

AUDIT AND GOVERNANCE COMMITTEE
Thursday, 27th June, 2013

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

Council Chamber, Civic Offices, High Street, Epping
on Thursday, 27th June, 2013
at 7.00 pm .

Glen Chipp
Chief Executive

**Democratic Services
Officer**

Gary Woodhall
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Members:

Councillors A Watts, C Finn and Ms H Kane.

Independent M Peddle and R Thompson

**PLEASE NOTE THAT, PRIOR TO THE START OF THE MEETING, PRIVATE BRIEFINGS
HAVE BEEN SCHEDULED FOR THE COMMITTEE WITH THE EXTERNAL AUDITOR AT
7.00PM AND THE INTERNAL AUDITOR AT 7.15PM.**

1. WEBCASTING INTRODUCTION

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

2. APOLOGIES FOR ABSENCE

(Assistant to the Chief Executive) To be declared at the meeting.

3. DECLARATIONS OF INTEREST

To declare interests in any item on this agenda.

4. MINUTES

To confirm the minutes of the last meeting of the Committee held on 7 February 2013 (previously circulated).

5. MATTERS ARISING

To consider any matters arising from the previous meeting.

6. GRANT THORNTON LOCAL GOVERNANCE REVIEW 2013 (Pages 5 - 36)

(Director of Finance & ICT) To consider and note the attached report (AGC-001-2013/14).

7. DRAFT AUDIT PLAN 2013-14 (Pages 37 - 42)

(Chief Internal Auditor) To consider the attached report (AGC-002-2013/14).

8. EFFECTIVENESS OF THE ARRANGEMENTS FOR RISK MANAGEMENT (Pages 43 - 68)

(Director of Finance & ICT) To consider the attached report (AGC-003-2013/14).

9. REPORTS OF THE EXTERNAL AUDITOR (Pages 69 - 92)

(External Auditor) To consider and note the following attached reports from the External Auditor (AGC-004-2013/14):

(a) Audit Plan 2012/13; and

(b) Planning Letter 2013/14.

10. OFFICER DELEGATION - PROCESS REVIEW (Pages 93 - 100)

(Assistant to the Chief Executive) To consider the attached report (AGC-005-2013/14).

11. APPOINTMENT OF CO-OPTED MEMBER (Pages 101 - 106)

(Assistant to the Chief Executive) To consider the attached report (AGC-006-2013/14).

12. INTERIM REPORT ON THE REVIEW OF OVERVIEW AND SCRUTINY (Pages 107 - 112)

(Assistant to the Chief Executive) To consider the attached report on the interim findings of the current review of Overview & Scrutiny being conducted by a Task & Finish Panel. In considering this report at its meeting on 4 June 2013, the Overview & Scrutiny Committee requested the Audit & Governance Committee to offer any views on the governance aspects of these proposals (AGC-007-2013/14).

13. INTERNAL AUDIT MONITORING REPORT - JANUARY TO MARCH 2013 (Pages 113 - 128)

(Chief Internal Auditor) To consider the attached report (AGC-008-2013/14).

14. INTERNAL AUDIT ANNUAL REPORT 2012/13 AND REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (Pages 129 - 138)

(Chief Internal Auditor) To consider the attached report (AGC-009-2013/14).

15. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT - 2012/13 (Pages 139 - 146)

(Chief Internal Auditor) To consider the attached report (AGC-010-2013/14).

16. ANNUAL GOVERNANCE STATEMENT 2012/13 (Pages 147 - 154)

(Chief Internal Auditor) To consider the attached report (AGC-011-2013/14).

17. AUDIT AND GOVERNANCE WORK PROGRAMME - 2013/14 (Pages 155 - 156)

(Director of Finance & ICT) To consider the attached Work Programme for 2013/14 and whether there are any other issues which should be added (AGC-012-2013/14).

18. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (Non-Executive Bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks notice of non-urgent items is required.

19. EXCLUSION OF PUBLIC AND PRESS

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the

exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement:

Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) all business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest;

(2) at the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press; and

(3) any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers:

Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

Improving council governance
A slow burner



2012 highlights

Grant Thornton surveyed 64 local government leaders and analysed 153 council annual governance statements (AGS) and explanatory forewords. We found that:

Accounts are often difficult to understand, too technical and overlong. Only one third of survey respondents feel they are aimed at the public

The explanatory foreword is regarded as a vital introduction to the accounts, yet is often not written in plain English, nor focused on the issues most important to stakeholders

Confidence has fallen in audit committee ability to respond to risks and to annually evidence the value it brings to council governance

The average number of significant governance issues raised per council is 5.2, up from 4.3, reflective of a more challenging operating environment

AGS often fail to engage and do not always focus on key governance processes, assurances and significant issues. There are, however, some encouraging signs of councils beginning to do things differently

The effect of government policies is the most common risk identified by councils, generating more than twice as many significant governance issues in the AGS as last year

The scrutiny function scores poorly: 40% of council leaders do not believe it demonstrates added value

There is concern that not all members have the skills – or profile – to help drive effective governance

Councils are placing increasing reliance on external providers to deliver services. Yet, 21% of council leaders do not believe that roles and responsibilities are clear when working in partnership, up from 11%

Contents

Executive summary	2
Public-facing governance	5
– Accounts	5
– Explanatory foreword	6
– Annual governance statement	8
– Annual reports	11
– Improving the AGS	12
– Improving the accounts and explanatory foreword	14
– Considering annual reports	16
Behind the scenes of governance: people and processes	17
– People, culture and behaviour	17
– Process	20
– The governance framework	21
– Audit committees	22
– Scrutiny	23
– Risk management	24
About us	28
Contact us	29

Methodology

This report is based on a desktop review of the annual governance statements (AGS) and explanatory forewords of 153 county councils, London boroughs, metropolitan borough councils and unitary councils in England.

We reviewed the AGS against our best practice criteria based on the CIPFA/SOLACE framework and guidance notes. We also included additional questions about the type and level of assurances that can be provided by the governance framework.

Our review of explanatory forewords was conducted against the criteria set out in chapter three of the 2011/12 Code of Practice on Local Authority Accounting produced by CIPFA. There were also additional questions relating

to clarity and consistency with other documents, such as the accounts and AGS, as well as some relating to best practice from other sectors.

We scored each AGS and explanatory foreword using a five-point scale:

- 1 – Missing
- 2 – Part missing
- 3 – Minimum
- 4 – Enhanced
- 5 – Standard-setting

The desktop review findings are supplemented by responses to our survey from 64 senior council officers and members, referred to collectively in this report as 'council leaders'. The survey included questions on governance reporting and supporting governance processes.

Executive summary

Welcome to Grant Thornton's annual review of governance in local government. This report is part of our wider analysis of UK governance practice and complements reviews on corporates in the FTSE 350, the NHS and charities. Within this suite of reports, we aim to help organisations improve their governance by learning from other sectors and their peers.

Local government is enduring a period of sustained pressure from such issues as:

- the largest reduction in public spending since the 1920s, for the four-year 2010 Spending Review (SR10) period (2011–12 to 2014–15)
- demographic changes and recessionary pressures which are increasing demand for the more costly-to-run services
- a reduction in demand for paid-for services, such as planning and car parking
- the government's policy agendas – such as those relating to localism and open public services – which could see a significant shift in the way services are provided.

Effective, embedded governance frameworks will be essential if councils are to meet these challenges while retaining the support of all their stakeholders.

Good governance is essential to both council leaders and the public. It supports leaders in making the right decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that decisions are being taken for the right reasons, that the quality of service is protected and that public money is being wisely spent.

In this review, we have focused on both the public face of governance (the documents that local authorities publish, in print and online) and behind the scenes of governance (as demonstrated by council people and processes). Both are essential to effective governance.

Council annual accounts and associated documents are, by nature, not user-friendly. We suggest ways that these communication vehicles can be improved, including some encouraging examples of where councils have started to do things differently. Above all, we believe there is a compelling case for councils to produce annual reports.

Council governance arrangements are well established and largely well regarded from within the organisation. When funding reductions and other demands are placing increased pressure on governance systems, councils should shift emphasis from ensuring compliance to facilitating effectiveness to get more value from their arrangements. Elected member and senior officer leadership is the catalyst for a more rapid governance reaction.





The public face of governance

Councils present information to stakeholders in many ways: public meetings, websites, accounts, annual governance statements (AGS) and explanatory forewords being the most prominent. A small number of councils also produce annual reports.

However, despite these conduits, there remains considerable scope for improvement in communication with local people and other stakeholders.

Council media can be opaque, hard to navigate, inward facing and not aligned to the pursuit of and risks to councils' strategic goals. For example we found that:

- one third of survey respondents do not consider that council accounts are aimed at the public and the length and technical complexity makes them difficult to understand
- many council AGS follow too rigidly the example from the text in the CIPFA/SOLACE guidance, rather than reflecting the unique features and challenges of their individual council
- explanatory forewords are often far from 'explanatory', being hard to read and not focused on key messages for stakeholders.

Yet, many council leader respondents to our survey are unwaveringly positive about their governance arrangements. For example:

- 96% feel their accounts are made available to the public in a 'timely and accessible way' and 71% say they are easy to understand
- 9 out of 10 say their AGS enables the public to 'understand clearly' the governance arrangements the council has in place
- 94% believe their explanatory foreword provides a 'clear and concise introduction' to council accounts.

Good council governance is much more than publishing statements of compliance: it is about ensuring an entire organisation is aligned to achieving its strategic goals, effectively and ethically.

Councils need to reflect on this apparent contradiction. This would be helpfully informed by seeking the opinions of a wide mix of their officers, considering best practice from both local government and other sectors. Most importantly, councils should be surveying users and other stakeholders – who really need to know how they are doing.

Modern, web-enabled annual reports offer a possible solution to boost transparency and accountability.

Behind the scenes of governance: people and processes

Good council governance is much more than publishing statements of compliance: it is about ensuring an entire organisation is aligned to achieving its strategic goals, effectively and ethically.

Recognised good practice is for leaders to set the right tone from the top, embedding core values and principles throughout the organisation. Where culture is misaligned they need to have the skills to bring about lasting change. Employees should be familiar with, and working exclusively towards, the council's strategic goals. Governance frameworks, particularly risk management, scrutiny and audit, need to complement each other and, especially in financially challenging times, efforts need to be directed to establishing and assuring key controls that protect the council from failing to achieve its strategic objectives.

Embedding good governance throughout an organisation is never easy, nor quickly achieved: risks change, people move on and 'unknown unknowns' will always arise. Councils must ensure governance frameworks are fit for purpose and limited resources are focused on areas of greatest risk.

In looking at people and processes, we found significant disparities between the positivity of survey responses and our desk research. According to respondents:

- 100% review their governance arrangements annually and 92% ensure they comply with best practice
- 82% say they have 'robust' development mechanisms for officers
- 97% feel their audit committee responds effectively to changing risks.



The best councils will prioritise, directing finite governance resource to the areas of most significant risk.

In contrast, we found that:

- on-going governance processes and year-end statements are commonly two distinct exercises. This results in inefficiency in gathering assurances, makes it difficult for stakeholders to understand the ultimate purpose of these processes, thereby diminishing engagement
- despite members' pivotal role in setting the tone, they do not make the top four in council leaders' perceived 'top posts for driving governance'
- one third of respondents admit that they do not have robust arrangements for developing members
- worryingly, although external alliances are increasingly seen as a key part of the solution to more efficient delivery, 21% of survey respondents are not clear about council roles and responsibilities when working in partnerships.

These and our other findings suggest that there is still much that councils can do to truly embed effective governance processes. Throughout this report we suggest ways that councils might achieve this important aim. At a time of intense budgetary pressure and increasingly complex governance challenges, the best councils will prioritise, directing finite governance resource to the areas of most significant risk.

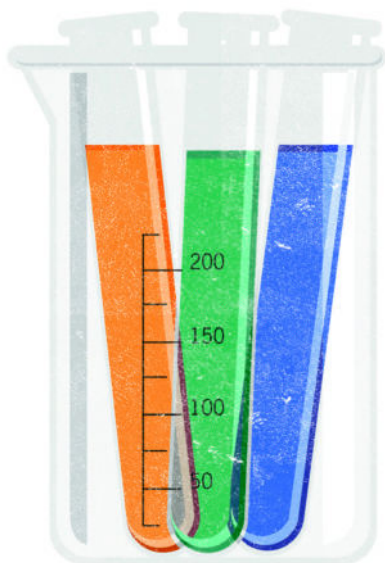
Public-facing governance

Councils use a range of mechanisms to communicate with stakeholders, from annual accounts to public meetings. However, despite signs of emerging good practice from certain local authorities, we found much published content remains opaque and non-strategic.

Councils showcase their governance arrangements through various mechanisms, including:

- published annual statements – the accounts, explanatory foreword and AGS (and an annual report, if produced)
- council website content, including agendas, papers and minutes
- open public meetings.

The general public, and other stakeholders, typically find out about an organisation and its governance by reading its annual report, accounts and associated statements. This also holds true in respect of council activities, as many people cannot attend council meetings and, based on collating our research, it is often hard to get information from council websites.



Accounts

The introduction of International Financial Reporting Standards (IFRS) to local government in 2010/11 increased the length and complexity of council accounts. Council leaders routinely tell us that the accounts are impenetrable to all but the most dedicated technicians. It is therefore surprising that our survey showed an increase in those who said they found the accounts easy to understand, up from 62% to 71%.

I FIND THE ACCOUNTS EASY TO UNDERSTAND

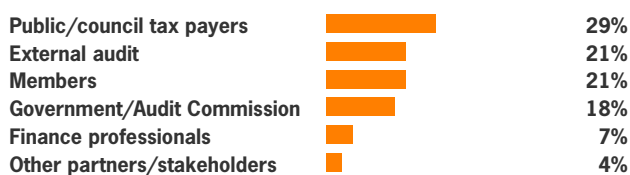
	2011/12	2010/11	
Strongly agree	28%	26%	
Tend to agree	43%	36%	
Tend to disagree	18%	23%	
Strongly disagree	11%	15%	

For the 29% who find the accounts difficult to follow, the most common reasons given were that they were over-complicated, used jargon or technical language or were too long.

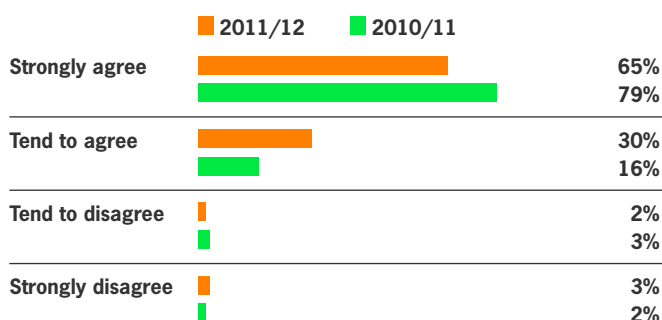
Councils are publicly-funded bodies, serving every sector of society. Publications should be accessible to a wide range of stakeholders with varying degrees of knowledge and understanding of council activities, responsibilities and objectives. Engaging with these individuals is critical in helping them to understand council performance and give feedback. However, our survey indicates that only one third of respondents consider the accounts to be provided for members of the public and one fifth believe they are prepared mainly for external audit – both suggesting a mismatch between purpose and practice.

Despite 95% of respondents saying their accounts are made available to the public in a ‘timely and easily accessible way’, our average score for ease of access and transparency was 3.3 (out of a possible top score of five), down from 3.6. The lower ease of access score reflects the fact that it is often difficult to get hold of the accounts before the end of September, six months after the reporting period. The NHS requires audits to be complete by early June, just over two months after the end of the financial year.

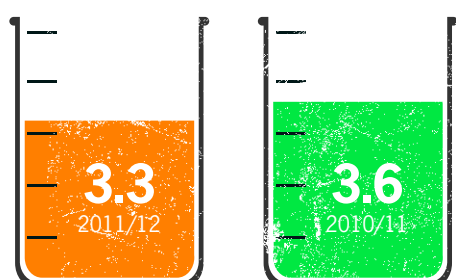
WHO ARE THE MAIN STAKEHOLDERS THE ACCOUNTS ARE PROVIDED FOR?



THE ANNUAL ACCOUNTS ARE MADE AVAILABLE TO THE PUBLIC IN A TIMELY AND EASILY ACCESSIBLE WAY



EASE OF ACCESS (SCORED OUT OF FIVE)



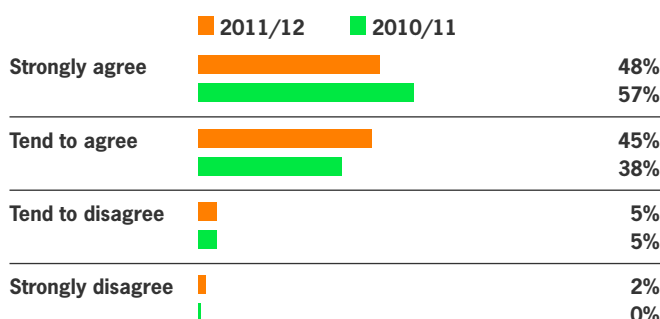
Explanatory foreword

The requirements for the explanatory foreword remain unchanged. As set out in the third chapter of CIPFA’s 2011/12 Code of Practice on Local Authority Accounting: “The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It shall provide an explanation in overall terms of the authority’s financial position and assist in the interpretation of the accounting statements, including Group accounts”.

The foreword should provide an overview of the council’s financial position. While it should not conflict with the audited accounts, it provides a valuable opportunity for councils to present financial information in an engaging way. In doing so they should be mindful to make the document accessible by steering clear of technical jargon.

The survey shows that confidence in the foreword for giving a useful insight into council finances is falling, with those agreeing strongly that it provides a ‘clear and concise introduction’ declining from 57% to 48%. However, with only 7% disagreeing, sentiment remains very positive.





THE EXPLANATORY FOREWORD TO THE ANNUAL ACCOUNTS SERVES AS A CLEAR AND CONCISE INTRODUCTION TO THE ACCOUNTS AND OVERVIEW OF THE FINANCIAL POSITION OF THE COUNCIL



Confidence in the foreword as a useful insight into council finances has fallen, with those agreeing strongly that it provides a ‘clear and concise introduction’ declining from 57% to 48%.

Respondents said that focusing on outcomes is a key way to improve the explanatory foreword. We agree that this would help illustrate how financial performance links to a council's strategic goals.

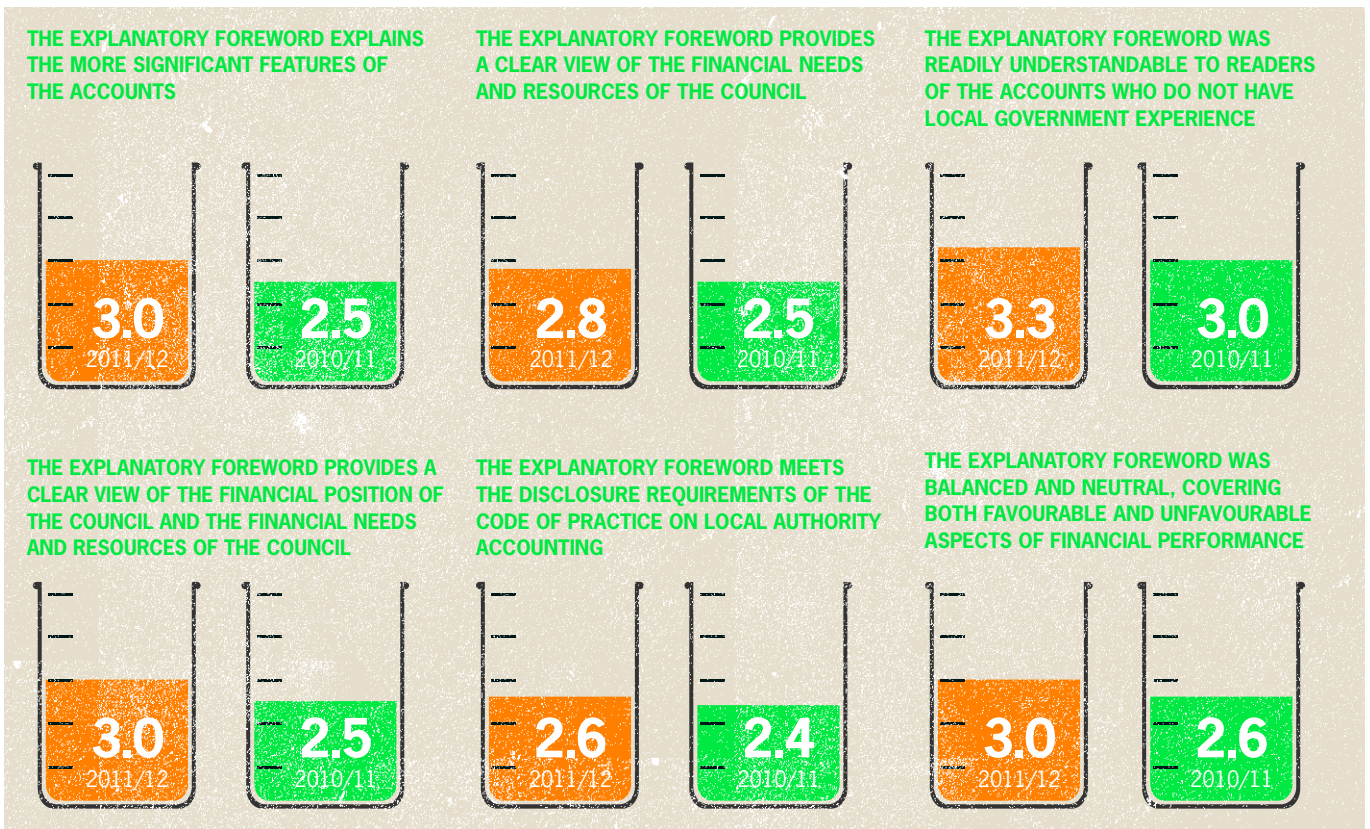
WHAT WOULD IMPROVE THE EXPLANATORY FOREWORD TO THE ACCOUNTS?

