

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 21 June 2012

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.20 - 8.10 pm

Members Present: A Watts (Chairman), Mrs M Peddle (Vice-Chairman), C Finn and R Thompson

Other Councillors: C Whitbread and D Stallan

Apologies: Ms S Watson

Officers Present: R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), G J Woodhall (Democratic Services Officer) and P Seager (Chairman's Secretary)

1. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

2. DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

3. MINUTES

Resolved:

(1) That the minutes of the meeting held on 5 April 2012 be taken as read and signed by the Chairman as a correct record.

4. MATTERS ARISING

There were no matters arising from the previous meeting of the Committee.

5. CORPORATE GOVERNANCE GROUP - 14 MARCH 2012

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 14 March 2012. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

Resolved:

(1) That the minutes of the meeting of the Corporate Governance Group held on 14 March 2012 be noted.

6. CORPORATE GOVERNANCE GROUP - 25 APRIL 2012

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 25 April 2012. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

Resolved:

(1) That the minutes of the meeting of the Corporate Governance Group held on 25 April 2012 be noted.

7. CORPORATE GOVERNANCE GROUP - 23 MAY 2012

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 23 May 2012. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

Resolved:

(1) That the minutes of the meeting of the Corporate Governance Group held on 23 May 2012 be noted.

8. AUDIT COMMISSION NATIONAL LOCAL GOVERNMENT STUDIES - NATIONAL FRAUD INITIATIVE 2010/11

The Chief Internal Auditor presented a report on the National Fraud Initiative 2010/11. The Initiative was part of the statutory audit process for health, local government and other public sector providers that the Audit Commission was responsible for, and took place every two years. It involved the matching of data from various sources to detect a wide range of frauds against the public sector.

The Chief Internal Auditor commented that the exercise had generated 81 cases of Council Tax Benefits fraud for investigation, of which 4 cases were proven and prosecuted, and 27 possible cases of Housing Benefit fraud which had led to nothing conclusive. For the effort that the Council made, the Initiative did not generate that many positive results, and it was hoped that the Initiative would evolve into a better system. The Council had received a number of requests from other public sector bodies to search for individuals in our records.

In response to questions from the members present, the Chief Internal Auditor stated that discussions regarding the Initiative had taken place with Harlow, Broxbourne and Uttlesford District Councils and Waltham Forest London Borough Council; Enfield and Redbridge London Borough Councils would be included in future discussions and the results would be reported back to the Committee. It was the responsibility of the Audit Commission to deal with the lack of participation by Transport for London.

The Housing Portfolio Holder added that, following the recent good work by the Housing Fraud Officer, that position had now been made full-time and permanent. The Chairman drew the Committee's attention to the Member checklist within the report, and it was highlighted that the Director of Finance & ICT was the lead officer at the Council, there was no lead Member as such as this role was performed by the Committee, and Members were advised of cases in the Council Bulletin. The Committee acknowledged that the Initiative was not the only tool used by the Council to combat fraud; the Council was taking advantage of the scheme, but the lack of real-time data was a problem.

Resolved:

(1) That the report of the National Fraud Initiative, published by the Audit Commission in May 2012, be noted.

9. Q4 INTERNAL AUDIT MONITORING REPORT 2011/12

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the fourth quarter of 2011/12, which provided a summary of the work undertaken by the Internal Audit Unit between January and March 2011. The report detailed the overall performance to date against the Audit Plan for 2011/12 and also allowed the Committee to monitor the progress of Priority 1 recommendations issued in previous audit reports.

The Chief Internal Auditor advised the Committee of the audit reports that had been issued during the period:

- (a) Full Assurance:
 - Cash Receipting and Income Control.

- (b) Substantial Assurance:
 - Bank Reconciliation;
 - Creditors;
 - Commercial Property Management;
 - Housing Rents;
 - Licensing Enforcement;
 - National Non-Domestic Rates;
 - Overtime & Committee Allowances;
 - Payroll;
 - Risk Management & Insurance; and
 - Treasury Management.

- (c) Limited Assurance:
 - Planning Fees.

- (d) At draft report stage:
 - Budgetary Control;
 - Main Accounting & Financial Ledger;
 - Housing & Council Tax Benefits;
 - Council Tax; and
 - Car Parking.

For the Planning Fees audit, income reconciliations were not being completed correctly as the amount due from planning applications registered with the Council was not being checked against the monies actually received. The system in place did not have all the data available to perform a proper reconciliation, and therefore assurance could not be given that effective controls were in place for Planning Fee income. The Committee's attention was drawn to the Outstanding Priority 1 Actions Status report, all of which would be reviewed in follow-up audits, and the Limited Assurance Audit Follow Up Status report. It was also noted that the Audit Plan for 2011/12 had been appended to allow the Committee to monitor progress against the Plan.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's

Local Performance Indicators for 2011/12:

- | | | |
|------------------------------|-------------|------------------|
| • % Planned Audits Completed | Target 90% | Actual 82%; |
| • % Chargeable Staff Time | Target 72% | Actual 80%; |
| • Average Cost per Audit Day | Target £300 | Actual £229; and |
| • % User Satisfaction | Target 85% | Actual 97%. |

The Committee noted that there had been a shortfall in the planned audits completed for the period, which was due to the unavailability of a member of staff on long-term sickness who had now resigned from the Council. The Average Cost per Audit Day had been reduced following a benchmarking exercise with Harlow, Broxbourne and Uttlesford District Councils.

