.116: related to the consolidated process to ensure that transactions by the Green Gateway Trading Company were properly brought to account: no errors had been identified.
- Page 7.131: additional assurances had been sought by the external auditors on governance arrangements for decision making in relation to Green Gateway Trading Development Ltd, which would incur additional audit fees.

It was noted that the recommendations on Value for Money had been fed back to the Managing Director, who was aware of the report's contents. The issues raised and recommendations would be reported to the Audit Committee at its next meeting.

It was also noted that Sanctuary Housing had agreed to pay the amount of £351,922 to the Council for VAT recovered by Sanctuary as part of the transfer of housing stock in 2007. The original agreement with Sanctuary Housing had not been located and further work would be undertaken to recover the records relating to the transactions in respect of this agreement.

Resolved

- (1) That the 2017/18 financial statements be approved and signed by the Chairman of the Audit Committee.
- (2) That the movement in general fund balances be noted. (S1510)

164 EXTERNAL AUDIT 2018/19 FEE LETTER

The Committee considered the report of the Section 151 Officer presenting the External Audit 2018/19 Fee Letter.

Resolved

That the Annual Audit 2018/19 Fee 2018/19 Letter be noted. (S1510)

165 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Committee received the external auditors' Audit Committee Briefing.

In response to questions, the following was noted:-

- The Council had undertaken an equal pay exercise in the recent past, which showed that it was in a comparable position to other local authorities in terms of its gender pay gap.
- Discussions were taking place with the software provider on a module that would allow VAT reports to be produced and submitted direct to HMRC.
- The Government was consulting on proposed changes to the business rates system, which would have an impact on the Council's finances. An update would be provided to the Committee once more information became available.
- A report would be submitted to the next meeting on how monitoring of the effectiveness of the Audit Committee could be undertaken.

Audit Committee – 24 July 2018

Resolved

- (1) That the external auditors' Audit Committee Briefing be received.
- (2) That a report be submitted to the next meeting on how monitoring of the effectiveness of the Audit Committee could be undertaken.

The meeting closed at 8.42 pm.

Chairman

Date

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