-  Use of plain English to explain financial information in non-financial terms
-  Use of graphs/charts to make it easier to understand
-  Focus on outcomes
-  Less technical and more rounded context

Our review of 153 explanatory forewords demonstrated a positive improvement in quality. However, on average, councils are just meeting minimum standards and there is some way to go to provide real insight.

The average length of explanatory forewords remains unchanged from 2010/11 at nine pages. However, the longest was 63 pages. This underlines the widely varying approaches taken by councils – and the scope for improvement.

Our review of 153 explanatory forewords demonstrated a positive improvement in quality performance. However, on average, councils are just meeting minimum standards.



Annual governance statement

The AGS explains a council’s governance arrangements and the controls it employs to manage the risks of failure to achieve strategic objectives. In the past, local government has delivered, within its financial framework, the changes required by central government. However, we believe that the sector’s resilience over the medium term is less certain. In this context, councils’ arrangements for governance are ever more critical, with clear reporting fundamental to transparency.

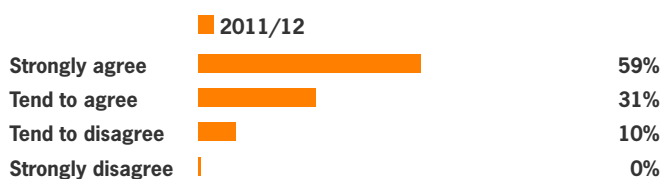
This year, 74% of AGS are included within councils’ published accounts (75% in 2010/11). CIPFA/SOLACE suggests that publication of the AGS should happen alongside the financial results to give readers a comprehensive picture of council performance during the year.

Fifty-four per cent of AGS were signed or re-signed at the date of the audit opinion, a real improvement from 20% in 2010/11. However, if the AGS is prepared before the approval of the accounts, the guidance also notes the importance of ensuring that the statement remains up to date. It is encouraging to see this rise, but we would like to see all councils demonstrating compliance in this regard.

“As the governance statement provides a commentary on all aspects of the organisation’s performance, it would be appropriate for it to be incorporated, either in full or in summarised form, into the annual report, where one is published.”

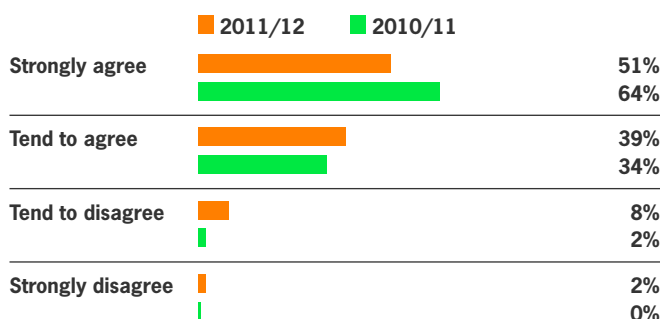
CIPFA/SOLACE ‘Delivering Good Governance in Local Government Framework’ 2007

MEMBERS HAVE SUFFICIENT OPPORTUNITY TO INFLUENCE THE CONTENT OF THE AGS



In signing the AGS, many council leaders will seek assurance from the audit committee that it is an appropriate reflection of the council’s year. The survey results indicate a high degree of confidence from the sector in members’ ability to influence the AGS. While, in many cases, AGS are presented to members at a June meeting of the audit committee, our experience suggests that this is often the first time in the year it is considered by members. At this late stage, member input is often restricted to the superficial. In promoting better understanding of the purpose of the AGS and facilitating greater member input throughout the year, councils will gain stronger engagement with the AGS and the important governance messages it contains.

OUR AGS ENABLES ALL STAKEHOLDERS, INCLUDING THE PUBLIC, TO UNDERSTAND CLEARLY THE GOVERNANCE ARRANGEMENTS THAT THE COUNCIL HAS IN PLACE, INCLUDING WHAT IS BEING DONE TO ADDRESS ANY AREAS OF WEAKNESS



Respondents felt the helpfulness and clarity of the AGS had reduced, with the ratio of those who agree strongly that it helps stakeholders understand governance arrangements falling from 64% to 51%.

Our findings indicate that, in many cases, council AGS stick too rigidly to the example format and content included in the CIPFA/SOLACE guidance. This approach means it is often difficult to distinguish between different council AGS. We believe the example should be treated as guidance only and that each council (while ensuring its AGS remains compliant) should capture its own priorities and achievements, so local residents can recognise their council in the statement.

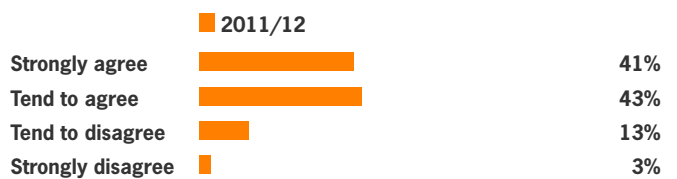
Scores for the AGS remained static, around three out of five, with councils continuing to comply with the CIPFA/SOLACE framework. Consistent with last year, councils appear to be struggling with providing helpful, informative disclosures in the areas of:

- the level of assurance needed for the year (2.6)
- resolution of prior year issues (2.6)
- actions resulting from this year’s significant issues (2.8).

We believe that councils could significantly improve their documents by focusing on the key governance controls and processes linked to their own strategic objectives.

Our survey shows the strong belief, of 84% of respondents, that senior management take shared responsibility for the AGS. This is appropriate as the statement should cover all aspects of council governance. However, our experience of working with local government suggests the AGS is most often written by the chief internal auditor, although it is sometimes completed by finance, legal or performance officers. It is rarely a genuinely shared effort. To make the document more rounded and readable, we suggest councils ensure wider input, at the very least those outside the finance and audit function.

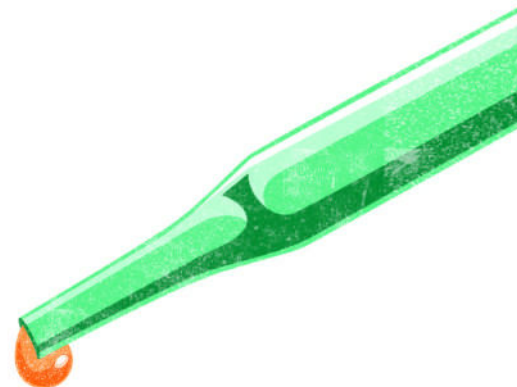
SENIOR MANAGEMENT TAKE SHARED OWNERSHIP OF THE AGS



WHAT WOULD IMPROVE THE AGS?

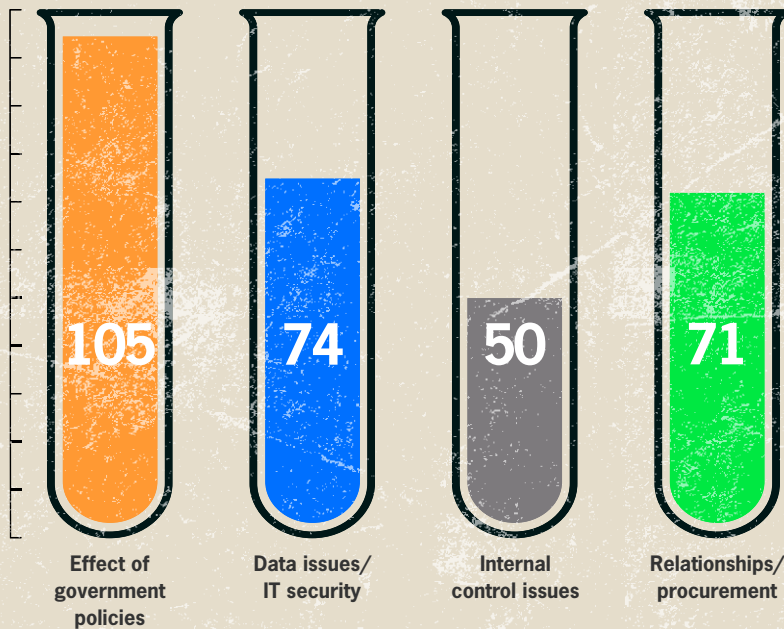
- ❄ More focused/less descriptive
- ❄ Outcome focused
- ❄ More visual/use of plain English

Councils are required to detail significant issues about their governance arrangements in their AGS. The average number of issues reported rose to 5.2 from 4.3, with only 28 councils reporting no issues in 2011/12 (45 in 2010/11). The results appear to reflect the uncertainty in the sector. The sheer volume of government changes is creating governance concerns for many councils. As indicated in the chart overleaf, the ‘effect of government policies’ was, by far, the major issue of concern. Indeed, it generated more than twice the number of issues than the linked area ‘savings programmes/transformation issues’ did last year.



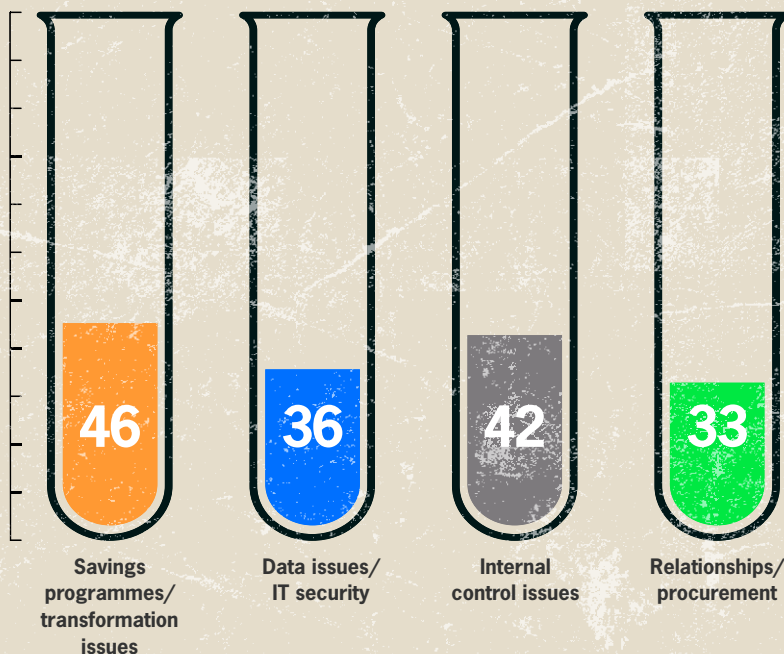
TOP GOVERNANCE ISSUES IDENTIFIED

2011/12



The number of reported issues in the top four areas have increased. This suggests councils have real concerns that need to be addressed by their governance arrangements. We believe this supports the need for a focused governance agenda where assurances are sought for key areas that could jeopardise strategic goals.

2010/11

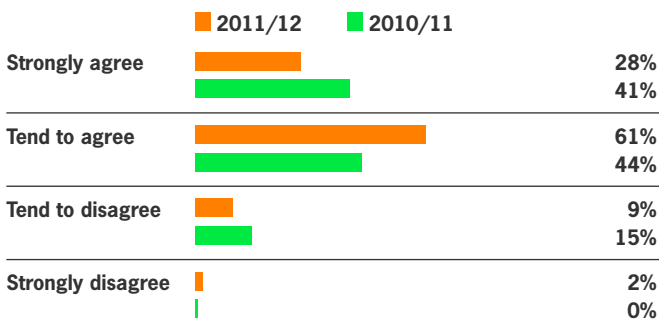


Annual reports

Very few councils produce annual reports. Local government is unusual in this respect, as virtually all other sectors (public, commercial and voluntary) produce end-of-year annual reports and accounts. These publications include summarised audited financial data and supporting commentary to provide context for readers, combined with key performance indicators (KPIs) and other information to give a rounded view of performance, focused on outcomes.

Some local government commentators say annual reports are unnecessary, due to the wide variety of ways of engaging with the public, as noted above. The confident response to our survey question on public accountability, with 89% of respondents reporting their ‘good arrangements’, appears to support this.

WE HAVE GOOD ARRANGEMENTS FOR ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY



Our analysis of council accounts, explanatory forewords and AGS suggests that many of the key elements of public engagement, upon which councils rely, are not fulfilling this need.

However, our analysis of council accounts, explanatory forewords and AGS suggests that many of the key elements of public engagement, upon which councils rely, are not fulfilling this need. Ironically, the very documents that should demonstrate council transparency and accountability often have the opposite effect. This opacity is further exacerbated by few councils having annual reports to communicate their key messages.

These findings echo last year’s and, once again, there is often a discrepancy between council leaders’ assessment of their own statements and our analysis of their quality.

We think councils should take a step back and conduct a critical review of their year-end published documents, asking the question: “Do we truly believe that our statements communicate effectively our governance practices to our stakeholders?”.

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The winner of the 2012 Local Government Chronicle Corporate Governance Award, Copeland Borough Council, asked a similar question of its wider governance arrangements. Officer and cross-party member recognition that there had to be a better way galvanised the council into a co-ordinated programme of governance improvement.

Some other councils are also recognising that their governance statements are not as effective as they would wish. As part of our aim to help raise the bar in governance reporting, we recently set up a small working group of councils interested in improving their AGS and in considering what an effective local government annual report could look like. Key messages from the group are included on the following pages.

Improving the AGS

Members of the recently formed governance working group agreed that it was time for the sector to take a fresh look at the AGS. The box below right shows some of the improvements suggested.

While there is no best practice AGS example in the sector, there are some useful examples of where councils have begun to do things differently.

AGS: key questions councils should ask themselves

- Who is responsible for producing the AGS – the head of audit, head of performance, legal, corporate governance group? Is this the right person? Is there a conflict of interest if it is done by audit?
- How many issues are raised by processes such as directors' assurance statements and how many of these should/do make it to the AGS (or are many managed 'off-line')?
- How honest and clear are the issues set out in the AGS?
- How well are AGS assurances gathered throughout the year (rather than at year-end)?
- How well are the identified significant internal control issues monitored and reported on during the year?
- How well understood is the AGS by the senior management team and members?

Working group suggestions for a better AGS

- **Content and style of document**
Less process and repetition of what is already in the local code of governance; more focus on key governance mechanisms and description of what assurances were received on these in the year; more user-friendly language and layout; greater emphasis on significant governance or control issues that flow from the earlier sections of the document.
- **Ownership**
Performance officers to be more involved in the document's production, to emphasise that the AGS is about assurances received on risks to the achievement of strategic objectives; a small corporate governance group (including audit and performance) should be formed as a forum for owning and producing the AGS; this, in turn, would aid senior management involvement.
- **Linking document with year-round assurance processes**
AGS to be used as an end point to shape audit committee work plans; assurances to be compiled for AGS during the year; regular monitoring by officer governance group; clarity to audit committee of assurances being received against plan; AGS to form part of quarterly performance report to cabinet.
- **Education**
Underpinning, but facilitated by the above, on-going training and communication with officers and members to ensure a wider and better understanding of the governance framework and the AGS.

COUNCILS MAKING PROGRESS

While there is no best practice AGS example in the sector, there are some useful instances of where councils have begun to do things differently.



This council offers a good description of how it reviews the effectiveness of its governance framework, including sources of assurance and a list of those involved.

This council provides SMART (specific, measurable, achievable, realistic and timed) action planning for identified governance issues.



This council produces an AGS with an engaging overall layout and a helpful overview of the assurance cycle. It also offers clear updates on issues from the preceding year and SMART action planning.

This council describes its process for reviewing the effectiveness of its governance framework and delivers a conclusion on its effectiveness for the year.

This council uses graphics to break up the text, as well as including examples of CIPFA guidance to determine whether identified issues are significant.

Improving the accounts and explanatory foreword

IFRS-compliant accounts will always be lengthy and complex, but the opportunity still exists for councils to make significant improvements to the quality of presentation. The use of an independent review of the accounts from a user's perspective will allow councils to identify areas where information could be presented differently to aid clarity. The box opposite shows our top tips for simplifying accounts.

We believe that one of the best ways to help users understand the accounts is to improve the explanatory foreword. As a guide when drafting a foreword, councils should describe, interpret and explain first, and then tick off the compliance requirements second. This will make the foreword easier to read and understand.

Suggestions to make explanatory forewords a better read:

✓ Explain the significant features:

- Link service expenditure closely to the figures in the directorate analysis in the accounts
- Tie figures to those included in the accounts
- Clearly set out the council's borrowing requirements
- Explain clearly movements in usable and unusable reserves
- Outline unusual charges and credits in the accounts

✓ Provide a clear view on the financial position:

- Ensure all information is consistent with the accounts
- Explain clearly where further information can be found in the accounts including relevant details on group accounts

✓ Give a clear and open view of the council's financial needs and resources:

- Outline major risks and uncertainties
- Describe major changes in statutory functions that will have a financial impact
- Discuss the likely effect of the economic climate on the council and its services

De-cluttering accounts

1 Start early

Begin by reviewing last year's accounts and remove unnecessary information before adding new requirements for the current year.

2 Officer review

Ensure deadlines allow enough time for council officers to review the accounts before the draft is submitted to the auditors. Consider involving members of staff outside the finance team to check the accounts make sense.

3 Highlight significant matters

Consider whether disclosures on significant matters are stated clearly and concisely. This could include new developments or areas where judgements are made, such as accounting for schools.

4 Is it necessary?

Ensure accounting policies and disclosure notes relate only to matters that are relevant and material to the council.

5 Is it up to date?

Review disclosures to ensure they are relevant to the current accounting period and are not references to historical matters. Ask yourself the question: are these still applicable?

6 Remove duplication

Do new disclosures supersede others that can now be removed? Are any issues duplicated in more than one note: if so, can these be merged?

7 Use of pro-forma/template accounts

Use these carefully, as they are intended for illustrative purposes. Tailor your disclosures to meet your specific requirements using templates as a guide only.

8 Remove nil entries

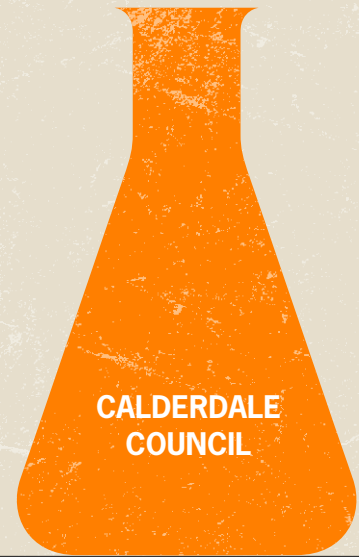
Remove lines and tables with zero entries that have been carried forward as a 'just in case'.

9 Use a glossary

Consider providing a glossary at the end of the accounts rather than cluttering the notes with detailed explanations.

**EXPLANATORY FOREWORDS
WITH POSITIVE FEATURES**

A small number of councils have taken a fresh look at the explanatory foreword. There are elements of emerging good practice within different forewords.



This council describes changes in statutory functions that had a significant impact on the accounts and summarises current-year and projected borrowing against the Capital Financing Requirement and authorised level of borrowing.

This council explains what each statement means and summarises the council's performance, alongside a discussion of macro factors and their impact on the budget.



This council discloses significant changes in accounting policies and their impact on the accounts; reconciles budget underspend to total deficit on the comprehensive income and expenditure statement (CIES); gives a comprehensive account of financial performance and details the council's activities and organisational structure.

This council summarises fixed asset acquisitions and disposals, outlines funding of capital expenditure and Private Finance Initiative and Public Private Partnership commitments and gives various KPIs, for example in relation to transport, crime and education.

Considering annual reports

The governance working group cited transparency and accountability as two compelling reasons for publishing annual reports. However, the benefits have to be balanced against the costs of producing annual reports.

The working group members agreed that a lavish, lengthy printed document is not what is needed. They supported something more concise, user friendly and perhaps published on the website as a ‘front end’ to summarise key information and provide hyperlinks to more detail. As well as being less costly, this is consistent with developing practice in some large corporates that are part of the International Integrated Reporting Council (IIRC) pilot scheme, which CIPFA is currently considering for the public sector.

While annual accounts are often not ready until the end of June, our working group members thought enough information would be available, of sufficient robustness, to support summarised financial content in a draft annual report. Surrey County Council produces a timely, user-friendly annual report containing pre-audit summarised financial information.

It is possible, therefore, that annual reports could be produced earlier in the year, containing high-level draft figures, significant AGS and explanatory foreword content, key risk and performance information, plus anything else fundamental to council strategy. A web-based annual report could be a live document, updated after the audit of the accounts.

The box below suggests possible content for a modern local government annual report, based on the working group’s suggestions of the key questions the public are likely to want answered.