The Committee felt that the concept of Risk Management was still not fully embedded within the Council. The majority of the Outstanding Priority 1 Actions had target dates which had expired, and in these cases the Corporate Governance Group should investigate and agree a revised target date for the action, with an explanation added to the item. The Chief Internal Auditor commented that the Action could be complete but that the follow-up audit had yet to be performed to confirm completion. All agreed target dates would be added to the report, along with the date of the follow-up audit to indicate whether the action was still outstanding, or just awaiting validation.

The Committee noted that the updated version of the Procurement Guide was ready for release, and only awaiting final agreement by the Procurement Steering Group before being distributed to all staff, and that an updated stock control system had been implemented at the Housing Maintenance Depot by the Council's contractor Mears.

Resolved:

(1) That the following issues arising from the Internal Audit Monitoring Report for the fourth quarter of 2011/12 be noted:

- (a) the Audit reports issued between January and March 2012 and significant findings therein;
- (b) the Priority 1 Actions Status Report;
- (c) the Limited Assurance Audit Follow-Up Status Report; and
- (d) The 2011/12 Audit Plan Status Report; and

(2) That the format of the Priority 1 Actions Status Report be amended to show:

- (a) any revised target dates agreed by the Corporate Governance Group; and
- (b) the date of the follow-up audit for each action if agreed.

10. INTERNAL AUDIT ANNUAL REPORT 2011/12 & REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

The Chief Internal Auditor presented the Internal Audit Annual Report for 2011/12 and the review of the effectiveness of the system of internal audit.

The Chief Internal Auditor stated that this report had been presented in support of the Internal Audit opinion on the adequacy of the Council's internal control environment. It provided a summary of the work undertaken by the Internal Audit Unit and detailed the overall performance against the Audit Plan for 2011/12. The Accounts and Audit Regulations included a requirement for the Council to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance. A review had been undertaken by the Corporate Governance Group and was presented to the Committee to assist it with assessing the effectiveness of the system of internal audit on behalf of the Council.

The Chief Internal Auditor reported that the majority of audits planned for 2011/12 had been completed. A small number had been carried forward into 2012/13, but all audits of key financial systems had been completed. The number of audits carried out had seen a slight reduction, due to the ending of the contract with Deloitte. A total of 34 audits had been carried out in 2011/12, 3 had achieved full assurance, 29 substantial assurance, and 2 limited assurance. Within these 34 audit reports, 17 priority 1 (high) actions had been issued, along with 53 priority 2 (medium) and 12 priority 3 (low) actions. Thus, the audits performed during the year had concluded that systems were generally operating satisfactorily and there were no significant weaknesses in the Council's control environment. It was the opinion of the Chief Internal Auditor that the Council had in place a satisfactory framework of internal control, which provided a reasonable assurance against the risk of error or fraud.

The Chief Internal Auditor summarised the findings of the review of the system of internal audit that had been undertaken by the Corporate Governance Group:

- (i) the Internal Audit Unit had demonstrated a good understanding of the Council's functions and had identified improvements to its control systems;
- (ii) the performance of the Unit had remained close to its performance targets and all fundamental financial systems had been examined;
- (iii) the Unit had scored 98% in the Chartered Institute of Public Finance & Accountancy (CIPFA) Good Practice Questionnaire;
- (iv) the Council's External Auditors had been able to place reliance on the work of the Internal Audit Unit when conducting their own review of the 2010/11 accounts for the Council; and
- (v) the Audit & Governance Committee had complied with the key features of an Audit Committee throughout 2011/12, as laid down by CIPFA, and had been invaluable in reinforcing sound governance within the Council.

As a result, the Corporate Governance Group was satisfied that the Council's system of internal audit had been effective throughout 2011/12.

The Committee noted the review of the Internal Audit Unit undertaken by the Corporate Governance Group, and concurred that the system of internal audit had been effective during 2011/12.

Resolved:

- (1) That the Audit Plan Status Report for 2011/12, as at 31 March 2012, be noted;

(2) That, in the context of the Council's Governance Statement, the review of the effectiveness of the system of internal audit for 2011/12, as undertaken by the Corporate Governance Group, be noted; and

(3) That the satisfaction of the Committee with the effectiveness of the system of internal audit during 2011/12 be confirmed.

11. ANNUAL GOVERNANCE STATEMENT 2011/12

The Chief Internal Auditor presented a report on the Annual Governance Statement for 2011/12.

The Chief Internal Auditor stated that the Council's Statutory Statement of Accounts had been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit Regulations (Amendment) (England) 2006). Within the Regulations, and in accordance with defined 'proper practice', there was a mandatory requirement to publish an Annual Governance Statement. The arrangements were designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identify those arrangements that needed to be improved. The Statement was also partly derived from detailed reviews by all Service Directors on the effectiveness of the governance arrangements within their areas.

The Committee expressed some concern about paragraph 3.6 regarding the Corporate Plan 2011-15. It was felt that some of the Council's information systems did not provide the required management information to determine whether some of the corporate objectives had been achieved or not. The Committee was of the opinion that a corporate Management Information System Strategy was required to address these concerns. A number of minor typographical errors were highlighted, along with the use of the word 'Corporately' in paragraph 7.1.7, which was only concerned with the Planning & Economic Development Directorate. It was highlighted that the flow chart to aid compliance with Contract Standing Orders, mentioned in that paragraph, had now been drawn up.

Resolved:

(1) That the draft Annual Governance Statement for 2011/12 be approved.

12. ANY OTHER BUSINESS

The Committee noted that Risk Management training had been scheduled for Thursday 19 July 2012, starting at 6.30pm.

CHAIRMAN