

Audit Committee – 7 March 2017

Minutes of the meeting of the **Audit Committee** held on **7 March 2017** when there were present:-

Chairman: Cllr Mrs L A Butcher
Vice-Chairman: Cllr D Merrick

Cllr D S Efde	Cllr M Hoy
Cllr A H Eves	Cllr R Milne
Cllr Mrs J R Gooding	Cllr M J Webb

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr R R Dray.

SUBSTITUTES

Cllr B T Hazlewood - for Cllr R R Dray

OFFICERS PRESENT

J Bostock	- Assistant Director, Democratic Services
R Manning	- Section 151 Officer
M Petley	- Principal Finance Officer
G Mortimer	- Interim Chief Audit Executive
J Kevany	- Principal Auditor
S Worthington	- Democratic Services Officer

ALSO PRESENT

C Hewitt - Ernst & Young

47 MINUTES

The Minutes of the meeting held on 6 December 2016 were approved as a correct record and signed by the Chairman.

48 EXTERNAL AUDITOR REPORT: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16

The Committee considered the report of the Section 151 Officer drawing Members' attention to the grants claim and returns certification 2015/16 report from the Council's external auditor for 2015/16, EY.

In response to a Member question relating to manual adjustments in respect of errors in the housing benefit subsidy claim detailed on page 7.7 of the report, officers advised that it was common practice to make manual adjustments in Local Authorities where systems did not necessarily record all necessary information. The Council maintains a record of all such manual adjustments, which is provided to the external auditors, who in turn check such adjustments. The external auditor confirmed that EY were satisfied that

the Council had all necessary fiscal controls in place.

Resolved

That the Certification of Claims and Returns Annual Report 2015/16 be noted. (S151O)

49 2016/17 EXTERNAL AUDIT – AUDIT PLAN REPORT

The Committee considered the report of the Section 151 Officer presenting the Council's external auditor's annual audit plan covering the audit of the 2016/17 accounts and certification of claims and returns.

The external auditor confirmed that the budget gap of £3.5m by 2020/21 detailed on page 8.9 of the report had now been amended to £2.1m.

Officers confirmed, in response to a Member enquiry about new CIPFA requirements relating to the presentation of the Council's financial statements, that this would not result in extra cost to the Council and that the changes should result in accounts that are clearer and easier to read.

Responding to a Member query relating to access to exempt information, the external auditor confirmed that EY has access to all reports issued by the Council, including exempt reports.

The external auditor advised, in response to a question relating to the use of specialists detailed on page 8.12 of the report, that EY's use of specialists would not ordinarily result in any additional costs to the Council, however, if any errors were discovered by EY during the course of external audit work resulting in the use of specialists, that could result in an increase in fees, although this would always be discussed in the first instance with the S151 Officer.

In response to a further Member query relating to entity-wide controls, detailed on page 8.13 of the report, officers confirmed that the Council's finance systems were able to accurately track all monies coming into the Council. In addition, the Council has wider control systems in place, e.g., risk management, which ensures that the Council's control environment is secure.

Responding to a Member question relating to Green Gateway Trading Company Ltd, officers confirmed that Green Gateway would cover the costs of audits of Green Gateway accounts, although it was emphasised that there would be no audits required for the first four months of operation. During debate, it was recognised that consideration would need to be given next year, in discussion with the external auditor, as to whether turnover of the trading company was sufficient to warrant the cost of auditing the Green Gateway accounts.

The external auditor confirmed, in response to a Member enquiry about an extra fee of £5,000 for 2015/16 detailed on page 8.17 of the report that this related to last year's value for money judgment and the issue around Head of Internal Audit opinion and some delays in necessary working papers being received by the external auditor.

Resolved

That the external auditor's annual audit plan for 2016/17 be noted. (S1510)

50 INTERNAL AUDIT PLAN 2017/18

The Committee considered the report of the Assistant Director, Democratic Services presenting to Members the proposed 2017/18 audit plan.