As with any annual report, councils should follow established best practice principles including clarity of language, balance and neutrality.

Through our governance working group and wider discussions with the sector and CIPFA, we will continue to discuss annual reports with councils and publish examples of emerging good practice.

User-focused annual reports

A local government annual report could answer the following questions:

Backward looking

- What has the money been spent on?
- Was it within budget?
- Were the finances well managed this year?
- What was achieved for the local population?
- How well did the council perform (compared to before/ others)?

Forward looking

- Is the council financially sustainable?
- What are the key risks?
- How are the key risks being managed?
- How is the council likely to perform (compared to now/ others)?
- What changes will the public see in service provision?

“The annual report is absolutely vital for public accountability.”

Governance working group member

Behind the scenes of governance: people and processes

Published statements are the visible, high profile face of council governance. As crucial to effective governance, however, are a council's people, culture and processes.

People, culture and behaviour



A positive governance culture, where people understand and live the values, drives robust decision-making and, in turn, strong performance. If councils do not have the right people, behaving in the right way within a culture that is supportive of good governance, organisational effectiveness will be seriously impaired.

This is borne out by our survey results, where respondents rightly focus on the importance of senior management ownership and member involvement, as well as communication, as being key ingredients in establishing a sound governance environment.

Our survey shows the sector considers that senior officers and internal audit hold the four 'top posts for driving governance'. It is perhaps surprising that members do not feature, and yet the contribution that they can make in creating and maintaining a positive governance culture should not be underestimated.

The importance of the member role in setting the tone for governance was recognised by CIPFA in last year's addendum to the framework. Our survey respondents also said that member involvement was key to improving governance.

WHAT WOULD IMPROVE GOVERNANCE AT THE COUNCIL?

-  Senior management ownership
-  Reinforcement/wider awareness of key messages
-  Member involvement

"The Framework ... puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation."

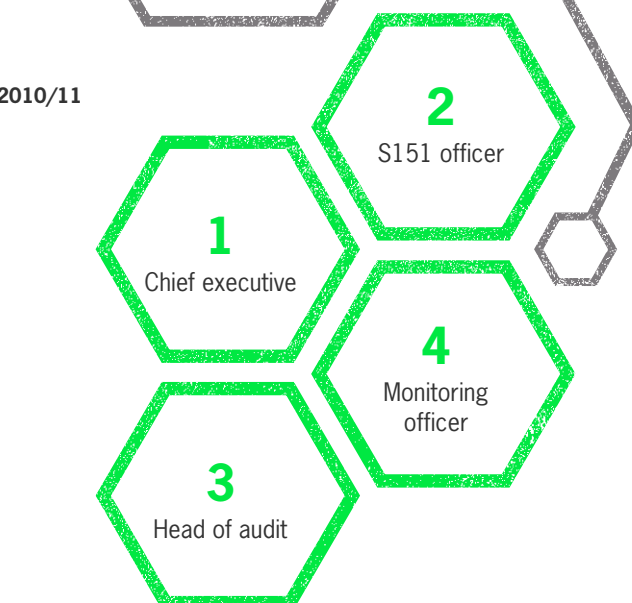
Addendum to Delivering Good Governance in Local Government: a framework, CIPFA, August 2012

WHAT ARE THE TOP POSTS FOR DRIVING GOVERNANCE?

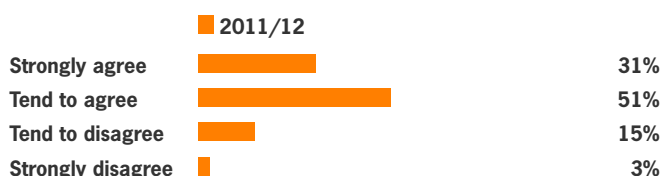
■ 2011/12



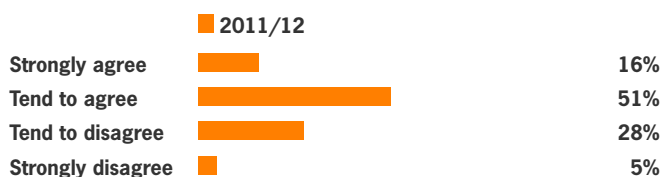
■ 2010/11



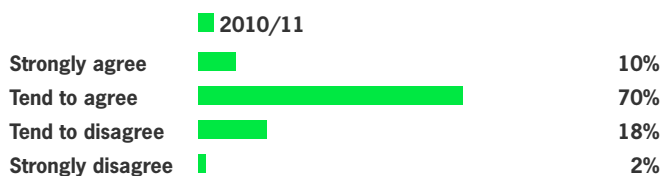
WE HAVE ROBUST ARRANGEMENTS TO DEVELOP THE CAPACITY AND CAPABILITY OF OFFICERS



WE HAVE ROBUST ARRANGEMENTS TO DEVELOP THE CAPACITY AND CAPABILITY OF MEMBERS



WE HAVE ROBUST ARRANGEMENTS TO DEVELOP THE CAPACITY AND CAPABILITY OF OFFICERS AND MEMBERS



Council leaders continue to rate highly their development mechanisms for officers, with 82% agreeing that they have ‘robust arrangements’ to build their capacity and capability. They are less confident about the equivalent for members, with one third feeling they do not have such robust arrangements for them. This is a significant issue and councils should consider how well they support members in their pivotal leadership role in governance.

We believe the key to changing views and approaches to governance is through strong principled leadership setting the right ‘tone from the top’. We explore this theme in our reports ‘The chemistry of governance’¹, which reviews governance in the UK’s FTSE 350, and ‘The tone of governance’². The core principle applies as well to local government, where the leader and chief executive have a vital role in determining how councils should be run, as it does to the corporate arena.

In considering behaviour and culture, the ‘Seven Principles of Public Life’ remain as relevant as when Lord Nolan’s Committee on Standards in Public Life first published them in 1995.

The seven principles of public life

- 1 Selflessness**
Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- 2 Integrity**
Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- 3 Objectivity**
In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- 4 Accountability**
Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- 5 Openness**
Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- 6 Honesty**
Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- 7 Leadership**
Holders of public office should promote and support these principles by leadership and example.

Committee on Standards in Public Life, January 2013

¹The chemistry of governance: a catalyst for change, Grant Thornton, January 2013

²Governance insights: the tone of governance, Grant Thornton, September 2012

Some recent work by the Institute of Risk Management (IRM) is also relevant.

“The culture of a group arises from the repeated behaviours of its members. The behaviour of the group and its constituent individuals is shaped by their underlying attitudes. Both behaviour and attitudes are influenced by the prevailing culture of the group.”

Risk Culture, Resources for Practitioners, The Institute of Risk Management, 2012

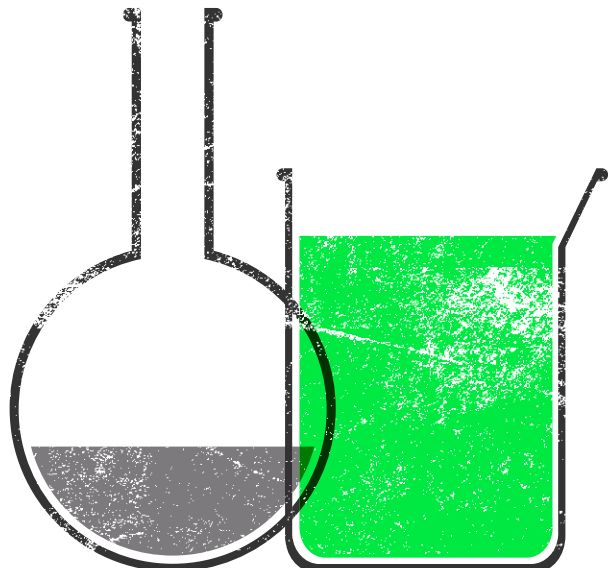
It suggests organisations ask themselves three questions about their culture and develop appropriate action plans:

- 1 What is the current culture in our organisation?
- 2 How do we want to change that culture?
- 3 How do we move from where we are to where we want to be?

While many tools and techniques for managing cultural change exist, it is never easy. Yet many organisations, including councils, give insufficient regard to addressing cultural issues when implementing change. When considering how to improve governance, councils need to think wider than systems and processes. If the culture isn't supportive of good governance, no amount of process redesign will fix it. We set out opposite some suggestions for driving improvement in the governance culture.

Improving your governance culture

- Invest time in understanding your governance culture. Don't just assume solutions will work
- Involve all those responsible for effective governance: elected members, statutory officers, senior leaders and departmental management
- Gain buy-in by reinforcing the basic principle: good governance = good decision making = good performance
- Spend time with stakeholders to demystify governance and spread understanding that it is the way that everyone should work – not just something for audit and finance
- Accept that cultural change takes time, resources and carefully planned and executed structured and unstructured interventions with stakeholders
- Focus on real behavioural change, not box ticking
- Identify and support those who are not showing the desired behaviours
- Share stories and reward those who exemplify the desired cultural change.

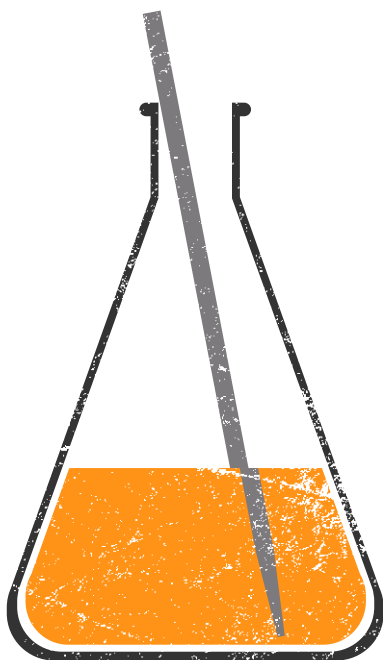


Process

The governance statements described above, from AGS to accounts, may be the most visible council governance vehicles but they are, of course, designed to be the culmination of 12 months of continuous processes.

However, too often on-going governance processes and year-end statements are treated as two distinct exercises. This makes it difficult for stakeholders to understand the purpose of these processes and diminishes engagement with the council's governance arrangements, potentially leading to gaps in assurance, or inefficiency.

Our recent report on local government financial resilience, 'Towards a tipping point?' highlights a sector perception that a critical juncture is approaching, but that its form is unclear. Recent reports from the Audit Commission and National Audit Office provide a similar message. Working in such an uncertain environment makes it even more critical that councils ensure governance frameworks are fit for purpose and resources are focused to address the most significant risks.



Possible 'tipping point' scenarios for councils

Statutory

Where a council can no longer meet its statutory responsibilities to deliver a broad range of services within the funding available, leading to legal challenges and protests from stakeholders.

Financial

Where the Section 151 Officer cannot set a balanced budget, leading in the first instance to an unbalanced budget report to members in line with Section 114 of the Local Government Finance Act 1988 (England and Wales); or where increased uncertainty leads to budget overspends of a size that reduces reserves to unacceptably low levels; or where a council demonstrates characteristics of an insolvent organisation, such as failure to pay creditors.

Industrial

Where, as a consequence of pay restraints, changes to terms and conditions and job losses, employees and trade unions undertake prolonged strike action, leading to major service disruption and long-term industrial relations disputes.

External

Where a major supplier fails, leading to significant service disruption and reputational damage to the council.

Incremental

Where multiple, smaller tipping points relating to individual service areas occur, developing over time and leading to an eventual critical mass.

Decision paralysis

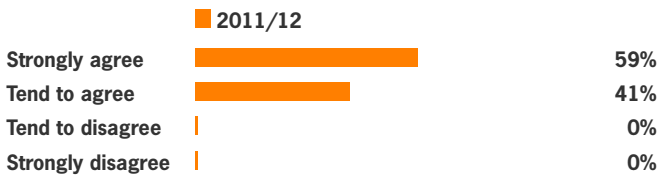
Where there is a failure to make the difficult decisions required to manage financial and other challenges.

'Towards a tipping point?', Grant Thornton, December 2012

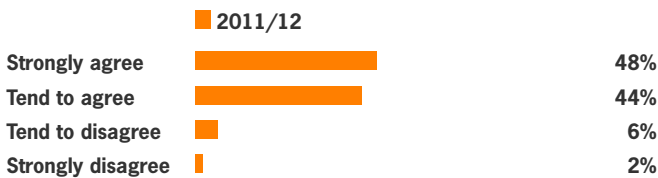
The governance framework

Council leaders remain very positive about their governance frameworks, as our survey results show they do on their published annual statements. They all report undertaking annual reviews of governance arrangements and 92% say they ensure compliance with best practice.

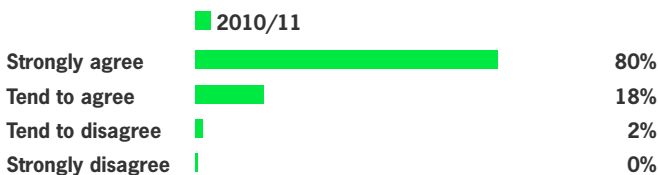
WE UNDERTAKE AT LEAST ANNUAL REVIEWS OF OUR GOVERNANCE ARRANGEMENTS



WE ENSURE COMPLIANCE WITH BEST PRACTICE IN OUR GOVERNANCE ARRANGEMENTS



WE UNDERTAKE AT LEAST ANNUAL REVIEWS OF OUR GOVERNANCE ARRANGEMENTS TO ENSURE THAT WE COMPLY WITH BEST PRACTICE



However, when we interview councils directly they are far less sanguine about how governance arrangements are working in practice. We believe that there is often a lack of understanding as the purpose of the governance framework and how it links to strategy.

In times of tight resources, governance processes should be focused on key controls, namely those considered critical to achieving the council's strategic goals. Once key controls have been identified, assurance plans should be developed to ensure these are operating effectively by the end of the year.

Internal auditors are also feeling the pressure on resourcing. The Grant Thornton/CIPFA survey of heads of audit³ found that three quarters had reduced coverage and depth of audit work. This comes as new public sector internal audit standards are being introduced from April 2013.

Clarity of purpose and better understanding of the elements of the governance framework would help councils to focus their efforts and potentially save on governance and assurance spending. Like all other aspects of council life, the challenge is how to get more for less.

There are many aspects to council governance frameworks. The findings set out in the remainder of this report focus on some of the main elements.

In times of tight resources, governance processes should be focused on key controls, namely those considered critical to achieving the council's strategic goals.

³The developing internal audit agenda, Grant Thornton/CIPFA, May 2012

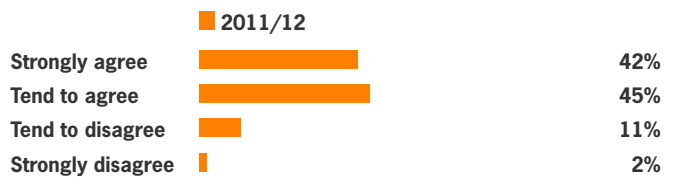
Audit committees

The unprecedented issues facing local government – including funding reductions, loss of officer capacity, transparency requirements, organisational reconfiguration and outsourcing – all make the audit committee agenda more challenging.

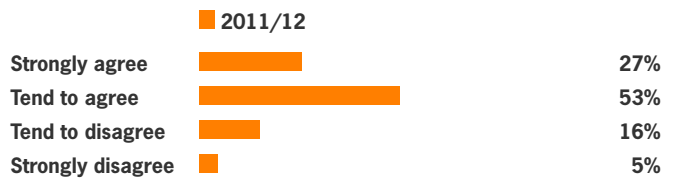
Our survey shows that audit and audit committees are seen as one of the key strengths of council governance. However, hidden in the detail, respondents are far less inclined to ‘strongly agree’ that their audit committee responds effectively to changing risks or demonstrates added value.

Ample guidance exists to support audit committee effectiveness and routinely council audit committees complete self-assessment checklists to assess compliance with requirements. However, from our work with councils across the country, we find that the sheer size and complexity of the agenda can hinder audit committee effectiveness. We set out opposite our suggestions for how council audit committees should manage the existing and emerging risks to effective operation.

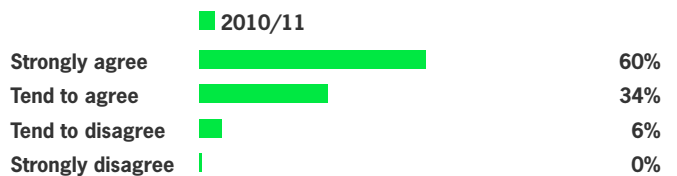
OUR AUDIT COMMITTEE IS EFFECTIVELY RESPONDING TO THE CHANGING RISKS FACING THE COUNCIL



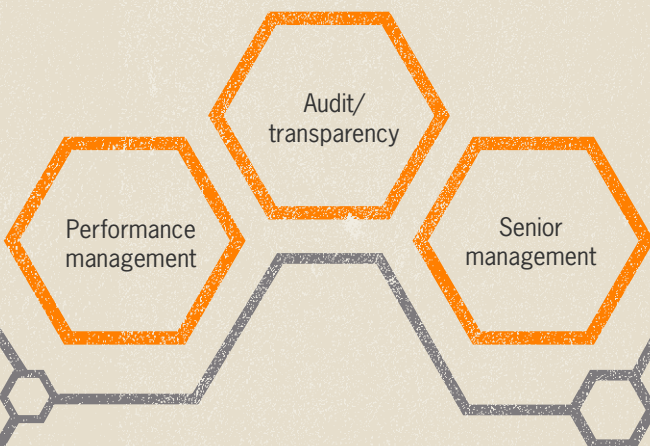
OUR AUDIT COMMITTEE FUNCTION ANNUALLY DEMONSTRATES THE VALUE IT ADDS



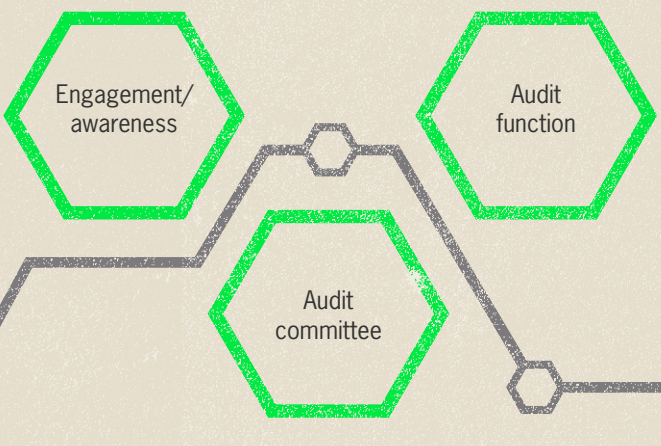
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TOP STRENGTHS IN COUNCIL GOVERNANCE IN SURVEY 2011/12



TOP STRENGTHS IN COUNCIL GOVERNANCE IN SURVEY 2010/11



Membership is key. We believe it is critically important to have a skilled chair who can keep the work of the committee on track. It is vital that, as a group, members have the right skills, expertise (including financial), independence of mind and political neutrality to fulfil their role. If all of these criteria are met, then an audit committee is far more likely to be effective.

It is also vital to plan and manage the work of the committee throughout the year. At the start of the year the committee should set out how it will use its limited time most effectively. It should be clear about what assurances are needed in relation to the key risks to the council's strategic objectives and schedule how, and from what source, it wants to receive them.

Maintaining focus throughout the year on the content of the AGS is the best way of achieving such clarity. Agreement about what constitutes 'reasonable assurance' will help the committee judge when it has the required information and can move on.

There are many other levers for ensuring effectiveness, including member briefings, shorter reports, better agenda-sharing with scrutiny to avoid potential gaps or duplication, and preparation of an annual chair's report on the work and impact of the committee. Committees should constantly ask themselves: "Are we achieving our objectives in the most effective way possible and adding value to the governance of the council?" and be prepared to adapt and improve when necessary.

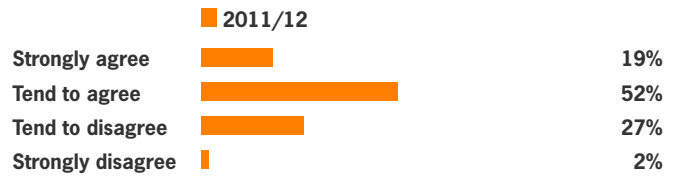
In particular, they should ensure they align their key controls – and assurance activity – towards the council's strategic goals. Whatever the member composition of the audit committee, it is this focus on what really matters that will ensure its effectiveness and enable it to demonstrate its value.

Scrutiny

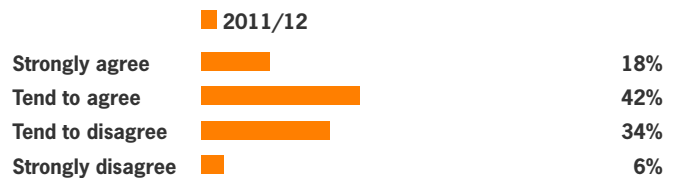
This year, scrutiny was again one of the lowest-scoring areas of our survey: 40% of council leaders say their scrutiny function does not demonstrate the value it adds.

