



**MINUTES of
AUDIT COMMITTEE
22 JUNE 2017**

PRESENT

Chairman	Councillor P G L Elliott
Vice-Chairman	Councillor E L Bamford
Councillors	A S Fluker, B E Harker, M S Heard, A K M St. Joseph, Mrs M E Thompson and Mrs B D Harker

183. CHAIRMAN'S NOTICES (PLEASE SEE OVERLEAF)

The Chairman drew attention to the list of notices published on the back of the agenda.

184. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor R Pratt, CC. In accordance with notice given Councillor Mrs B D Harker was acting as substitute for Councillor Pratt.

185. MINUTES OF THE LAST MEETING

RESOLVED:

- (i) That the Minutes of the meeting of the Audit Committee held on 30 March 2017 be received:

Minute 1132 – Quarterly review of Corporate Risk

On page 979 under the resolution (ii) the word “tthat” should read “that”.

On page 4 of Appendix 1 to the Minutes – REPORT STRUCTURE – the word “choses” should read “chooses”.

- (ii) That subject to the above amendments, the Minutes of the meeting of the Committee held on 30 March 2017 be confirmed.

186. DISCLOSURE OF INTEREST

Councillor M S Heard declared an other pecuniary interest in relation to Agenda Item 8 – Quarterly Review of Corporate Risk. He advised the Committee that he would ask a question through the Chairman and then withdraw from the meeting whilst that item was discussed.

187. DRAFT ANNUAL GOVERNANCE STATEMENT 2016 / 17

The Committee received the report of the Director of Resources who advised that this remained in draft and that the final version would be presented to the next meeting of this Committee.

In response to a question as to the lack of independent members serving as Chairman or Vice-Chairman of this Committee, the Joint Standards Committee and the Overview and Scrutiny Committee, the Director of Resources advised that the allocation was dealt with by the Leader and the Leader of the Opposition, but she would discuss this with the Chief Executive. The Internal Auditors were asked to provide an advice note on this.

The Chairman asked if the External Auditors would expect to see independent members on these committees and in response the External Audit Manager advised that independent membership would ideally be a good thing.

The Internal Auditors advised that it was best practice to have outside independent members on audit committees who had financial expertise and this was often seen on other committees.¹ However, this wasn't the seen on other committees in Local Government.

In response to a question in relation to 4.4 of Appendix 1 to the report, the Director of Resources advised that the issues and timescale referred to was in terms of Internal Audit opinion and it was not usual practice to go into detail or give dates. The Internal Auditors advised that they would follow up the recommendations and would report back on a regular basis on the progress made.

In response to a question regarding Members' Register of Interests, the Director of Resources advised that Members were requested by MDC to update their register of interests on an annual basis.

RESOLVED:

- (i) That the draft Annual Governance Statement 2016/17 be approved; and
- (ii) That the Annual Governance Statement 2016/17 be certified by the Leader of the Council and Chief Executive.

188. THE ROLE OF THE AUDIT COMMITTEE

The Committee received copies of a Power Point presentation which set out what was expected of Members of the Audit Committee.

The Director of Resources advised that Ernst & Young LLP (EY) had been appointed as External Auditors for MDC until 2017/18 and that a new appointment must be made by 31 December 2017. The Audit Partner, Debbie Hanson and the Audit Manager, Julie Kriek regularly liaised with the Director of Resources, the Chief Executive and the Internal Auditors. They provided assurance of how MDC is complying.

¹ Minute No. 359. refers

Internal Audit provides regular progress reports, risk management reports etc.

The Audit Committee's role also encompassed scrutiny of the internal and external audit provision and assist with the appointment of auditors.

Guidance was provided in the Public Sector Audit Standards which the Director of Resources would email to members following the meeting.

189. EXTERNAL AUDIT - ANNUAL AUDIT AND CERTIFICATION OF FEES LETTER 2017 / 18

The Committee received the report of the Director of Resources the purpose of which was to inform the Audit committee of the external audit fee payable to EY for 2017/18.

Councillor E L Bamford requested a meeting with the Director of Resources to go through this item as she was a new Member to this Committee. The Chairman invited questions during the meeting.