Responding to a Member question relating to whether the work proposed in respect of contract management, set out on page 9.5 of the report, was too onerous and around how comprehensive the review would be, officers advised that the audit work would be scoped to enable effective monitoring by Internal Audit. An appropriate audit approach would be to focus on a number of particular elements of the contracts, which had an inherently higher risk, e.g., management of the contracts rather than, for instance, visiting leisure centres as part of the leisure services contract review. Similarly, scoping of the work might result in a focus on contracts nearing the end of their term.

Officers confirmed, in response to a Member query relating to Committee monitoring of the plan, that the audit plan would be updated during the course of the next year and regular progress reports provided to the Committee.

In response to a further Member question relating to the item relating to the LATCo on page 9.6 of the report, officers agreed that there would be a degree of joint coverage of this work by internal and external auditors, but this would be appropriately co-ordinated.

Responding to a Member concern relating to procurement, detailed on page 9.5 of the officer's report indicating that work would be scheduled for quarter 4, officers advised that the recent audit of procurement had only just been finalised; it was important that sufficient opportunity was given to service areas to respond to the action plans arising out of the audit, as well as allowing appropriate time to revise contract procedure rules as necessary, which is why the work was not scheduled during an earlier quarter.

Resolved

That the proposed 2017/18 audit plan be approved. (ADDS)

51 REVIEW OF THE COUNCIL'S CORPORATE RISK MANAGEMENT POLICY FRAMEWORK AND CORPORATE RISK REGISTER FOR 2017/18.

The Committee considered the report of the Section 151 Officer presenting a review and proposed update of the Council's risk management policy framework and corporate risk register for 2017/18.

Officers emphasised that risk 3, detailed on page 10.12 of the report, was still categorised as high; although controls for food safety were good, there were risks around health and safety controls. It was further noted that a Health and Safety Officer had now been appointed who was starting to address relevant issues, with health and safety training being rolled out to staff. Attention was drawn to the inclusion of a new risk on the register, relating to the new IT project, which was being overseen by the Council's Managing Director and would remain on the register until the IT migration had been successfully completed.

Officers agreed to a Member suggestion that risk 3 should be separated out into two risks.

In response to a Member question relating to risk 10, officers confirmed that this risk around staffing, together with risk 9 around finances, would always be high. Recruitment and retention of staff can be challenging, given Rochford's proximity to London, which attracts higher salaries; the staffing budget had, however, been increased for next year in order to help minimise this risk.

Responding to a Member question related to safeguarding, officers confirmed that controls in this area were good; there was, however, always the potential for historic safeguarding-related claims to be made against an Authority.

Officers confirmed, in response to a Member question about risk 13 detailed on page 10.20 of the report, that compensation claims are not currently an issue for the Council.

Resolved

- (1) That the updated corporate risk management policy and framework be approved.
- (2) That the content of the corporate risk register for 2017/18, subject to separating out risk 3 into two separate risks, be noted. (S151O)

52 AUDIT PROGRESS REPORT

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

Responding to a Member question relating to the costs of the HR issue outlined in paragraph 3.6 of the report, officers advised that this was a time expended, rather than cost issue.

Officers confirmed, in response to a Member question about purchase orders, detailed on the bottom of page 11.8 of the report, that purchase orders were not always raised before receipt of an invoice. Officers further advised that where no purchase order is raised, an invoice would not be paid, but appropriately queried. It has been recommended that managers focus on areas where this is not consistently happening.

Responding to a Member question relating to business rates detailed on page 11.13 of the report and whether instances of businesses renting properties could lead to a loss of income to the Council, officers advised that this was an inherent risk in the business rates process; sample testing was conducted in respect of such audits and did not identify any instances, as described by the Member.

Resolved

- (1) That the update on delivering the 2016/17 audit pan be noted.
- (2) That the conclusions and results from completed audit engagements in appendix 1 be noted.
- (3) That the updated status of audit recommendations in appendix 2 be noted. (ADDS)

Members noted that this was the last Committee meeting to be attended by the Interim Chief Audit Executive and took the opportunity to thank him for all his hard work at the Council during the past few months.

The meeting closed at 8.40 pm.

Chairman

Date

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