Councils' scrutiny functions are becoming increasingly important. They are also being challenged more frequently, due to the difficult decisions councils have to make in the current political and socio-economic climate. Council scrutiny should be robust, must explore all options thoroughly and should not be afraid to make difficult choices. As illustrated by recent government commentary on the excessive use of judicial review and its impact on innovation and growth, it is crucial that council decision-making and scrutiny is transparent so the public can be assured that proper processes are followed. Most importantly, they should focus on decision-making allied to their council's strategic goals.

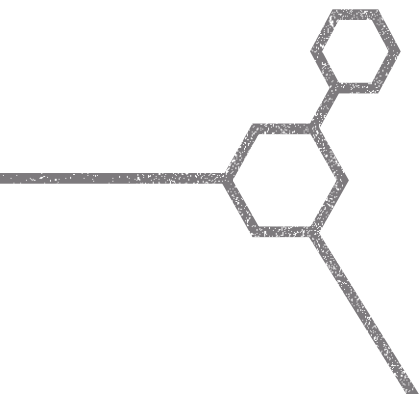
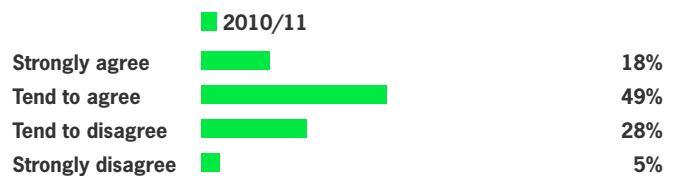
OUR SCRUTINY FUNCTION IS EFFECTIVELY RESPONDING TO THE CHANGING RISKS FACING THE COUNCIL



OUR SCRUTINY FUNCTION ANNUALLY DEMONSTRATES THE VALUE IT ADDS



WE HAVE A SCRUTINY FUNCTION THAT IS EFFECTIVELY RESPONDING TO THE CHANGING RISKS FACING THE COUNCIL AND CAN ANNUALLY DEMONSTRATE THE VALUE IT ADDS



Survey respondents were asked what would improve scrutiny in their council. The top three responses were:

- **improved clarity on role**
- **more strategic view and focus on key information**
- **training for members.**

The Centre for Public Scrutiny’s (CfPS) 2012 survey⁴, which found that funding cuts had reduced both the numbers of reviews undertaken and of committees, supports our observation that scrutiny should focus on strategic issues.

The CfPS work found a positive outlook on what scrutiny could achieve. More than half of councils already focus (or are planning to do so) on priority issues that will make the biggest difference. This message chimes with our recommendations to audit committees to be focused. In difficult times, councils should seek to harness the potential that scrutiny can bring to the decision-making process.

Promoting effective scrutiny

- Demonstrate impact from your work
- Take the stakeholder perspective
- Focus on what really matters

Council scrutiny should be robust, must explore all options thoroughly and should not be afraid to make difficult choices.

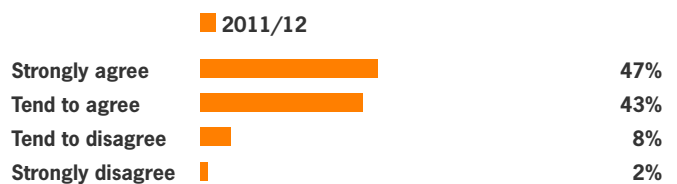
Risk management

The current local government environment means that now, more than ever, risks need to be identified effectively and managed carefully to mitigate adverse effects. Our survey results show that while confidence in identifying risk remains high, at 87%, this fell from 98% in last year’s survey.

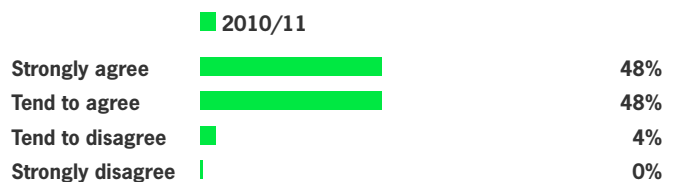
When asked whether risk management is effective in managing key risks, respondents continue to feel confident, although the figure has again fallen – from 96% to 90%. Our ‘Towards a tipping point?’ report suggests that, in terms of managing financial risk, embedding effective risk management awareness is key.

Yet, while councils report their governance arrangements are effective, they indicate some hesitancy as to whether risk management is truly embedded.

OUR GOVERNANCE ARRANGEMENTS ARE CURRENTLY EFFECTIVE IN ENSURING THAT KEY RISKS ARE APPROPRIATELY MANAGED

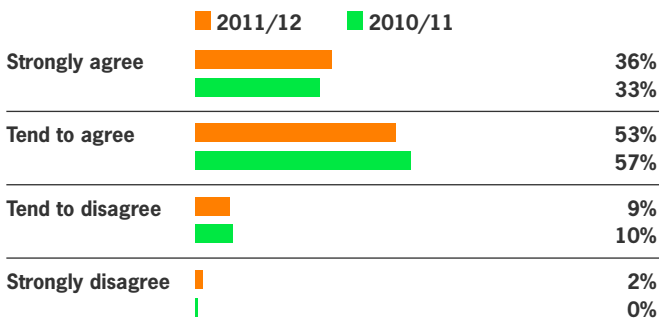


OUR GOVERNANCE ARRANGEMENTS ARE EFFECTIVE IN ENSURING THAT KEY RISKS ARE APPROPRIATELY MANAGED



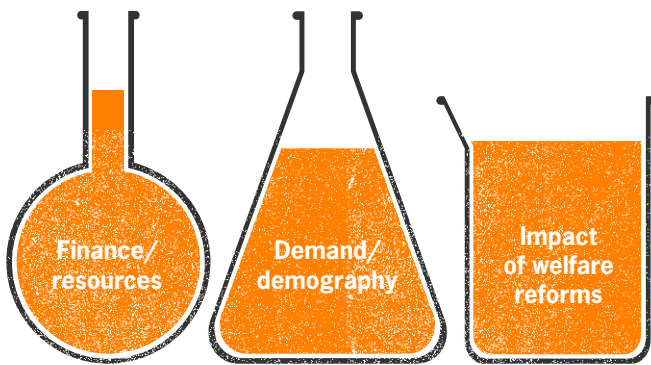
⁴Annual survey of overview and scrutiny in local government 2011/12, Centre for Public Scrutiny, October 2012

RISK MANAGEMENT IS EMBEDDED INTO THE CULTURE OF THE COUNCIL

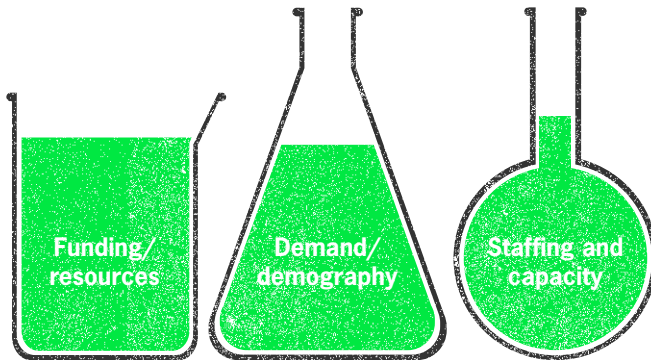


TOP THREE STRATEGIC RISKS IDENTIFIED BY SURVEY RESPONDENTS

2011/12



2010/11



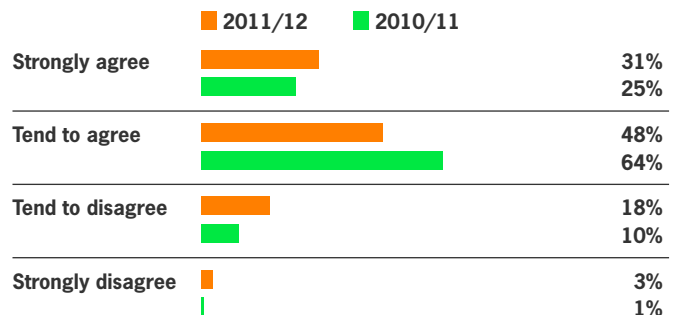
This year, unlike last, staffing and capacity was not cited as one of the top three risks: however, it was a popular choice, together with concerns around new service arrangements, legislative change and the impact of wider economic factors. A key emerging risk relates to the implementation of welfare reforms, a trend consistent with that of national policies being the most common governance risk identified in council AGS.

A prevailing thread throughout our survey and our review of AGS is of the risks created by change: whether that change pertains to legislation, funding, demography or service delivery. Risk associated with increased partnership activity is also a particular concern.

Tighter resources require councils to look differently at how they provide services to their populations. A number of councils are exploring commissioning structures, contracting out, shared service arrangements and other joint operations to provide more with less. This approach to service delivery is a key policy of central government and a central plank of its localism agenda. As well as opportunities, those vehicles carry different risks.

Many councils are placing increasing reliance on providers' quality standards and financial reputation. In this context, it is disturbing that 21% of council leaders do not believe that roles and responsibilities are clear when working in partnership, up from 11% last year.

WHEN WORKING IN PARTNERSHIP, MEMBERS AND OFFICERS ARE CLEAR ABOUT THEIR ROLES AND RESPONSIBILITIES INDIVIDUALLY AND COLLECTIVELY IN RELATION TO THE PARTNERSHIP AND THE COUNCIL



To address these risks, structured collaboration between different bodies has been promoted. At a time of increasing partnership working, we believe it is essential to understand the costs, benefits and outcomes of collaboration and then to establish an effective arrangement for oversight and governance, before entering into formal arrangements that can prove difficult to step back from.

Key commissioning cycle stages



Analyse

The analysis of need, capacity, assets and resources and of the capability of the market. Agreeing priority needs with partners. Defining the outcomes to meet those needs.



Plan

Gap analysis, stakeholder engagement, the design of services and service pathways, developing a joint commissioning strategy.



Do

Implementing the commissioning plan, facilitating the market, building capacity, sourcing the providers capable of meeting a specification and contracting for the new services. Delivering to users.



Review

Contract monitoring and reviewing the effectiveness of the strategy. Reviewing and learning from delivery and feedback from users.

Guide to commissioning and sourcing, SOLACE, 2012

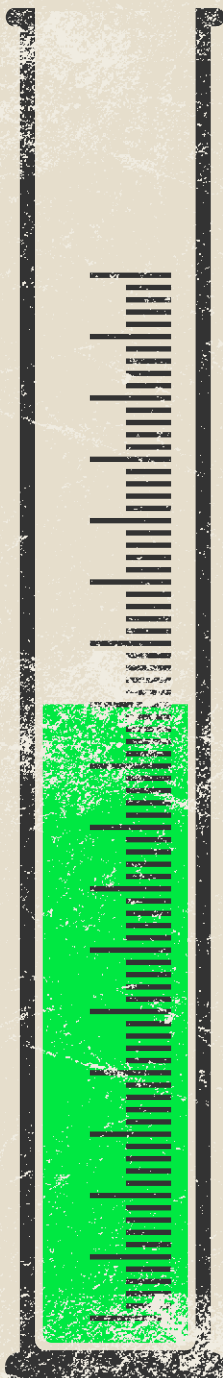
Our survey shows that 89% of respondents feel risk management is embedded into the day-to-day activities of their council, consistent with last year. Our observations on the sector suggest that effective risk management is often driven by a well-established corporate risk management function.

However, funding pressures mean councils may no longer be able to maintain internal risk management resource levels – just when they are facing increased risk due to factors such as service transformation, outsourcing and localism. In this environment it remains important for councils to ensure principles of good risk management, and an effective risk culture, are spread throughout the organisation.

The Institute of Risk Management document on risk culture mentioned on page 19 provides a good summary of the ways organisations can understand and change their risk cultures. It includes 10 questions (shown opposite) boards should ask: these questions are equally applicable to council leaders and councils should consider what actions they need to take based on their answers.

Five risk management questions to ask departmental managers

- 1 Can you explain how risk management works in your department?
- 2 How is the risk management process and register used in day-to-day management?
- 3 Is the risk management process and register regarded as useful – or bureaucratic?
- 4 How do you escalate risks from your department to the corporate risk register?
- 5 Are the things that worry those at the front line consistent with what appears on the risk register?



Ten questions boards should ask on risk culture

- 1 What tone do we set from the top? Are we providing consistent, coherent, sustained and visible leadership in terms of how we expect our people to behave and respond when dealing with risk?
- 2 How do we establish sufficiently clear accountabilities for those managing risks and hold them to their accountabilities?
- 3 What risks does our current corporate culture create for the organisation, and what risk culture is needed to ensure achievement of our corporate goals? Can people talk openly without fear of consequences or being ignored?
- 4 How do we acknowledge and live our stated corporate values when addressing and resolving risk dilemmas? Do we regularly discuss issues in these terms and has it influenced our decisions?
- 5 How do the organisation's structure, process and reward systems support or detract from the development of our desired risk culture?
- 6 How do we actively seek out information on risk events and near misses – both our own and those of others – and ensure key lessons are learnt? Do we have sufficient organisational humility to look at ourselves from the perspective of stakeholders and not just assume we're getting it right?
- 7 How do we respond to whistle-blowers and others raising genuine concerns? When was the last time this happened?
- 8 How do we reward and encourage appropriate risk-taking behaviours and challenge unbalanced risk behaviours (either overly risk averse or risk seeking)?
- 9 How do we satisfy ourselves that new joiners will quickly absorb our desired cultural values and that established staff continue to demonstrate attitudes and behaviours consistent with our expectations?
- 10 How do we support learning and development associated with raising awareness and competence in managing risk at all levels? What training have we as a board had in risk?

Adapted from Risk culture; under the microscope guidance for boards, Institute of Risk Management, 2012

A positive governance culture, where people understand and live the values, drives robust decision-making and, in turn, strong performance.

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Governance matters



Corporate Governance
Review 2012



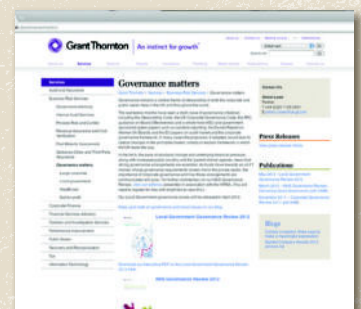
NHS Governance
Review 2013



Local Government
Governance Review
2013



Charities Governance
Review 2013



For further information, visit:
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Report to the Audit and Governance Committee



Report reference: AGC-002-2013/14
Date of meeting: 27 June 2013

**Epping Forest
District Council**

Portfolio: Finance and Technology

Subject: Draft Audit Plan 2013/14

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Decisions Required:

- (1) That the Internal Audit Plan for 2013/14 be approved.

Executive Summary:

The Audit and Governance Committee is responsible for the approval of the annual Internal Audit plan, following consultation with the Finance and Performance Management Cabinet Committee.

Following consultation with Service Directors, the Corporate Governance Group and the External Auditors (PKF), the 2013/14 Audit Plan was presented to the Finance and Performance Management Cabinet Committee on 21 March. That Committee considered the plan but no specific issues were raised.

Reasons for Proposed Decision:

To approve the Council's Annual Internal Audit Plan as required in the Audit and Governance Committee Terms of Reference.

Other Options for Action:

None.

Report:

1. The Annual Audit Plan 2013/14 is submitted to the Audit and Governance Committee for approval. Once approved, the Annual Audit Plan will be appended to the Office of the Chief Executive Business Plan.
2. In compiling the plan, all fundamental financial systems are included, to provide Management and Member assurance in the controls in place for good financial management. The annual audit of these systems is also a requirement of the Council's External Auditors (PKF) and the draft plan is submitted to them for comment.
3. The Corporate Risk Register was reviewed and time allocated for review of any high risk financial areas. The Annual Audit Plan contains the risk identifier to ensure that risks highlighted by the Audit Commission, the External Auditors and the Corporate Risk Register

are allocated audit time.

4. The plan contains a contingency provision for investigations and other unplanned work during the year. There is also flexibility in the Plan so that audits can be substituted during the year in order to accommodate reviews of areas that are assessed as being of higher risk to the achievement of the Council's objectives.

5. During 2012/13 publications by the Audit Commission and the National Fraud Authority have identified current fraud risks and to address concerns over these risks time has been allocated to fraud prevention and detection in the 2013/14 audit plan. The audit team consists of 4.4 (full time equivalent) staff, the part time post covering the fraud auditor function.

6. Regular meetings continue to be held with the Chief Auditors of Uttlesford, Harlow and Broxbourne Councils on various joint working practices sharing best practice, expertise and audit findings and recommendations.

7. Progress against the approved Plan is kept under review during the year and any proposed amendments, once the Plan has been approved, would be subject to the approval of the Audit and Governance Committee, who will continue to monitor progress against the plan on a quarterly basis.

8. The plan will be presented to the Audit and Governance Committee on 4 April 2013.

Resource Implications:

None, within existing budget.

Legal and Governance Implications:

No specific implications.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group, PKF and Service Directors.

Background Papers:

CIPFA Internal Audit Code of Practice, Audit reports, files and Corporate Risk register.

Impact Assessments:

Risk Management

The preparation of a risk based audit plan, as part of the audit strategy, is a key part of the Council's governance arrangements. In approving the annual programme of audits, the Audit and Governance Committee, in conjunction with the Finance and Performance Management Cabinet Committee, should be assured that there is sufficient and appropriate coverage to address any risks to the achievement of the Council's objectives.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
There are no equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

N/A.

AUDIT PLAN 2013/14

Audit area	Audit type	Days allocated	Completed	Risk Identifier
FINANCE AND ICT				
Finance				
Bank Reconciliation	system/follow up	15		PKF
Sundry Debtors	system/follow up	15		PKF
Creditors	system/follow up	15		PKF
Treasury Management	system/follow up	15		PKF/R26
Budgetary Control (capital and revenue)	system/follow up	10		PKF
Risk Management and Insurance	system/follow up	15		PKF
Main Accounting and Financial Ledger	system/follow up	15		PKF
Housing Benefits	system/follow up	20		PKF
Council Tax	system/follow up	20		PKF/R27/AC
National Non Domestic Rates	system/follow up	15		PKF/R27
Cash receipting and Income control	system/follow up	15		PKF
Provision for 'top up' testing	systems	30		PKF
ICT				
ICT Procurement	ICT	10		AC/R2
Access controls	ICT	10		PKF
Disaster recovery/business continuity	ICT	10		PKF/R8
TOTAL		230		
PLANNING AND ECONOMIC DEVELOPMENT				
Planning Fees	System	20		R27
Countrycare	System	10		R
TOTAL		30		
ENVIRONMENT AND STREET SCENE				
Waste Management and Recycling	system	20		R20
Car Parking Contract	system	10		R27
North Weald airfield	establishment	15		R27
TOTAL		45		
HOUSING				
Housing Rent Collection and Arrears	system/follow up	20		PKF/R27
Right to Buy	system	10		AC
Housing Repairs Service	system	20		
Housing Contracts	system	20		R2
Private Sector Housing - Grants	system	15		
Norway House	Establishment	10		
TOTAL		95		

CORPORATE SUPPORT SERVICES				
Human Resources				
Payroll	System/follow up	20		PKF
Recruitment and Selection	Follow up	5		AC
Management of Sickness absence	Follow up	5		R15
Overtime and Committee Allowances	verification	10		R
Travelling & Subsistence Claims	verification	10		R
Car Mileage claims	verification	10		R
Estates/Facilities Management/Other				
Commercial Property portfolio	Follow up	5		R9
Reprographics	System	10		
Fleet Operations income	system	5		R27
Facilities Management Contracts	system	10		R2
Legal				
Debt recovery	Follow up	10		R27
TOTAL		100		
MISCELLANEOUS				
Key and Local Performance Indicators	verification	15		R
Business Plans	verification	10		R
FRAUD PREVENTION & DETECTION				
Contracts	fraud	15		AC/R20
Procurement	fraud	15		AC/R2
Council Tax Discounts	fraud	15		AC/R23
National Fraud Initiative (NFI)	fraud	20		R23
Data matching and analysis (IDEA software)	fraud	25		AC
CORPORATE				
Corporate Procurement	system/follow up	15		AC/R2
Gifts and Hospitality (Members & Officers)	system/follow up	10		R
Corporate Asset Register	system	5		PKF
Follow up of Priority 1 Audit recommendations	follow up	10		R23
Governance Statement	management review	5		AC/PKF
TOTAL		160		
TOTAL DAYS ALLOCATED		660		
Contingency/Spot checks/Minor investigations		50		R23
Corporate/Service Advice		65		
TOTAL		775		

Key	Risk Identifier
AC	Audit Commission External
PKF	Audit
R no.	Risk No. in Corporate Register
R	Reputation of Council

Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-003-2013/14

Date of meeting: 27 June 2013

Portfolio: Finance and Technology

Subject: Effectiveness of the Arrangements for Risk Management

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That Members consider the effectiveness of the arrangements for Risk Management.

Executive Summary:

The terms of reference for this committee include "To consider the effectiveness of the Council's Risk Management arrangements". This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required "To advise and make recommendations to the Cabinet on Risk Management and Insurance issues".

Due to the greater priority given to completing financial systems audits, the Internal Audit of risk management scheduled for 2012/13 will now be taking place early in 2013/14. The internal audit of this area in 2011/12 concluded with a score of "Substantial Assurance".