The External Audit Manager advised that the fees were currently sent by Public Sector Audit Appointments Ltd (PSAA) and that new arrangements would be in place for 2018/19. She drew attention to page 39 of the report which contained the summary of fees and advised that the Audit Plan would be issued in January 2018.

RESOLVED that the contents of the report be noted.

190. QUARTERLY REVIEW OF CORPORATE RISK

The Committee considered the report of the Director of Resources providing an update on the position at the end of Quarter 4 (31 March 2017) on the corporate risks included within the Corporate Risk Register 2016/17.

The report detailed the risks of the Corporate Risk Register and the risk scores as at 31 March 2017.

The Director of Customers and Community arrived at this point in the meeting.

The Director of Resources advised that 11 of 16 risk scores had stayed the same overall.

Members discussed the report and raised a number of issues:

Risk 01 – Failure to safeguard children and vulnerable adults - how was MDC safeguarding – was this by attending meetings as the update did not say anything other than that “meetings are attended”.

The Director of Customers and Community was welcomed to the meeting and advised that safeguarding was part of the day-to-day activity of MDC and offers must adhere to it. Part of his job was to raise the profile of safeguarding by talking through the process and encouraging staff to report concerns. Members from all departments were part of the Safeguarding Group. There was a need to look at trends/common errors/training (for instance domestic violence or gypsy and traveller communities).

MDC had a policy to report concerns. These were first looked at by the team internally and then referred on to Social Services or the Police. Departments around the building were also informed. Concerns were always reported unless there was very good justification not to.

Risk 08 – Being designated as an under-performing authority due to major planning applications and appeals performance – in response to a question, the Director of Resources advised that the External Planning Consultant was Mr Simon Rowberry.

Risk 04 – Changes to police resources/priorities impacts resident perception of crime – Councillor M S Heard reiterated his other pecuniary interest declared earlier and asked how the score could be reduced from 9 to 4 when the Police move had not yet happened and that newspaper headlines stated no confidence in the Police.

Councillor Heard then left the Council Chamber.

The Director of Customers and Community advised that MDC had a policing plan and the Overview and Scrutiny Committee looked specifically at Police performance twice a year. From MDC's point of view, relocation of the Police was a positive move as it made contact a day-to-day activity. Police performance would continue to be monitored.

Members were of the opinion that it was premature to reduce this risk score and Councillor E L Bamford proposed a review of the risk score. This was duly seconded and, upon a vote, the motion was carried.

Councillor Heard returned to the meeting at this point.

Risk 07 – Uncertainty regarding strategic ownership of flooding mitigation and long term maintenance responsibilities – there were concerns that the score for this risk had remained constant for a long time. There was a need to take flooding seriously and implement proper Sustainable Urban Drainage maintenance schemes and ensure that residents knew what to do in the event of a flood.

Concern was also raised as to the lack of representation on tidal flooding which would have a very high impact on the district. There was a need for a mechanism in place to react to damage of property and reputation of business areas, in the event of tidal flooding.

In response, the Director of Customers and Community advised that in terms of mitigation, MDC had emergency plans in place which had been activated in the past. More work must be done to ensure business continuity by ensuring businesses take their responsibilities seriously. The Director of Customers and Community would take this back to CLT and provide the next meeting of this Committee with a report.

Risk 05 – Failure to have an adopted LDP – there was concern that this risk score had been reduced before confirmation that the LDP had been accepted was received. The Director of Resources was asked to take this back to colleagues to discuss.

Risk 13 – Committee Structure not fit for purpose – in response to a question that it was premature to reduce the risk score before any decisions had been made, the Director of Resources would discuss this with the Chief Executive.

RESOLVED:

- (i) that the Corporate Risk Register for 2017/18 as agreed by the Corporate Leadership Team (CLT) be noted;
- (ii) that Risk 04 – Changes to police resources/priorities impacts resident perception of crime would be reviewed by CLT and be brought back to a future meeting of this Committee
- (iii) that a separate risk would be included for tidal flooding;
- (iv) that Members were assured that corporate risk was being managed effectively.

191. UPDATES FROM EXTERNAL AUDIT (ERNST AND YOUNG LLP)

The Committee received the report of the Director of Resources, the purpose of which was to inform Members of the Committee regarding updates published by the Council's External Auditor (EY).