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council's arrangements for Risk Management to provide assurance to the Council on the functioning and adequacy of this important internal control.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

Previous Reviews

1. The review of the effectiveness of the Council's arrangements for Risk Management is an established part of the work programme for this Committee. Last year the Committee resolved:

(i) *That the Council's arrangements for Risk management be considered effective.*

Risk Management in Directorates

2. The internal arrangements for Risk Management have not changed during the year. It is common practice within directorates for risk assessments to be conducted on new or changed activities and capital projects. Each directorate has a nominated champion for risk

management, usually at Assistant Director level. This individual acts as the lead on Risk Management for the directorate and represents their directorate at the Risk Management Group (RMG).

3. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.

4. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the RMG and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

5. The RMG meets quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to the Corporate Governance Group. During 2012/13 meetings were held in May, September, November and February. The Director of Finance and ICT, or in his absence the Senior Finance Officer (Risk and Insurance) chairs the RMG. All of the group have received training in Risk Management.

6. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans for risks that are scored above the tolerance line.

7. The annual updating and approval of the terms of reference for the RMG was considered by the Finance and Performance Management Cabinet Committee on 21 March 2013 and a report recommending their adoption will go to a subsequent meeting of Cabinet. The meeting on 21 March also approved the Risk Management Strategy and the Risk Management Policy Statement.

Corporate Risk Register

8. As mentioned above, the RMG consider updates to the Corporate Risk Register and make recommendations to the Corporate Governance Group (which consist of the Chief Executive, the Monitoring Officer, the Deputy Monitoring Officer, the Director of Finance and ICT and the Chief Internal Auditor).

9. The Corporate Governance Group receive the minutes of the RMG and discuss in detail any proposed changes. A separate review of the Corporate Risk Register is then undertaken to ensure that all necessary changes have been captured by the RMG and that the Corporate Governance Group is not aware of any other new risks for inclusion.

10. Recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee; the most recent updates are shown in the table below. For information only the Corporate Risk register is attached as an appendix.

<u>Date of Meeting</u>	<u>Updates Considered</u>
25 June 2012	Updated for Council Key Objectives 2012/13. Risk relating to changes to the benefits system has scores for likelihood and impact increased. Risk covering production of the Local Plan has score for likelihood increased.
22 November 2012	Risks relating to embedding performance management and disruption from the Olympics deleted. The score for likelihood on the sickness absence risk is reduced.
21 January 2013	Following a number of initiatives by the new Data Protection Officer, the risk relating to loss or theft of data has a reduction in the score for likelihood.
21 March 2013	A new risk is added to cover the problems evident with the Gazetteer and the urgent need for their rectification. This issue has been covered in a report to Cabinet and supplementary funding has been approved by Council. As the recruitment restrictions have now been lifted this risk was deleted.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council's overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the District.

Consultation Undertaken:

No formal consultation has been undertaken.

Background Papers:

None.

Impact Assessments:

Risk Management

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.

Epping Forest District Council Corporate Risk Register

Date: 21 March 2013

Contents

	Page
1. Introduction.....	3
2. The Process	3
2.1 Risk identification	4
2.2 Risk analysis and prioritisation	4
2.3 Risk management and monitoring	5
3. Results	5
3.1 Risk profile	5
3.2 Above the line Risk clusters.....	6
Appendix 1 – Risk Register	7
Appendix 2 – Action Plans	15

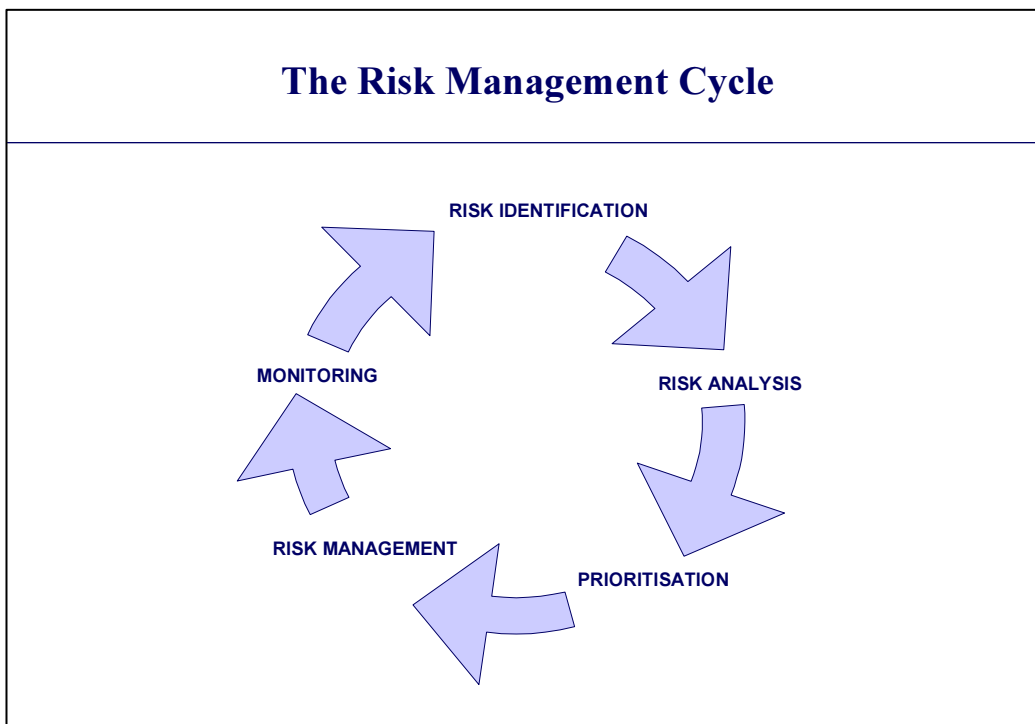
1. Introduction

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them. It is not an end in itself. Rather, risk management is a means of minimising the costs and disruption to the organisation caused by undesired events.

The aim is to reduce the frequency of risk events occurring (where possible) and minimise the severity of their consequences if they do occur.

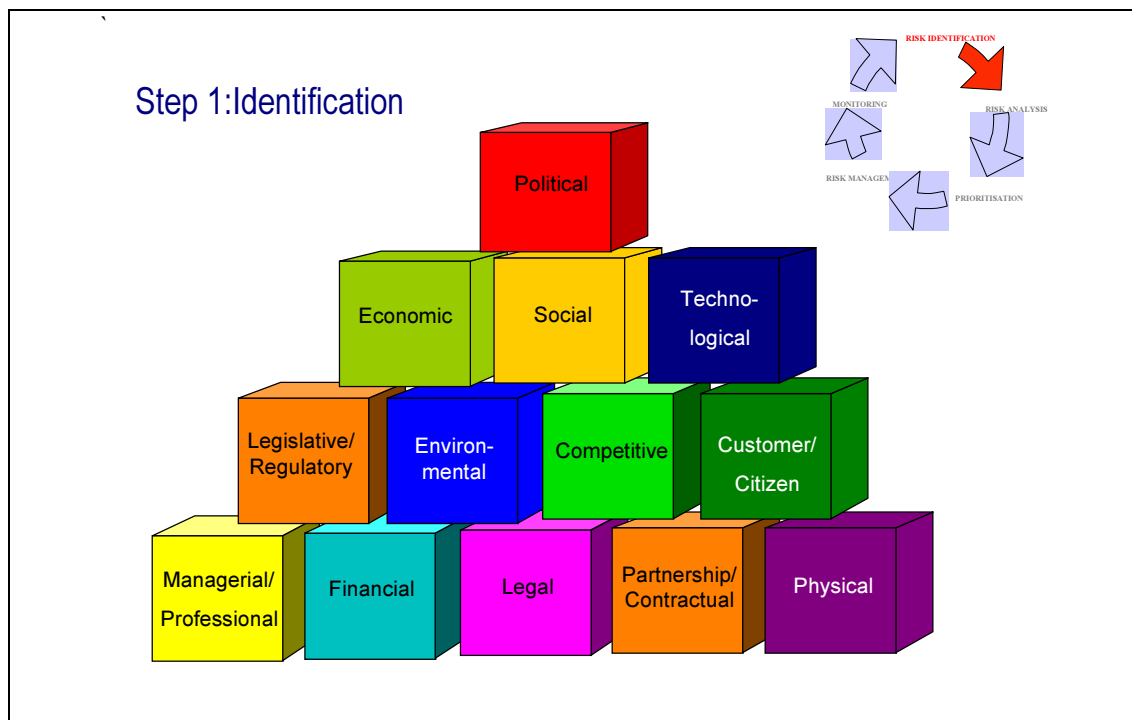
2. The Process

To manage risk effectively, the risk associated with each policy option or service delivery method needs to be systematically identified, analysed, prioritised, controlled and monitored. This process is referred to as the risk management cycle, which can be seen below.



2.1 Risk identification

The first of five stages of the risk management cycle requires risk identification. This is achieved through standing items on Corporate Governance Group and Management Board and from discussions at the Risk Management Group, which is held quarterly. Risk is covered under 13 categories of risk as shown below.



2.2 Risk analysis and prioritisation

Once the risks are identified, these are then assessed for impact and likelihood and plotted onto a matrix. The impact, compared against the objectives of the Authority, (Council Policy Themes and Aims), was measured as being negligible, marginal, critical or catastrophic. The likelihood, of the risks occurring over the next three years, was measured as being almost impossible, very low, low, significant, high or very high.

A group of Members and Senior Officers originally set the risk tolerance line, which involved considering each of the squares on the matrix and deciding if they were prepared to tolerate a risk in that box or if they wanted to actively manage it. This theoretical tolerance line effectively splits the risks on the matrix, with those risks above the line requiring further scrutiny and those below the line not requiring high-level intervention at this time. The Finance and Performance Management Cabinet Committee now review this quarterly.

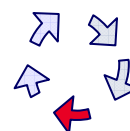
2.3 Risk management and monitoring

The next stage is to complete management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

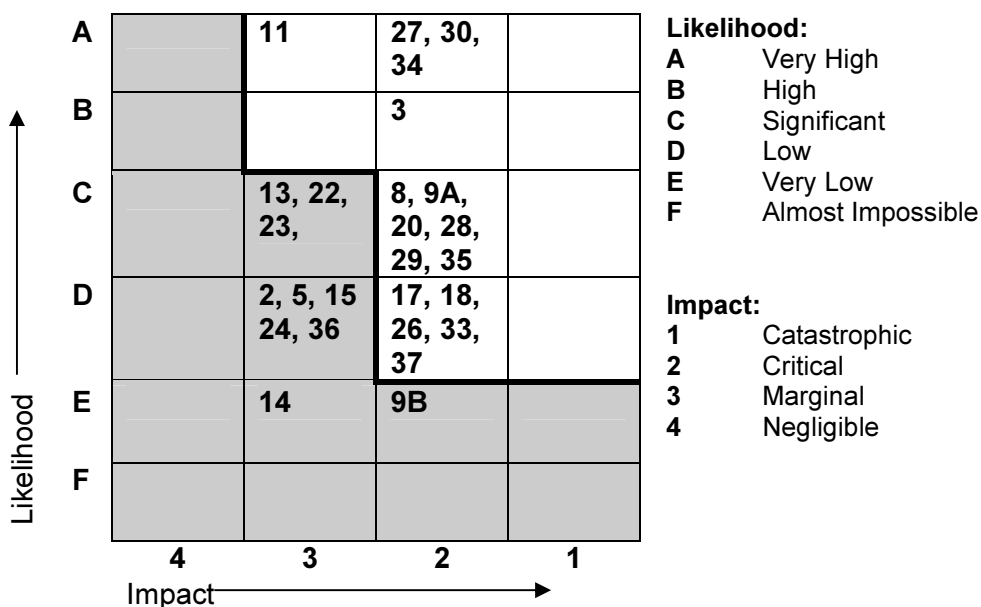
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

3. Results

3.1 Risk profile



The risk profile and priority are given below.



Appendix 1 shows all the risks that were rated on the profile.

3.2 Above the line Risk clusters

The 16 above the line risks have been grouped into 8 clusters that will help to streamline the action planning process. These are shown below:

Cluster name	Risk Scenarios	Medium Term Aims/Council Key Objectives
Local Plan	3, 29	c, e 1
Key Contracts	20	a, b, d 2, 4
Business Continuity Planning	8, 9A, 28	a, d 2, 4
Financial pressures	26, 27, 30, 34, 35	a, b, c, d, e 2, 3, 4
Local housing needs	11, 33,	a, c, d, e 5
Capital receipts spent on non revenue generating assets	17	a, b, d 2
Loss or theft of data	18	
Gazetteer	37	d 2

The action plans can be seen at Appendix 2

Medium Term Aims 2011 - 2015

- (a) Endeavour to safeguard frontline services that our local residents tell us are important against a background of diminishing resources.
- (b) Have the lowest District Council Tax in Essex and maintain that position.
- (c) Be recognised as an innovative and transparent council involving residents in our decisions.
- (d) Continuously improve efficiency by adopting new ways of working with our partners and maximising revenue from our assets.
- (e) Provide clear community leadership and be a strong advocate, championing the interests of the people of Epping Forest and protecting the special character of the District.

Council Key Objectives 2012 - 2013

The Council Key Objectives referred to above are contained on pages 27 - 41 of the Corporate Plan.

1. The development of the Council's Local Plan
2. The achievement of the levels of net savings necessary to maintain the Council's sound financial position.
3. The implementation of the Government's proposed welfare and other finance reforms with the least possible disruption to service users and the Council's operations
4. The implementation of initiatives to help mitigate the current economic conditions on local communities and businesses.
5. Maximising the provision of affordable housing within the district
6. The implementation of relevant provisions contained within the Localism Act 2011, and other public sector reforms.

Appendix 1 – Risk Register

Risks marked “ * ” are above tolerance and require managing

No	Rating		Short name	Vulnerability	Trigger	Consequence
27	A2	*	Shortfall in key income streams	<p>Recession and credit crunch causing long term lower interest rates.</p> <p>Depressed economy continues with lower demand for Building Control, MOT and Land Charges services.</p> <p>Reliance on major income generating contracts and ability to increase charges.</p>	<p>Reduced economic confidence.</p> <p>Prolonged recession/loss of business</p> <p>Collapse of a contract</p>	<ul style="list-style-type: none"> • Council unable to meet budget requirements • Use of reserves • Staffing and service level reductions
33	A2	*	Reduction in Government Funding	<p>With change to the funding based on local retention of NDR the Council will be more vulnerable to downturns in the local economy.</p> <p>Insufficient new homes built to offset grant Reductions.</p>	<p>Large business or businesses cease trading</p> <p>Lack of residential development.</p>	<ul style="list-style-type: none"> • Loss of revenue • Increase Council Tax • Reduction in number and level of services • Increase in charges
34	A2	*	Changes to Benefit system	<p>The government is undertaking a major reform of the welfare system this is likely to have serious impacts on the Council, benefit claimants and staff.</p> <p>The DWP are considering changes to fraud investigation which could see Housing Benefit Fraud staff transferring to them.</p>	<p>Welfare reform requiring substantial change to the calculation and administration of benefits</p>	<ul style="list-style-type: none"> • Residents no longer able to afford current tenancies. • Possible transfer of staff to DWP. • Possible redundancies of staff and associated costs. • Problems in recruiting lead to reduction in performance • Possible reduction in the authority's capacity for dealing with fraud.

No	Rating		Short name	Vulnerability	Trigger	Consequence
11	A3	*	Unable to provide sufficient housing for local people	The Council has targets in terms of key housing needs and affordable housing, however, there is a shortage of available land in the district for housing and economic development, with high house prices.	Unable to provide sufficient housing for local people	<ul style="list-style-type: none"> • Unable to achieve targets for affordable housing • Council seen as failing • District becomes more suburban • Young people leave area/Increased elderly population • Character of district changes
3	B2	*	Potential difficulty producing Local Plan to timetable	<p>Ongoing changes to Planning system.</p> <p>Staff unable to cope with increasing workloads partly due to legislative changes with associated consultation.</p> <p>Costs exceeding budget provision.</p>	<p>Missed deadlines</p> <p>Council unable to agree a coordinated plan with all other involved parties.</p> <p>Need more or longer consultant reports than anticipated.</p>	<ul style="list-style-type: none"> • Increased staff stress levels/stress related leave. • Not achieving objective of delivering a sound Local Plan. • Not providing strategic direction for housing and growth in the District. • NPPF comes into effect without adopted Local Plan • Supplementary estimate needed
8	C2	*	Business Continuity Management	The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act	Unable to respond effectively to a business continuity incident (e.g. IT virus / flu pandemic)	<ul style="list-style-type: none"> • Services disrupted / Loss of service • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively
9A	C2	*	Depot Manager	That, due to the lack of an overall Depot Manager, an issue falls between the various service managers and is not adequately addressed.	Accident or conflict between users.	<ul style="list-style-type: none"> • Adverse impact on service delivery • Increased costs and legal implications • Council criticised • HSE investigation/prosecution

No	Rating		Short name	Vulnerability	Trigger	Consequence
20	C2	*	Key contract collapses or service levels deteriorate	Contractors are providing some key council services. There have been changes in terms of service delivery and there are concerns around the ability of contractors to meet service changes and deliver the required level of performance.	Contractor collapses / is unable to provide service or Service level deteriorates	<ul style="list-style-type: none"> • Service fails / adversely affected • Alternative arrangements need to be made • Increased costs and legal implications • Health risks • Dissatisfied customers • Censure by audit/inspection
28	C2	*	Workforce Development Planning	The age profile of the Council's workforce is increasing and a number of senior staff are likely to retire at a similar time. Any concentrated loss of experience could cause disruption to service management.	Loss of a number of senior staff with no immediate replacement.	<ul style="list-style-type: none"> • Services disrupted / Loss of service • Key performance indicators affected • Censure by audit/inspection
35	C2	*	Budget reductions	The medium term financial strategy requires net CSB reductions of £1.3m over four years.	Required net savings not achieved.	<ul style="list-style-type: none"> • Greater use of reserves. • Higher level of saving in subsequent years.
39	C2	*	Gypsy Roma Traveller Provision	<p>a) The area attracts gypsies and travellers but does not have an unlimited supply of pitches.</p> <p>b) An updated GTAA is underway but is still to be completed.</p>	<p>More gypsies and travellers than can be accommodated on official sites attempt to stay in the district.</p> <p>Current GTAA found to be deficient.</p>	<ul style="list-style-type: none"> • Unofficial sites are established • Complaints from public/landowners • Possible enforcement action • Enforcement action made more difficult • Unable to successfully defend GRT related decisions. • Resource intensive legal process • Key performance indicators affected

No	Rating		Short name	Vulnerability	Trigger	Consequence
17	D2	*	Significant amount of capital receipts spent on non revenue generating assets	Capital resources are scarce and their use needs to be carefully prioritised.	Authority spends a significant amount of capital receipts on non revenue generating assets.	<ul style="list-style-type: none"> • Loss of interest • Loss of cover for contingencies • Financial strategy becomes untenable in the long term • Service reductions required • Large Council Tax increases required
18	D2	*	Loss or theft of data	The Authority handles a large amount of data. Either through hacking or carelessness security of the data could be compromised.	Data held by the Council ends up in inappropriate hands.	<ul style="list-style-type: none"> • Breach of corporate governance • Increased costs and legal implications • Reputation damaged
26	D2	*	Investments	The Council lends money to a large number of financial institutions. In the current economic climate it appears that the long-term future of very few institutions can be guaranteed.	Financial institution fails whilst holding Council funds.	<ul style="list-style-type: none"> • Loss of investment • Loss of revenue • Reduction in services • Increase in charges • Reputation damaged
33	D2	*	Reform of Housing Revenue Account	The Council took on £186m of debt. Financial modelling shows this level of debt can be managed. However variables in the model may change and the government may increase the level of debt. Accounting arrangements may impact on General Fund.	<p>More Council houses sold than anticipated so revenue reduced.</p> <p>Government increases debt settlement.</p>	<ul style="list-style-type: none"> • HRA becomes unsustainable. • Repairs and maintenance spending reduced. • Large rent increases • Additional charges to general fund.

No	Rating		Short name	Vulnerability	Trigger	Consequence
37	D2	*	Local Land and Property Gazetteer	Inability to ensure accurate Address Management and Local Land & Property Gazetteer (LLPG) requirements which may contravene the contractual responsibilities of the Data Co-operation Agreement (DCA)	Failure to improve National Standard Performance Indicators within the agreed timescales.	<ul style="list-style-type: none"> • Loss of reputation • Financial penalties in terms of DCA • Errors in Address Records and GIS locations cause delay in Emergency Service Response
13	C3		Key objectives not delivered due to capacity issues	<p>The Council is facing a challenging agenda with a number of initiatives and projects.</p> <p>There is a concern the corporate core, in particular, is light in terms of staffing, resource and capacity. And while the Council has the financial resources to deliver on key priorities, it may not have sufficient HR capacity</p> <p>There are concerns around overload and a recognised need to set achievable agendas.</p>	Council fails to deliver key objectives on time	<ul style="list-style-type: none"> • Slippage on key projects / initiatives • Deadlines and targets not met • Lack of focus • Workloads increase • Staff de-motivated
22	C3		Key partnership fails	<p>The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, but these don't always have clear governance arrangements with related documentation thin on the ground.</p> <p>Localism act may cause transfer of Council services to providers with governance issues as above.</p>	Key partnership fails or services provided via arrangements lacking adequate governance.	<ul style="list-style-type: none"> • Relationships with other bodies deteriorate • Clawback of grants • Unforeseen accountabilities and liabilities for the Council • Censure by audit/inspection • Adverse impact on performance

No	Rating	Short name	Vulnerability	Trigger	Consequence
23	C3	Fraud including bribery	<p>A weakness in internal controls or the application of internal controls or criminal collusion such that fraud or bribery is either not prevented or not detected.</p> <p>Loss of experienced counter fraud staff</p>	<p>Significant fraud or bribery occurs.</p> <p>Welfare reform requiring transfer of investigators to SFIS.</p>	<ul style="list-style-type: none"> • Loss of resources • Damage to Council's reputation • Effect on staff morale
2	D3	Inconsistent approach to procurement	<p>a) full conformity with best practice and Contract Standing Orders is still to be achieved.</p>	<p>a) Procurement exercise breaches contract standing orders</p>	<ul style="list-style-type: none"> • Efficiency savings not made or contracts fail • Procured service poor/not value for money • Any EU failures will involve legal costs, fines and compensation • Negative impact on service delivery where procurement exercise has to be re-done.
			<p>b) failure to comply with EU procurement regulations</p>	<p>b) Challenge by unsuccessful bidders</p>	
Page 58	D3	Local Government Reorganisation which is detrimental to the Council and Community	<p>Even though there are no current proposals to change boundaries in Essex, there remains a concern that this might change.</p> <p>There are a number of initiatives examining service deliver models that imply a sharing of resources. Concern exists that any pooling or sharing of resources may be detrimental to some individual authorities.</p>	<p>Reorganisation or change in service delivery which is detrimental to the Council and Community</p>	<ul style="list-style-type: none"> • Outflow of resources from district • Existing priorities stopped • Projects stopped / delayed • Change in direction

No	Rating	Short name	Vulnerability	Trigger	Consequence
15	D3	Sickness absence	Levels of sickness absence increase or are not consistently reported.	Sickness absence not effectively managed	<ul style="list-style-type: none"> • Staff absence impacts on ability to deliver • Increased costs of using agency staff • Efficiency savings affected • Impact on staff morale • Possible litigation / claims
24	D3	Cash balances	Retention of large reserves and balances fails to provide best value and restricts the development of key services.	Key service deteriorates due to lack of resources.	<ul style="list-style-type: none"> • Service delivery adversely affected • Criticism from inspection / audit • Slippage on key projects • Dissatisfied customers
36	D3	North Weald Airfield Bund	The bund has low to moderate likelihood of failure which may result in slump extending to the kerb of the M11 motorway.	Failure of the bund.	<ul style="list-style-type: none"> • Failure of the bund leads to disruption on the M11 motorway. • Failure of the bund may lead to injury or damage to property. • Insurance claim against the Council. • Reputational damage.
Page 59 B	E2	Depot Accommodation	That the Council is unable to provide appropriate and safe accommodation for all contracted depot users.	Depot sites disposed of prior to replacement facilities being available.	<ul style="list-style-type: none"> • Adverse impact on service delivery • Increased costs and legal implications • Council criticised

No	Rating	Short name	Vulnerability	Trigger	Consequence
14	E3	Key initiatives resisted / delayed by culture of authority	<p>There is a view that the authority needs to significantly change means of service delivery to meet the ever-changing demands of the wider community, and the requirements of the government agenda.</p> <p>Implementing this will require a significant culture change across the authority, and strong consistent leadership from senior levels of the Authority.</p>	Key initiatives e.g. shared services resisted / delayed by current culture within the authority	<ul style="list-style-type: none"> • Initiatives / plans not achieved • Failure to make savings, reduce duplications and make continuous improvements • Adverse effect on performance • Censure by audit/inspection • Image of council damaged

Appendix 2 – Action Plans

RISK NO.	CURRENT RISK SCORE	TARGET RISK SCORE	CLUSTER NAME
8, 9A, 28	C 2	C 3	Business Continuity Planning
26, 27, 30, 34, 35	A 2/ C 2/ D 2	D 2	Financial pressures
11, 33	A 3/ D 2	A 4	Local housing needs
3, 29	B 2 / C 2	D 2	Local Plan
20	C 2	D 2	Key Contracts
17	D 2	E 2	Capital receipts spent on non revenue generating assets
18	D 2	E 2	Loss or theft of data
37	D2	E 2	Local Land and Property Gazetteer

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
27	Shortfall in key income streams						
	Monitoring of both investment returns and income	Effective to date, as revised estimates have allowed for necessary changes	Continue to monitor and seek to diversify income streams.	Cabinet All Directors	Avoid need to make severe budget cuts	Quarterly	None
30	Reduction in Government Funding						
	The Medium Term Financial Strategy is updated each year to identify any need for savings.	To date savings targets have been achieved.	As part of the 2013/14 budget process identify areas for review to achieve savings.	Leader of Council Chief Executive	Savings targets achieved with expenditure reductions over the medium term as part of a structured plan.	Quarterly	31/12/13
34	Changes to Benefit system						
	Joint Benefits and Housing working group established. Mitigation action plan developed.	Effective to date, but will only be fully tested from April 2013.	Working Group to continue and amend mitigation action plan as necessary.	Finance and Technology Portfolio Holder. Housing Portfolio Holder Director of Finance and ICT Director of Housing	A smooth implementation of welfare reforms. Minimise number and cost of redundancies.	Quarterly	31/03/13

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
11	Unable to provide sufficient housing for local people						
	Requirement for 40% affordable housing on all large sites. Developments on green belt can result in more affordable housing. Council considers annual provision of grant to housing associations.	Meeting all housing need will not be addressed by existing control, but will help. Grant from the Council also assists.	Early identification of new sites as part of emerging Local Plan process.	Housing Portfolio Holder Director of Housing	Whether housing need is significantly reduced.	Quarterly	None
3	Potential Difficulty producing Local Plan to timetable						
	Early engagement with key stakeholders, Managing workload and external staff recruitment, On-going joint working with Harlow Council	Timetable for delivery, which has key milestones in place.	Member approved framework required to progress inter-authority working. Continued monitoring through dedicated Cabinet Committee.	Leader of Council Planning Portfolio Holder Director of Planning and Economic Development	Council retains control of the delivery arrangements at a local level.	Quarterly	30/09/13
8	Business Continuity Management						
	Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.	The effectiveness of controls is assessed periodically through test and exercises.	Both corporate and service business continuity plans are being updated. Cabinet has approved measures to enhance the resilience of ICT.	Support Services Portfolio Holder Chief Executive	Having plans in place which are proved fit for purpose either by events or external scrutiny.	Quarterly	None

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
9 A	Depot Manager						
	An officer group meets to co-ordinate management issues at Langston Road.	No serious incident to date.	Evaluate need to unify management of site under one individual.	Asset Management and Economic Development Portfolio Holder Chief Executive	Avoidance of accidents/conflicts.	Quarterly	None
20	Key contract collapses or service levels deteriorate						
	Systems for contract monitoring in place. Contingency plans exist to deal with contract failure.	Contract monitoring established. Business continuity planning has proved effective in waste management.	Continue existing contract monitoring procedures for extended contracts.	Leisure & Wellbeing People Portfolio Holder Environment Portfolio Holder Director of Environment and Street Scene	No significant impacts on service delivery from any contract failures.	Quarterly	None
28	Workforce Development Planning						
	A Council wide initiative on Workforce Development Planning is now being pursued.	Staff capable of promotion on a temporary or permanent basis can generally be identified.	All Directorates need to analyse future skills gaps and plan to develop staff accordingly.	Cabinet All Directors	No disruption to service provision caused by retirements.	Quarterly	None
35	Budget reductions						
	Some service reviews already underway.	Service reviews have successfully identified savings required for 13/14.	Identify saving required for 2014/15.	Leader of Council Chief Executive.	Required net savings achieved.	Quarterly	31/12/13

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
29	Gypsy Roma Traveller Provision						
	<ul style="list-style-type: none"> - Timely adoption of a revised GTAA, - Additional 1 year post agreed to support Forward Planning Section, - Early engagement with key stakeholders - Joint working (external and internal) and enforcing on such incidents 	<p>Implementation of the GTAA, but effectiveness depends on planning appeal success rate, which is decided by The Planning Inspectorate.</p> <p>Changes required in Government policy to effectively controlled incidents</p>	<p>Part of the Local Plan timetable for engagement and decision making.</p> <p>Evidence base for GTAA needs to be agreed.</p>	<p>Leader of Council Planning Portfolio Holder</p> <p>Director of Planning and Economic Development</p>	<p>Timely delivery of the Local Plan and appeal success rate.</p> <p>Successful management of incidents.</p>	Quarterly	30/09/13
17	Significant amount of capital receipts spent on nonrevenue generating assets						
	Five year capital programme prepared which includes resources.	Effective to date as even with £83M capital programme over 5 years over £7.8M of usable receipts anticipated at end of period.	Continue to highlight consequences of all new capital schemes.	<p>Finance & Technology Portfolio Holder</p> <p>Chief Executive</p>	Maintenance of adequate capital and revenue balances.	Quarterly	31/12/13

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
26	Investments						
	Lending is controlled in accordance with the Treasury Management Strategy, which is structured on levels of credit ratings.	To date there has been one failure where the Council is at risk of some loss.	Ensure all credit rating updates are promptly reflected in the counter party list and in considering alternative investments give highest weighting to security.	Finance & Technology Development Portfolio Holder Director of Finance & ICT	No further counter party failures that put Council funds at risk.	Quarterly	None
33	Reform of Housing Revenue Account						
	Detailed financial modelling undertaken. Representations made to CIPFA and CLG.	Effective to date but debt settlement could be reopened.	Continue to make representations and respond to consultations.	Housing Portfolio Holder. Finance and Technology Development Portfolio Holder. Director of Finance and ICT Director of Housing	Sustainable level of debt agreed. No serious impact on general fund.	Quarterly	None

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
18	Loss or theft of data						
	<p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access.</p> <p>Data Protection Officer seeking to raise awareness amongst all officers of issues in relation to the need to ensure the security of personal data.</p>	Generally effective to date.	<p>Controls in the agenda publication system have been strengthened and staff have been reminded of the additional care needed when dealing with confidential documents.</p> <p>Revised Corporate Data Protection Policy considered by Management Board (28.11.2012)</p> <p>Data Protection e-learning module to be rolled-out for compulsory staff completion every two years.</p> <p>Data protection arrangements included within Audit plan for 2012/13.</p>	<p>Finance & Technology Portfolio Holder</p> <p>Director of Finance & ICT</p> <p>Senior Information Risk Owner (Deputy Chief Executive)</p> <p>Data Protection Officer</p>	<p>No data loss or system downtime due to unauthorised access of EFDC systems or data.</p> <p>Continued security of personal data held by the Council in accordance with the Data Protection Act 1998.</p>	Quarterly	None

Risk No.	Existing controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
37	Gazetteer						
	Local Land and Property Gazetteer (LLPG) improvement plan in place including support arrangements from GeoPlace LLP. Supplementary estimate approved by Council 19/02/13.	Monitoring of LLPG Improvement Plan by GIS/Mapping/Gazetteer (GMG) Team and Business Manager (PED)	Priority status by GMG Project Team Progress reports to Management Board	Director of Environment and Street Scene Director of Planning and Economic Development	Achievement of at least Silver Standard	Monthly	30/04/13

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-004-2013/14

Date of meeting: 27 June 2013

Portfolio: Finance and Technology

Subject: Reports from the External Auditor

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) To consider and note the reports of the external auditor.**

Executive Summary:

This Committee has within its Terms of Reference the considering of reports made by the external auditor. The first report is the Audit Plan for 2012/13, which summarises the work the external auditor proposes to undertake for the 2012/13 financial year. The second report is the Planning Letter 2013/14, which sets out the proposed fees and programme of work for the 2013/14 financial year.

Reasons for Proposed Decisions:

To comply with the Committee's Terms of Reference and ensure the proper consideration of these reports.

Other Options for Action:

Members could ask for additional information on the audit process.

Report:

- The reports will be presented to the Committee by Mr David Eagles, Partner.

Resource Implications:

Sufficient allowance was made in the original estimates for 2013/14 to cover the fees for the 2012/13 audit year and so no additional resources are required.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

Risk Management

Action plans will be agreed to address areas of risk identified during the audit.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A

Audit Plan 2012/13

Report to Audit and Governance Committee

EPPING FOREST DISTRICT COUNCIL

APRIL 2013



Contents

Executive Summary	2
Scope of the audit	4
Risk assessment	6
Fees	8
Key outputs	10

Appendices

- A Financial statements risk assessment matrix
- B Value for money risk assessment matrix

[Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies](#)

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to Members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Local Government Code of Audit Practice](#)

[Statement of Responsibilities of Auditors and of Audited Bodies](#)

Executive summary

We are pleased to present our Audit Plan for the year ended 31 March 2013. This plan summarises the work that we propose to undertake in respect of our audit of Epping Forest District Council (the Council) for the 2012/13 financial year.

SIGNIFICANT RISKS

Our audit is designed to respond to significant risks where we intend to focus additional resources in providing our opinion on the financial statements and our value for money conclusion.

Financial statements

- Management override inherent risk: Auditing standards presume that a risk of management override of controls is present in all entities. This risk is “non-rebuttable” (cannot be mitigated).
- Revenue recognition: Auditing standards presume that there are risks of fraud and error in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council’s stated accounting policies or from an inappropriate use of estimates in calculating revenue. This significant risk is in relation to the recognition of revenue arising from fees and charges only.

FEES

The proposed audit fee for the year is £85,329 plus VAT, which agrees to the scale fee published by the Audit Commission.

The proposed fee for the certification of claims and returns is £31,850 plus VAT, which agrees to the composite scale fee published by the Audit Commission.

The fee for 2012/13 has been reduced compared to 2011/12 to reflect the combined impact of the Audit Commission's outsourcing of its in-house Audit Practice and internal efficiency savings at the Audit Commission.

KEY OUTPUTS

The key reports, opinions and conclusions from the audit will be:

- report on any significant deficiencies in internal controls in May 2013, if required, based on the results of our interim audit visit
- detailed report on the findings from the audit in September 2013
- opinion on the financial statements by 30 September 2013
- value for money conclusion by 30 September 2013
- assurance statement on the Whole of Government Accounts return by 4 October 2013
- summary of findings from the audit in the Annual Audit Letter in October 2013
- report on the results of our grant claims and returns certification work by January 2014.

Scope of the audit

PURPOSE OF THE AUDIT PLAN

The purpose of this audit plan is to:

- ensure that there is mutual understanding of the respective responsibilities relating to the audit
- provide you with an overview of the planned scope of the audit for the year ended 31 March 2013
- ensure that the areas of potential risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide reports to management and members on the findings of the audit which will focus on the key issues for the Council regarding internal control, financial governance, accounting arrangements and operational performance. We aim to provide management with clear recommendations to assist with governance and service improvements that will add value to the audit.

RESPECTIVE RESPONSIBILITIES

Our responsibilities, as auditors, in relation to the audit of the financial statements and other Audit Commission requirements are set out below. The audit of the financial statements does not relieve you of your responsibilities which are outlined in the Statement of Responsibilities of Auditors and Audited Bodies (2010) available from the Audit Commission's website.

Code audit

The scope of the audit is determined by the Audit Commission's Code of Audit Practice for Local Government (2010) (the 'Code'), which covers two areas: to provide an opinion on the financial statements, and to review the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

The financial statements audit requires that we obtain assurance that:

- the financial statements comply with statutory requirements
- proper practices have been observed in compiling the financial statements
- the financial statements give a true and fair view of the financial position and the expenditure and income for the year
- the information given in the Statement of Accounts and Explanatory Foreword is consistent with the financial statements
- the Annual Governance Statement is not inconsistent with our knowledge.

Value for money conclusion

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

- the organisation has proper arrangements in place for securing financial resilience
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The focus of the criteria for 2012/13 is:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will plan a programme of value for money audit work based upon our risk assessment.

Whole of Government Accounts

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements.

The WGA return is audited in accordance with Audit Commission specified procedures and requires additional assurance to confirm that counter-party data is properly and accurately recorded. We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

Certification of grant claims and returns

As an agent of the Audit Commission we will undertake a review of grant claims and returns in accordance with the certification instruction issued by the Audit Commission. We express a conclusion whether the claim or return: is in accordance with the underlying records (claims and returns above the minimum level and below the threshold); or is fairly stated and in accordance with the relevant terms and conditions (claims and returns over the threshold).

ENGAGEMENT PARTNER

David Eagles is the engagement partner and is the person in the firm who is responsible for the audit engagement and its performance, and for the reports that will be issued on behalf of the firm.

Risk assessment

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgment.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly. Current and emerging risks that do not impact on our audit are also discussed with management so that we may add value to the risk assessment process and highlight any areas of concern to the Council.

If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know.

FINANCIAL STATEMENTS AUDIT RISKS

Summarised below are the significant financial statement risks that impact on our audit of which we are currently aware. More detail on our proposed approach to addressing these risks can be found in Appendix A. The audit planning process for 2012/13, including risk assessment, will continue as the year progresses and any significant changes will be reported to the Audit and Governance Committee.

Management override inherent risk

Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.

Revenue recognition

Auditing standards presume that there are risks of fraud and error in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.

We have considered the Council's sources of income in this context and have determined that there is a significant risk in relation to the recognition of revenue arising from fees and charges. We will respond to this risk by substantively testing a sample of fees and charges income to ensure that this income is correctly reflected in the financial statements.

The following does not constitute a significant audit risk at this time but is being kept under review:

- **New property management system (asset register):** The CIPFA property management system is being implemented in 2012/13. The HRA properties have not yet been fully transferred and it is currently not certain that the new system will be used as part of the accounts close down process. If the new system is used then there is a risk that there may be a loss of data or incorrect data entry in the transfer, leading to a material misstatement. However, the Council has not yet received the required information from the Valuer, which will help to determine whether the new system will be used in the preparation of the financial statements, and therefore this is not a significant risk at this time.

USE OF RESOURCES AUDIT RISKS

We have undertaken our value for money risk assessment for 2012/13. This takes into account matters arising from the completion of the 2011/12 audit and additional audit knowledge gained from our regular liaison meetings and planning processes. We have also considered the impact of other regulators' work throughout the year as part of our evaluation of the arrangements to secure economy, efficiency and effectiveness in the use of resources.

While we have not identified any significant use of resources audit risks at the time of writing, we will maintain a watching brief over the localisation of council tax benefit and local business rate retention. Both schemes were implemented from 1 April 2013 and represent a substantial challenge for local government both financially and operationally.

We will also review the Audit Commission's:

- Financial Ratios data to identify any areas of concern over spending commitments, funding levels, and reserves and balances when compared to other district councils.
- Value for Money Profile Tool to identify any areas of concern over costs and performance data and discuss the findings with management.

Fees

FEE SUMMARY

The fee for the Code audit of the Council for the year is £85,329 plus VAT. This is based on our current assessment of the risks and the work required under the Code.

Audit area	Proposed fee 2012/13	Outturn fee 2011/12
Scale audit fee	£85,329	£157,215
Additional risk based work	-	-
Total Code audit fee	£85,329	£157,215
Certification of claims and returns, including grants report	£31,850	£55,125
Non-code assurance and advisory work	-	-

Code audit

The initial scale fee for 2012/13 has been determined by the Audit Commission as £85,329, which is lower than the 2011/12 fee to reflect the combination of outsourcing the Audit Commission's in-house Audit Practice and internal efficiency savings at the Audit Commission. It has not been necessary to make any amendments to the scale fee for 2012/13 at this stage.

As the indicative fee is at scale, there is little scope to reduce the audit fee in future years.

Questions and objections

Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Grants certification

The Audit Commission has published the indicative fee for certification work for each local authority. The Audit Commission has the power to determine the fee for certification work above or below the indicative fee where it considers that more or less work was required than originally envisaged. This will be based on information provided as part of the Audit Commission's overall monitoring arrangements.

ASSUMPTIONS

The fees detailed above are based on the following assumptions:

- Internal Audit will have completed its systems testing in accordance with the plans and agreed timetable, to an adequate standard, and we are able to place full reliance on this work
- there are no further significant changes to your main financial systems or internal controls
- you will provide the information requested in our records required listing in accordance with the agreed deadline and that there will be no significant departures from the timetable
- you will ensure that audit reports are responded to promptly and the implementation of recommendations by the due date is actively monitored
- there are no major changes to Audit Commission instructions or guidance.

The fee assumes efficient co-operation as set out above and is set at the minimum level to carry out the audit. We reserve the right to increase fees, subject to prior approval from the Audit Commission, should the above assumptions not be met or where we encounter unexpected problems, or issues arise, causing significant additional work. Time spent dealing with problems or matters arising is usually that of senior people and hence the cost will often, necessarily, be disproportionate to the original fee.