The External Audit Manager advised that the interim review had been completed and as much early testing as possible had taken place.

The Director of Resources advised that statements of accounts had been completed and that MDC was on track to meeting the earlier deadline set for next year.

RESOLVED that the updates provided for by EY as shown in Appendix 1 to the report, be noted.

192. BRIEFING NOTE FROM EXTERNAL AUDITOR

The Committee received the report of the Director of Resources informing Members of the Committee regarding the briefing note published by the Council's External Auditor (EY).

The External Audit Manager drew Members' attention to page 92 of Appendix 1 to the report setting out key questions that the Council should be asking itself.

In response to a question, the Director of Resources advised:

- Business Rates Relief is being used by finance officers across Essex;
- Integration of Health and Social Care did not apply to MDC;
- MDC has put in place processes to meet the new accounting requirement for analysis of income and expenditure in the CIES and the new role of the Expenditure and Funding Analysis; and
- People, Performance and Policy were able to extract the data on gender pay gap.

RESOLVED that the briefing by EY as shown in Appendix 1 to the report, be noted.

193. PERFORMANCE AGAINST 2016 / 17 INTERNAL AUDIT PLAN

The Committee received the report of the Director of Resources reporting on progress to date with regard to work completed and any deviances to, or slippage, on the Internal Audit Plan 2016/17.

The Internal Auditor advised that a further four pieces of work had been completed since March 2017 and that there was at least moderate assurance on those.

95% of the 2016/17 Internal Audit Plan was now complete which was reflected in the next item on the Agenda.

In response to a question regarding Channel Shift and Customer Strategy, the Internal Auditor advised that particular areas and recommendations were looked at. Channel Shift was a moving area and Local Authorities were developing their practice. The recommendations are around best practice and all Local Authorities worked with had received similar recommendations.

Members questioned the findings on the report that said moderate in view of the issues with the St. Cedds project. The Internal Auditor advised that the view taken was an overall one and one project not going well would go towards the entire report. Internal Auditors use samples and that particular one was not looked at. Internal Auditors would look into that particular issue if that was the wish of Members.

The Director of Resources advised that this would be an additional cost to the Council and that the Overview and Scrutiny Committee were looking at delivery of the 2016/17 capital programme as part of their programme of work.

The Chairman asked if the Audit Committee was able to see the full reports presented to management. This was not current practice, as it would produce a lot of documentation, but could be arranged. It was agreed to leave matters as they were currently.

RESOLVED that progress against the 2016/17 Internal Audit Plan, be noted.

194. INTERNAL AUDIT ANNUAL REPORT 2016 / 17

The Committee received the report of the Director of Resources presenting the Annual Opinion of the Head of Internal Audit (BDO LLP) on the results of an assurance gained from the 2016/17 internal audit work.

Members' attention was drawn to the Executive Summary which summarised work for the year and had given moderate assurance overall.

The Internal Auditors were very pleased that the work with substantial conclusions were those relating to the core financial systems.

In response to a question regarding standardising card payments, Members were advised that the recommendation had been accepted.

The Internal Auditor advised that a comprehensive record of information held in relation to cyber crime issues was being worked on.

RESOLVED that the Head of Internal Audit Opinion on the results of and assurance gained from the 2016/17 internal audit work, as set out in Appendix 1 to the report, be noted.

195. REVIEW OF DATA QUALITY POLICY

The Director of Resources advised that this had been revised and would be re-worked to ensure it complied with the new requirements of the Data Protection Act which must be in place by May 2018.

In response to a question, the Director of Resources advised that there was a separate data retention policy.

It was requested by Members that information was made available on the internet as the intranet was not always accessible.

RESOLVED:

- (i) That the Data Quality Policy attached to the report at Appendix 1, be agreed.

RECOMMENDED:

To the Council

- (ii) That the Data Quality Policy (APPENDIX 1 to these Minutes) is adopted.

196. FUTURE MEETINGS OF THE AUDIT COMMITTEE

The Chairman asked for Members views on the time of meetings of the Audit Committee it was agreed that the meetings should continue with a start time of 3pm.

There being no further items of business the Chairman closed the meeting at 4.15 pm.

P G L ELLIOTT
CHAIRMAN