BILLING ARRANGEMENTS

Your audit fee has been billed as follows:

Date	Instalment
September 2012	£42,664.50
December 2012	£21,332.25
March 2013	£21,332.25
Total	£85,329.00

Key outputs

The key reports, opinions and conclusions from the audit will be:

Output	Dates
Financial statements	
Review of internal controls	April 2013
Final audit visit	July - September 2013
Audit opinion covering: <ul style="list-style-type: none"> • 'true and fair' opinion on the financial statements • information in the Statement of Accounts being consistent with auditor's knowledge • Annual Governance Statement prepared in accordance with guidance and not inconsistent with auditor's knowledge 	Clearance meeting to be held early September 2013 Audit and Governance Committee meeting in September 2013 Opinion deadline 30 September 2013
Opinion on the Whole of Government Accounts return	Submission by 4 October 2013
Use of resources	
Review of economy, efficiency and effectiveness	February – September 2013
Value for money conclusion	Deadline 30 September 2013
Grants	
Audit of grant claims and returns	August – November 2013
Reporting	
Report on any significant deficiencies in internal controls (if required)	May 2013
Annual Governance Report to Audit and Governance Committee	September 2013
Annual Audit Letter	October 2013
Grants report	By January 2014

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.

COMMUNICATION

Auditing Standards require auditors to communicate relevant matters relating to the audit to “those charged with governance”. Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. The audit is not designed to identify all matters that may be relevant to you. Communication may take the form of discussions or, where appropriate, be in writing.

Our contact for communications will be the Director of Finance & ICT and the Audit and Governance Committee. When communicating with the Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

INTERNAL CONTROLS AND SIGNIFICANT FINANCIAL SYSTEMS

As part of our audit we obtain an understanding of the entity’s system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

In order to achieve an efficient and cost effective audit, we aim to work closely with Internal Audit and to effectively target work and minimise duplication and the overall level of audit resource input.

We have planned the audit on the basis that we will be able to place full reliance on the work of Internal Audit to provide assurance over key controls within the financial systems.

We will report to management any deficiencies in internal control identified during the audit. Where we identify significant deficiencies in internal control during the audit we will also report those to those charged with governance.

MATERIALITY AND TRIVIALITY

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

For reporting purposes, we consider misstatements of less than £33,000 to be trivial, unless the misstatement is indicative of fraud.

FRAUD RISK ASSESSMENT

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and “those charged with governance” (the Audit and Governance Committee).

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We will discuss the possible risk of material misstatement arising from fraud with the following individuals:

- Bob Palmer – Director of Finance & ICT
- Brian Bassington – Chief Internal Auditor

Please keep us informed of any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds identified, we will consider the possible impact on your financial statements and our audit programme.

INDEPENDENCE AND OBJECTIVITY

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for the Council for the financial year ended 31 March 2013, we are able to confirm that the Audit Commission’s requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.

QUALITY OF SERVICE

We aim to provide a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact David Eagles in the first instance. Alternatively you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly.

If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed on their website <http://www.audit-commission.gov.uk/aboutus/contactus/complaints/Pages/default.aspx>

Appendix A – Financial statements risk assessment matrix

Audit risk identified from planning	Accounts area and assertions	Audit response
<p>1 Management override</p> <p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p>	<p>Financial statement level risk across all account headings and assertions</p>	<p>We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.</p>
<p>2 Revenue recognition</p> <p>Auditing standards presume that there are risks of fraud and error in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.</p> <p>This significant risk is in relation to the recognition of revenue arising from fees and charges.</p>	<p>Occurrence and cut-off of income</p>	<p>We will substantively test a sample of income from fees and charges and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income.</p>

Appendix B – Value for money risk assessment matrix

Audit risk identified from planning	Relevant UoR area	Audit response
1 No significant risks have been identified.		

PLANNING LETTER 2013/14

Report to Audit and Governance Committee

Epping Forest District Council

APRIL 2013



PROPOSED AUDIT FEES

Introduction

We are required to report to you our proposed fees and programme of work for the 2013/14 financial year.

The fee is based on the work required under the Audit Commission's *Code of Audit Practice* and our assessment of the audit resource required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and previous audit experience.

The fee covers:

- audit of the financial statements
- value for money conclusion.

Proposed fees

A summary of the proposed fee, and how it compares to the current published Audit Commission scale fee for 2013/14 and the current proposed fees for 2012/13, is shown below:

Audit area	Proposed fee 2013/14 (£)	Current proposed 2012/13 fee (£)
Code audit work		
Scale fee	85,329	85,329
Certification fees		
Scale fee	28,100	31,850
Total proposed fees	113,429	117,179

Audit commission scale fee

In December 2012 the Audit Commission published a consultation document setting out the work that the Audit Commission plans to undertake at Local Government audited bodies during 2013/14, with the associated scales of audit fees. The Commission published the final work programme and scales of fees for 2013/14 in April 2013.

The Commission has not planned to make any changes to the work programme for Local Government for 2013/14 and so the Scale audit fees proposed have been set at the same level as the fees applicable for 2012/13.

The Commission has committed to undertaking an annual review of the work programme and fees and so will be revisiting Scale fees for future years in due course.

Variation to published scale fee

We have not proposed a variation to the scale fees of £85,329 for Code audit and £28,100 for certification work.

The certification scale fee has reduced from 2012/13 proposed fee because it is based upon the actual 2011/12 adjusted certification fee charged. The 2012/13 fee is based upon the actual 2010/11 adjusted certification fee. Certification fees vary from year to year depending on the number and complexity of issues identified especially regarding certification of the Housing and Council Tax Benefit claim. Changes to the scale fee, depending on the level of work required, are subject to approval of the Audit Commission as set out within this letter.

Questions and objections

Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Non-audit assurance work

We have not proposed undertaking any non-audit work.

Billing

Your Code audit fee will be billed in four equal, quarterly instalments of £21,332.25 commencing in June 2013. Fees for the certification of grant claims and returns are billed on completion of the certificate for each claim or return.

Changes to proposed work and fees

If we need to propose any amendments to the audit fee during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Finance & ICT and seek approval from the Audit Commission for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

PROPOSED WORK

Introduction

A separate Audit Plan will be issued once we have completed our detailed risk assessment and the audit of the 2012/13 financial statements. This will detail the significant financial statements risks and value for money risks that we have identified, our planned audit procedures to respond to those risks and any associated changes in fee. In this Planning Letter we outline the proposed work programme.

Financial Statements

Our audit strategy proposes that we obtain assurances over the financial statements using a combination of testing the effectiveness of the Council's internal controls, testing a sample of transactions and balances in the financial statements and analytical procedures.

We will seek to rely on the work of any management expert used to prepare items in the financial statements, such as land and property valuations provided and pensions actuaries for valuation of the Council's share of the pension fund assets and liabilities and insurance actuaries for assessing insurance provisions and reserves.

To date, we have noted the following that may impact on our proposed approach to the audit of the financial statements for 2013/14:

Localisation of business rates and council tax

Part of the Government's welfare reform and deficit reduction initiatives included the localisation of business rates and council tax. The new schemes were implemented on 1 April 2013 with the aim of giving councils greater discretion over discounts and exemptions to encourage employment and to be consistent with the wider localisation agenda.

We will closely monitor the impact of localisation of business rates and council tax on the Collection Fund.

Value for money

We are required to assess the Council's arrangements to:

- **secure financial resilience:** the organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- **challenge how it secures economy, efficiency and effectiveness:** the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have noted the following that may impact on our value for money audit:

Medium term financial strategy

Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will have a significant impact on councils.

Changes to the arrangements for funding council tax support and the business rate retention scheme also brings added uncertainty to the medium term financial strategy.

PLANNED OUTPUTS

Reports and opinions

We plan to issue the following reports and opinions over the course of the audit:

- Audit Plan (January 2014)
- if appropriate, report on significant deficiencies in internal controls (May 2014)
- Annual Governance Report (September 2014)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2014)
- auditor's report and assurance statement on the Whole of Government Accounts return (September 2014)
- Annual Audit Letter (October 2014)
- grant claims and returns certification report (January 2015).

AUDIT TEAM

Key members of the audit team

Engagement Lead - David Eagles

email: David.Eagles@bdo.co.uk

Tel: 01473 320728

David will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Engagement Manager - Clare Reed

email: Clare.Reed@bdo.co.uk

Tel: 01473 320781

Clare will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Team Leader - Ryan Barlow

email: Ryan.Barlow@bdo.co.uk

Tel: 01473 320815

Ryan will lead the delivery of the financial statements audit.

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact David Eagles in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

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Report to Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-005-2013/14
Date of meeting: 27 June 2013

Portfolio: Leader of the Council

Subject: Officer Delegation – Process Review

Responsible Officer: Ian Willett (01992 564243)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations:

- (1) To note that the Council has asked this Committee to conduct a process review on the approval of delegation to Officers;**
- (2) To consider any further information required in order to conclude the review; and**
- (3) To make proposals to the Council for changes to the present process if considered appropriate relating to:**
 - (a) the nature of member involvement in delegation reviews; and**
 - (b) member arrangements for conducting reviews.**

Executive Summary:

This report arises from a request by the Council at its meeting on 23 April 2013 for this Committee to conduct a process review concerning the approval of Officer delegation.

The report provides details of the legal and constitutional background to Officer delegation, how it is defined, how arrangements for executive and non-executive functions differ, public access requirements and a summary of the current process for reviewing delegation each year.

The report also discusses possible options for revising the arrangements:

- (a) if more Member involvement in the process is considered necessary; and**
- (b) if reviews are to cover all existing delegations in preference to the present exception-based approach;**

The report invites this Committee to report back to the Council with its views on the matter.

Reasons for Proposed Decision:

This review was requested by the Council at its meeting on 23 April 2013.

Other Options for Action:

None.

Report:

Introduction

1. At the Council meeting on 23 April 2013, the latest review of Officer delegation was approved following the submission of a report by the Constitution and Member Services Standing Scrutiny Panel. In adopting the review, the Council approved an amendment as follows:

“That this Council requests the Assistant to the Chief Executive to provide a report to the next meeting of the Audit and Governance Committee proposing a process by which Members will review Officer delegation.”

2. This report sets out a summary of the legal and constitutional background to Officer delegation, outlines the current arrangements for carrying out an annual review of delegation and invites the Committee to consider possible changes for recommendation to the Council.

Officer Delegation - Definition

3. The delegation of functions to an Officer may be either to an individual Officer by name or, more usually, to a post holder. The effect of delegation to an Officer is that the act of the Officer becomes the act of the Council. Delegation in this sense means conferring authority on an Officer to make decisions within the parameters of the delegation arrangements.

4. There is a distinction to be made between “real” delegation which implies the exercise of discretion and management tasks which Officers can perform without the need for a formal delegation. The latter extends to matters such as the management of staff and the organisation of service activities within a Directorate to carry out the Council’s policies. In summary, the normal understanding about Officer delegation is that the elected members make the policy and Officers carry this out.

Legal Background

5. Following the Local Government Act 2000, Council decision-making is divided into two areas: executive and non-executive. The latter is sometimes known as Council decision making or regulatory decision making.

Executive Decision Making

6. Executive decisions may be made by the Cabinet, a Cabinet Committee, an individual Portfolio Holder, a Joint Committee (of different Local Authorities), by an Area Committee (subject to statutory requirements for such committees) or by an Officer.

Council Decision-Making

7. Council decisions may be made by the Council itself, by a Committee, by a Sub-Committee acting under delegation granted by a Committee, by a Joint Committee, by another Local Authority, by an Area Committee or by an Officer. The principal difference between executive and Council decision making is that the law does not allow an individual Councillor to make Council decisions whereas for executive matters, individual Cabinet

members are able to do so.

Constitution

8. The Council's Constitution must show the Officer delegation arrangements both for Council and executive functions and these must be made available to the public. These are shown in two separate schedules in the published material. The schedules set out delegation on a subject by subject basis. The only exception is the schedule relating to the Planning and Economic Development Directorate which is shown in a different format, namely generic headings linked to the main activities of the Directorate.

9. Hard copies of the schedule of delegation are available to the public if requested but in general terms these are supplied via the Council's website.

Review Process

10. Currently, Officer delegations are reviewed once each year. This review involves the Constitution and Member Services Standing Scrutiny Panel and commences after Christmas with a view to having any revisions to the Officer delegation in place by the start of the new Council year. Directorates are invited to come up with proposals for amending existing delegated authorities or introduce new ones. Officers do not approve such delegation, this is a matter for the Council or the Leader.

11. Not all delegated authorities are, however, dealt with in this way. From time to time, the Council, the Cabinet, the Leader or Portfolio Holders can delegate authority to Officers on certain matters. These decisions result in amendments to the Constitution and the schedule of delegation is updated during the year.

12. The annual review of delegated authorities is undertaken by an Officer group chaired by the Assistant to the Chief Executive and includes the Chief Internal Auditor, the Director of Finance and ICT, the Assistant Director (Legal Services) and the Assistant Director Housing (Property). The Working Party reviews the proposals submitted by Directorates. The number of such proposals each year is generally quite small.

13. Proposals are submitted to the Constitution Panel with a rationale for seeking either changes to existing delegation or new delegated authorities. Some proposals do not proceed beyond the Panel meeting. The majority are supported however and are then reported via the Overview and Scrutiny Committee to the Council or the Leader of the Council for approval. Delegation in respect of planning functions usually attracts the most debate in the Constitution Panel.

14. This process has been in operation for approximately ten years. Initially members of the Council were asked through the Council Bulletin to comment on any Officer delegation proposals which they wished to review. However this practice has ceased in recent years principally because of a very limited response from Councillors. The approach now taken is one of exception reporting.

15. The Constitution requires that all delegation of non-executive functions is submitted for approval at the Annual Council meeting. The schedule relating to executive functions is approved by the Leader of Council and is submitted to the Council for information purposes. Thus, the Council will receive an exception report from the Constitution Panel in March/April followed by the submission of full schedules at the Annual Meeting in May.

Comments on the Current System

16. The Council is unable to alter delegated authorities approved by the Leader of the Council but could ask for any of his decisions to be reviewed.

17. The annual review lacks member input except for exception reports which are brought forward and this appears to be an area of Council work to which the majority of members do not have a great affinity. However, there have not been major changes in delegation to Officers in recent years, mainly due to the advent of the executive, as many matters which might previously have been dealt with by means of Officer delegation are now dealt with by Portfolio Holders.

18. In terms of other options for this review, it would be possible for the Constitution Panel (or some other body) to review all delegations on an annual basis, not just exception reports. This would mean that complete schedules would be scrutinised by members and not filtered by Officers

19. Accepting that there is a wish for a detailed review by members, a possible future programme is set out below:

(a) full review of all delegations by the Constitution Panel on an annual basis (Dec-April) with a report on changes at the April Council meeting;

(b) schedules submitted to the Annual Council meeting (covers the position if there is a change of Leader or of political control of the Council) as required by the Constitution;

(c) individual changes/additions continue to be approved during the year and noted in the final schedules under (a) above; and

(d) Officer Working Party continues to facilitate the review at Officer level.

20. Copies of the sample pages from the schedule of delegation are attached. The full schedules have not been appended in view of their length.

Member Arrangements

21. Currently, the process is conducted under the auspices of the Overview & Scrutiny Committee which has established the Constitution & Member Services Scrutiny Panel to deal with this and related constitutional matters. Proposals from that panel are then submitted to the Overview & Scrutiny Committee and then to the Council/Leader for approval. This process can be repetitious. In the past, debates at Council or the Overview & Scrutiny Committee meetings on this subject have been the exception rather than the rule. The main debate has generally been at Constitution Panel meetings.

22. Other options for these reviews at member level include:

(a) a new Constitution Committee (pro rata) reporting directly to the Council/Leader on delegation and possibly dealing with all constitutional matters – this would reduce the number of separate reporting levels;

(b) as a consequence of (a) above, the Overview and Scrutiny Committee could then review the terms of reference for the Constitution Panel;

(c) agree that Cabinet delegation be left to the Leader of the Council in accordance with his statutory functions with a report to the Annual Council meeting on his decisions; and

(d) as a consequence of (c) above, the member review process would focus on Council delegation only.

Resource Implications:

Any review is conducted from within existing resources.

Legal and Governance Implications:

The basis of Officer delegation is the Local Government Acts 1972, 2000, 2007 and 2011. These statutory requirements are reflected in the Council's Constitution.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

This report was submitted in draft form to the Corporate Governance Group.

Background Papers:

None.

Impact Assessments:

None undertaken.

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EXECUTIVE FUNCTIONS – DELEGATION BY THE LEADER OF COUNCIL

	Authorising Committee and Minute Ref or Other Authority	Officer(s) Authorised	Subject and Function(s) Delegated
EX1	Finance Sub-Committee (Minute 398 - 31.1.80)	DIRECTOR OF FINANCE AND ICT	AGENDA AND MINUTES - CHARGES TO SUBSCRIBERS To approve charges.
EX2	Housing Committee (Minute 74 – 4.3.92)	DIRECTOR OF HOUSING SERVICES	AGRICULTURAL DWELLINGS To accept applications for rehousing and offer suitable alternative accommodation where the Agricultural Dwelling House Advisory Committee advises that the property is required for occupation by an agricultural employee in the interest of efficient agriculture.
EX3	Environmental Health and Control Committee (Minute 10 – 10.5.78)	HEALTH PROTECTION AGENCY (HPA) (Any Consultant Staff Member)	AIRCRAFT Proper Officer for the purposes of the Public Health (Aircraft) Regulations 1970.
EX4	Cabinet (Minute 142 – 14.3.05)	DIRECTOR OF ENVIRONMENT AND STREET SCENE (or in his absence ASSISTANT DIRECTOR (NEIGHBOURHOODS)) DIRECTOR OF ENVIRONMENT AND STREET SCENE (or in his absence ASSISTANT DIRECTOR (NEIGHBOURHOODS)) DIRECTOR OF ENVIRONMENT AND STREET SCENE (or in his absence ASSISTANT DIRECTOR (NEIGHBOURHOODS))	ANTI SOCIAL BEHAVIOUR ACT 2003 Part 1.(Premises Where Drugs Used Unlawfully) Authority to respond to Police Consultations after discussion with Ward Councillors Part 4 (Dispersal of Groups) Authority to discuss proposals of the Police for dispersal orders with ward members, County Councillors and Town or Parish Councils Authority to consent to the making of Dispersal Orders after considering the results of discussions and after consulting the relevant portfolio holder Part VI (Environment) Authority for making of Closure Orders under Section 40. Authority for notice of cancellation of Closure Orders under Section 41.

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Report to Audit and Governance Committee



Report reference: AGC-006-2013/14
Date of meeting: 27 June 2013

**Epping Forest
District Council**

Portfolio: Finance & Technology
Subject: Appointment of Co-opted Member
Responsible Officer: Ian Willett (01992 564243)
Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) That a report be submitted to the Council recommending as follows:
 - (a) that an Appointment Panel be appointed to undertake interviews following public advertisement for the vacancy for a co-opted member of this Committee which will occur with effect from 13 September 2013;
 - (b) that the Council be asked to approve the membership of the Panel at its meeting on 30 July 2013;
 - (c) that the Council be asked to grant delegated authority to the Panel to appoint the preferred candidate following interview;
- (2) That consideration be given as to whether the remaining independent person should form part of the Appointment Panel, either as a voting or non-voting member and that an appropriate recommendation be made to the Council at its July meeting; and
- (3) That the Committee indicate its preferences as to advertising the position and delegate the preparation and content of the recruitment pack to Officers in consultation with Members of the Committee.

Executive Summary:

This report deals with the process of filling the vacancy for a co-opted member of the Audit and Governance Committee which will occur with effect from 13 September 2013. The report proposes the establishment of an interview panel with authority to appoint a preferred applicant following public advertisement. The report discusses:

- (a) the terms of reference, membership and delegated powers of the proposed Panel;
- (b) the eligibility criteria which will apply;
- (c) the timetable for recruitment and advertising of the vacancy; and
- (d) the involvement of the other co-opted member of the committee in the process.

Reason for Proposed Decision:

The vacancy for a co-opted person will occur on 13 September 2013 and in order to allow time for the appointment of a member panel to supervise the process, to conduct interviews and to make an appointment prior to that date, decisions on the process to be adopted need to be made at this stage.

Report:

1. Under changes to Article 11 of the Council's Constitution relating to the Audit and Governance Committee, each co-opted member of the Committee may only serve for a maximum of two three-year terms as of right. If an independent person wishes to continue for a further term or terms, the rules say that they may be appointed but only after competitive recruitment has been arranged.
2. Under the current arrangements, the two independent persons on the Committee have staggered terms of office and the two terms of office for Melanie Peddle will come to an end on 12 September 2013.
3. It is suggested that this Committee should recommend to the Council that an Appointment Panel should be formed. In order to comply with the timetable for filling the vacancy, it is also recommended that the Committee should seek delegated powers for the Panel to not only conduct interviews but also to appoint a preferred candidate. The Committee is asked to consider the size and membership of the Panel that wish to recommend.
4. The Committee is also asked to consider the role to be adopted in this process by the other co-opted member of the Committee. Options appear to be :
 - (a) that he should take part in an advisory/non voting capacity; or
 - (b) that he should have full voting status.
5. Mr R. Thompson, the other co-opted member, has indicated that he does not consider it appropriate for him to be a voting member at interviews conducted by the Panel but is willing to participate in a non voting capacity to assist the process.
6. A summary timetable for this recruitment is as follows:
 - (a) report of this Committee to the Council meeting on 30 July 2013;
 - (b) interview appointment in August/September 2013; and
 - (c) new co-opted member attends the Audit and Governance Committee scheduled for 23 September 2013.
7. A recruitment advertisement has been agreed informally (copy enclosed) and this will be published in the edition of The Forester to be published in late July. This advert and the recruitment pack will also be available on line and in hard copy together with an application form. It is suggested that the contents and style of the information pack should be dealt with informally by Officers in consultation with Members of the Committee. .
8. Publicity would also include a press release timed to coincide with the publication of the Forester.

9. It has been suggested by Committee Members that details of the position might also be circulated on a more targeted basis to suitable organisations who may have access to potential applicants.

Resource Implications:

Provided that the Committee does not wish to publish a formal public notice in the local press, the cost of the recruitment process is minimal and can be met from internal resources.

Legal and Governance Implications:

Currently, this Council's Audit and Governance Committee is a discretionary body, not required to be established by statute and therefore any rules regarding co-opted persons are those which the Council has itself devised.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

A draft copy of this report has been circulated to members of the Audit and Governance Committee and to the Corporate Governance Group for comment prior to submission to this meeting. Their views have been incorporated in this report.

Background Papers:

None.

Impact Assessments

Risk Management

There are no perceived risks in the proposed recruitment process. A risk assessment of failure to make an appointment to the second co-opted member position indicates that without the appointment the work of the Audit and Governance Committee could be adversely affected in that it would not comply with the Council's Constitution.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
N/A.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.

A condition of the recruitment process will be that it is open to all interested persons who meet the Council's criteria as follows:

- (a) that they should have professional expertise, experience and background relevant to the role and responsibilities of the Audit and Governance Committee;
- (b) that they should not have any links either directly or indirectly with Members or Officers of the District Council which might create a conflict of interest in their role as Members of the Committee.

THE AUDIT & GOVERNANCE COMMITTEE HAS A VACANCY – CAN YOU HELP?

If you live or work in the Epping Forest District, have a real interest in the District Council's activities and can show skills and experience in such fields as finance and investment, accountancy, audit, risk management, compliance or governance, the Council's Audit & Governance Committee may be for you.

The Committee has five members; three are elected members and two are co-opted persons who are not Councillors. A vacancy for one of co-opted members will occur in September 2013 and the Council is seeking to recruit a replacement with the right personal qualities and experience.

Applicants must be able to demonstrate that they are truly independent and must meet certain appointment criteria before they may be considered. Further details are set out in the candidate information pack.

The selected candidate will be given appropriate training and appointments will be made following interviews to be conducted by a Panel of councillors.

Although these positions are intended to be volunteer roles, a small annual allowance of £500 is payable to co-opted members.

To receive a pack and application form, please contact Ian Willett (Assistant to the Chief Executive) Tel 01992 564243, E mail: iwillett@eppingforestdc.gov.uk who can also deal with general questions about the Committee. Alternatively, the pack and application form are available via the council's website.

Specific questions about audit practice within the Council can be addressed to Brian Bassington, the Council's Chief Internal Auditor (Tel 01992 564446, E mail: bbassington@eppingforestdc.gov.uk).

The closing date for applications is **31 August 2013** and completed applications should be sent by post to I. Willett, Assistant to the Chief Executive, Epping Forest District Council, High Street, Epping, Essex CM16 4BZ or to his e mail address given above.

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Report Reference AGC-007-2013/14

1. OS Chairman

Following wording be added to the constitution:

“The Chairman should have experience and understanding of our Scrutiny System.”

No other changes to the constitution including the current policy of having no political whips in Overview and Scrutiny.

2. Leader & Cabinet Liaison with OS

- (a) the Leader to attend the OS Committee at the start of the year (to present the Cabinet’s Forward Plan and secondly after 6 months to update the Committee. All members should be encouraged to attend;
- (b) the Leader to indicate, if appropriate, any work to be undertaken by OS at that first meeting on behalf of the Cabinet;
- (c) members to have the opportunity to ask Portfolio Holders questions on matters of concern at these OS meetings;
- (d) individual Portfolio Holders to attend an appropriate OS Standing Panel meeting dealing with matters relating to their Portfolios and to ask questions of them. This meeting is to be open to all members;
- (e) Portfolio Holders be encouraged to attend all of the appropriate Standing Panel meetings for their portfolio (where one exists);
- (f) the agenda item on Cabinet Review be placed earlier on each OSC Agenda;
- (g) calendar for OSC and Cabinet should be reviewed to allow more time for "call in" and review of Cabinet agenda business.

3. OS Work Programme

(a) planning the annual OS Work Programme to include consideration of:

- Forward Plan (to include all significant decisions not just Key decisions);
- Forward Plan to be the basis of Cabinet monitoring;
- Business for future Cabinet meetings in the Forward Plan to be raised as part of the Cabinet review item on OSC agenda;
- use of "Pick" form;
- complaints;
- FOI topics;
- Cabinet priorities;
- outstanding T&F Panel work;

- business plan digests from directorates;
 - petition information;
 - requests from the public.
- (b) rigorous use of the PICK work request form should be enforced, preferably through better training and/or by returning the form to members asking for more details;
 - (c) higher priority to be given to follow up on scrutiny work;
 - (d) OSC Chairman and Panel Chairman (with officers) to co-ordinate work on OS programme;
 - (e) preparation to begin in February 2013 but a pause to be provided for the election period in April/May 2013 where EFDC elections take place;
 - (f) training in budget scrutiny to be introduced for September each year prior to the start of the budget process.

4. Scrutiny Panels

- (a) the Constitution should be strengthened to say that Panel Chairmen are expected to attend the main O&S Committee to give progress reports on their Panel's work;
- (b) change to pro rata requirements for Standing Panels not considered to be a deliverable option.

5 "Call-ins"

Call-in process amended once the call in has been validated:

- (a) "Call in" sponsors or Cabinet member concerned to be able to request a pre-meeting to discuss the call-in before considered formally by the Overview and Scrutiny Committee;
- (b) definition of "major" or "minor" matters for validating "call-ins" not agreed with wording remaining as follows:

"Call-ins should be for the bigger and more important issues and not for small insignificant detail."
- (c) the present deadline for calling-in a decision should be kept at 5 days, as electronic communication made this workable in terms of signing a call-in, if necessary by separate e mails;
- (d) members also had the time before a Cabinet meeting to study the reports on the agenda as well as the five working days after the decision had been taken to call-in a decision;
- (e) that electronic call-ins be investigated to speed up the process;

- (f) arrangements to be amended to allow “call in” sponsors to be able to withdraw their objections if, having met with the Portfolio Holder and Chairman of the O&S Committee, their concerns could be met;
- (g) “Call in” protocol be revised to provide for only the lead call-in sponsor to present and for the Portfolio Holder to respond followed by a wider debate, with members of the committee speaking first, then non members and with the Portfolio Holder winding up; and

6. Scrutiny of External Organisations

- (a) change the layout of the Council Chamber so that representatives of outside organisations sit in the well and when making presentations and responding to questions receiving a presentation;
- (b) new layout also to be used for call-ins;
- (c) members should be flexible whether outside organisations would be more appropriate to a Standing Panel than the O&S Committee;
- (d) more preparation for questioning including the order of questions and the avoidance of overlaps; and
- (e) more emphasis on follow up reporting by organisations.

7. Finance/Budget Scrutiny

- (a) new timetable to be produced at the start of the budget- setting process to enable the OS to plan ahead.
- (b) the timetable of the budget process should be publicised in the Council Bulletin.
- (c) OS should examine the financial issues paper/mid term financial strategy prepared at the first stage of the budget and concentrate on the policy issues and emerging trends, problems and themes raised rather than all the detailed figures
- (d) the Finance Scrutiny Panel’s Terms of Reference should be altered to avoid duplication with the work of the Finance Cabinet Committee. There should not be any more joint meetings with the Cabinet Finance Committee.
- (e) the role of OS in reviewing the budget should not only cover future budgets but also at what had gone before in previous years;
- (f) the Scrutiny Panel’s role should be to focused to target exceptions rather than budgets for services which are on track, ignoring what is going well;
- (g) new budget review timetable to be introduced, namely:
September – financial issues paper of Director of Finance;

- November – draft growth lists/savings and DDF programme plus fees and charges
 - January - update of medium term financial strategy for next financial year
 - February - final form of draft budget
- (h) Finance & Performance management standing Scrutiny Panel to look at timetable for business plans to complement OS work programme.

8 Scrutiny of KPIs

- (a) review of KPIs to be co-ordinated through the Finance & Performance Management SSP;
- (b) any red or amber KPIs to be referred if appropriate, to an appropriate Panel (where one exists) for further review after officers/PFHs have explained the KPI information;
- (c) Finance & Performance Management SSP to deal with KPIs which are not covered by any Panel;
- (d) Finance & Performance Management SSP terms of reference to be amended to reflect these changes.

9. The Public Profile of OS

- (a) adopt a more proactive stance to engagement with the public;
- (b) amend OS rules in the constitution to introduce an opportunity for the public to ask questions at OSC and Panel meetings and to address those bodies on issues of concern, even if they are not otherwise on agendas;
- (c) adopt a flexible approach to facilitating business from the public – including use of correspondence, e mail, website and the PICK form as appropriate;
- (d) use “The Forester” and the local press to heighten the profile of OS including (a) the annual work programme for OS, and (b) specific items due to be considered by OS or panels in order to encourage the public to submit evidence/comment – particularly where scrutiny of external bodies is planned;
- (e) maximise the use of Chairman’s discretion to allow the public to contribute.

10 Crime & Disorder/ NHS Scrutiny

Further work to be undertaken.

11 Training

- (a) introductory course to be reinstated in June when there are EFDC elections;
- (b) budget scrutiny training to be given in September immediately before the commencement of the budget process;
- (c) further training dependant on funding;
- (d) Tenants' Federation to attend training – possible financial contribution from HRA to cost of the session.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-008-2013/14

Date of meeting: 27 June 2013

Portfolio: Finance and Technology

Subject: Internal Audit Monitoring Report - January to March 2013

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

1. The Committee is requested to note the following issues arising from the Internal Audit Team's fourth quarter monitoring report for 2012/13:

- (a) The reports issued between January and March 2013 and significant findings therein (Appendix 1);
- (b) The Outstanding Priority 1 Actions Status Report (Appendix 2);
- (c) The Limited Assurance Audits follow up status report (Appendix 3); and
- (d) The 2012/13 Audit Plan status report (Appendix 4).

Executive Summary:

This report provides a summary of the work undertaken by the Internal Audit Unit between January and March 2013, and details the overall performance to date against the Audit Plan for 2012/13. The report also contains a status report on previous priority 1 audit recommendations which continues to be monitored by the Corporate Governance Group.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

Work Carried Out In The Period

1. The audit reports issued in the fourth quarter are listed in paragraph 3 below.
2. Audits completed in the fourth quarter have concentrated on fundamental financial systems and income streams, the detailed findings of which are in Appendix 1. At the end of the quarter, a further five audits were in progress or at the draft report stage.

Reports Issued

3. The following audit reports were issued in the fourth quarter:

(a) Full Assurance:

- None;

(b) Substantial Assurance:

- Sundry Debtors;
- Creditors;
- Treasury Management;
- Council Tax;
- National Non Domestic Rates;
- Overtime and Committee Allowances;
- Commercial Property Management;
- General Ledger; and
- Building Control;

(c) Limited Assurance:

- None;

(d) No Assurance:

- None; and

(e) At Draft Report Stage:

- Housing Benefits;
- Payroll;
- Housing Rents;
- Housing Tenancy and Allocations; and
- Procurement Fraud Prevention and Detection.

Limited Assurance

4. During the quarter, no reports were issued with a Limited Assurance rating.

Follow Up of Previous Priority 1 Recommendations

5. Attached at Appendix 2 is a schedule of outstanding priority 1 recommendations to ensure follow up both by Internal Audit and Service Management. These recommendations are monitored on a monthly basis by the Corporate Governance Group.

Follow Up of Previous Limited Assurance Audits

6. Attached at Appendix 3 is a schedule of previous limited assurance audits to ensure follow up both by Internal Audit and Service Management.

Audit Plan 2012/13

7. The status of the 2012/13 Audit Plan is set out at Appendix 4.

Performance Management

8. The Internal Audit Team has local performance indicator targets to meet in 2012/13, as set out below:

	Actual 2009/10 For year	Actual 2010/11 For year	Actual 2011/12 For year	Target 2012/13 For year	Actual 2011/12 Quarter 4	Actual 2012/13 Quarter 4
% Planned audits completed	87%	82%	82%	90%	82%	85%
% chargeable "fee" staff time	69%	66%	71%	72%	71%	69%
Average cost per audit day	£300	£307	£213	£245	£213	£243
% User satisfaction	94%	86%	89%	85%	89%	See note below

9. The indicators are calculated as follows:

- (a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan;
- (b) % Chargeable fee time - a calculation is made each quarter based on reports produced from Internal Audit's time recording system; and
- (c) Average cost per audit day - the calculation is based on the costs for each quarter taken from the budget monitoring reports, divided by the number of fee earning days extracted from the time recording system.

10. The reduction in chargeable time and increase in average cost per day has been affected by lost time due to a period of staff sickness and a trial application of lean audit principles which has reduced the chargeable days to some audits.

11. User satisfaction has been based on a customer survey form. Recently it has been increasingly difficult to encourage clients to return the form with any meaningful comments. A replacement electronic form has been developed for use from April with the new audit plan.

12. A member of staff had a period of sick leave following a spell in hospital and returned to work on a phased return during February. This resulted in a reallocation of the outstanding work to ensure that the fundamental financial systems were reviewed by the end of the financial year. This work was substantially complete at the end of March as required by the external auditors.

Resource Implications:

Within the report.

Legal and Governance Implications:

Within the report.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

Audit files and working papers.

Impact Assessments:

Risk Management

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this monitoring report will assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

Definition of Levels of Assurance

Level	Evaluation opinion	Testing opinion
Full assurance	There is a sound system of control designed to achieve the system objective.	The controls are being consistently applied.
Substantial assurance	While there is a basically sound system, there are weaknesses that put some of the system's objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system's objectives at risk.
Limited assurance	Weaknesses in the system of controls are such as to put the system's objectives at risk.	The level of non-compliance puts the system's objectives at risk.
No assurance	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

**SUMMARY OF AUDITS COMPLETED DURING QUARTER 4
January - March 2013**

Appendix 1

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Sundry Debtors	Finance and ICT	<p>Substantial Assurance The systems surrounding income collection are operating effectively. Two minor recommendations were made.</p>	<p>Accounts with arrangements to pay are monitored monthly. However, the debtors system should be updated if arrangements are paid in full prior to the end of the agreement.</p> <p>Refunds should be requested in writing by all Directorates. Supporting information should be retained to identify the reason for the refund and to confirm the refund was authorised by the Director or Assistant Director.</p>
Creditors	Finance and ICT	<p>Substantial Assurance The Creditors function shows a clear and well regulated process. Initial invoice registration through to final payment demonstrates a thorough understanding of the role of the function within the Authority, highlights a clear separation of duties and a complete and well maintained administration and reporting process.</p> <p>Payments are made in a timely manner and authorised correctly. Paperwork is retained and provides a clear auditable trail which complies with financial regulations and internal policy.</p>	<p>. Audit has offered advice on areas of the process that could be improved upon to allow for further assurance in what is currently a very satisfactory process</p> <p>Invoices registered but not returned from the Directorates has increased both in terms of number and value since the last audit.</p>
Treasury Management	Finance and ICT	<p>Substantial Assurance The systems and controls surrounding treasury management are operating</p>	<p>The manual should be updated to ensure that all staff are aware of their responsibilities.</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
		effectively.	
Council Tax	Finance and ICT	<p>Substantial Assurance The Council Tax Process is a well-managed function. Staff demonstrate good knowledge and day to day activity is generally completed accurately and timely.</p>	There are areas of improvement in regards reconciliation completion and supervisor checking, that audit has identified, that would ensure key controls are efficient and effective to their purpose and ensure a good service level is maintained.
National Non Domestic rates	Finance and ICT	<p>Substantial Assurance The section has well established procedures for ensuring that the NNDR database is complete and accurate and the liability is correct. Income is accurately recorded and regularly reconciled, and effective recovery and enforcement action ensures that income is maximised.</p>	<p>Income is correctly posted to Academy and is reconciled monthly to the general ledger and cash receipting system, although the reconciliations are currently behind. Credit balances are reviewed and are thoroughly investigated prior to approving and processing refunds.</p> <p>Prompt recovery and enforcement action ensures that income is maximised. Irrecoverable debts are written-off in accordance with Council policy.</p>
Overtime and Committee Allowances	Corporate Support Services	<p>Substantial Assurance The systems and controls surrounding claims for overtime, subsistence and committee allowances are operating effectively.</p>	<p>Overtime, committee allowance and subsistence claims are submitted in a timely manner and certified by an authorised signatory.</p> <p>The reason for overtime was included on all claim forms, receipts submitted with claims for subsistence and attendance at Council meetings verified to the signing-in sheets for committee allowances.</p> <p>All claim forms are signed by the employee and checked by the Pay Section prior to processing.</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Commercial Property Management	Corporate Support Services	<p>Substantial Assurance The systems and controls surrounding the management of the Council's commercial property portfolio are operating effectively, and ensure that rent reviews and lease renewals are carried out in a timely manner and that rent invoices are accurate and rental income is effectively monitored.</p>	<p>The Excel spreadsheets, which are used by the Valuers to manage their own portfolio of properties, are not as secure as the GVA system, However, it is recognised that GVA does not lend itself to day-to-day property management. The section is in the process of procuring a replacement IT system for GVA, which will improve the day-to-day property management.</p> <p>The valuers spreadsheets should be checked annually to GVA to ensure the correct information is held for invoicing.</p>
General Ledger	Finance and ICT	<p>Substantial Assurance The systems and controls surrounding the processing of data on the general ledger are operating satisfactorily. Three minor recommendations have been raised.</p>	<p>Data from the feeder systems is completely and accurately transferred to the general ledger. The system rejects any invalid codes, which are then corrected immediately and reposted.</p> <p>Reconciliations between the general ledger and the feeder systems are carried out in the directorates raising the feeder system journal transfer.</p>
Building Control	Planning and Economic Development	<p>Substantial Assurance The systems surrounding the recording and checking of building control fee income are operating effectively. Although the income had not been reconciled for around 18 months this has been addressed by management and reconciliations have been performed since November 2012.</p>	<p>Agency and consultancy costs have significantly reduced over the past 3 years, which has enabled the Building Control account to be carefully controlled such that it is now in surplus. . There is no legislation that requires local authorities to ring-fence surpluses or deficits of the building control fee earning account, although authorities are free to ring-fence this service if they consider it to be appropriate. EFDC has decided to keep the ring-fenced account.</p>

**INTERNAL AUDIT
OUTSTANDING PRIORITY 1 ACTIONS – STATUS AS AT March 2013**

Appendix 2

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Planning Fees	Income reconciliation Reconciliations between the planning system (M3) and the financial ledger will be completed monthly from April 2011. Reconciliations should be printed and signed as evidence of completion. Details of variances investigated should be recorded. Advice will be required from Finance & ICT regarding the information required from M3 and the general ledger.	Assistant Director (Development)	Sept 2012	Reconciliation between M3 and financial ledger reliant upon 3 different systems – finance, payments and income recording on M3 Northgate. Cheques are now individually itemized (previously batched) on the general financial ledger so progress and part reconciliation has been made. However, inadequate resources to carry out manual reconciliation and compatibility / merging of all 3 systems is reliant upon electronic ICT solution.	In Progress	Following a meeting of all relevant officers chaired by the Chief Executive, ICT staff produced a prototype report that is designed to work towards an electronic reconciliation of the DC account. Planning staff have analysed this first report and ICT further refined it to capture some information that was not originally included. The unmatched items are now being investigated and the process is being monitored by Internal Audit.
Licensing Administration	Reconciliation Reconciliation between M3 and the cash receipting system not up to date. Reconciliation to be completed on a monthly basis by the end of the month following the month being reconciled.	Assistant Director (Legal)	April 2012	Recruitment in progress. Interviews held and offer made but turned down. Post re-advertised.		Audit to follow up in 4th quarter.

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
<p>Legal Debt Recovery</p>	<p>This audit has identified improvement areas to enhance the system of control and to ensure the process for collecting unpaid debts is monitored and action is taken to maximise the prospects of debt recovery.</p> <p>Controls should be put in place to prompt Officers to check that court costs have been recovered and allocated to the correct account code.</p> <p>In accordance with Contract Standing Orders, three quotes should be obtained annually for the use of the contractor for tracing debtors and serve court documents.</p> <p>Officers responsible for debt recovery should implement a system for recording debts collected after court proceedings are issued. This information will be used during the next Audit.</p> <p>The debt recovery process is not always cost effective as the resources are not available to ensure all debts referred to Legal are monitored regularly.</p> <p>Officers should be reminded of the importance of good</p>	<p>Assistant Director (Legal)</p>	<p>March 2013</p>	<p>A system was now in place to allow for the recording and monitoring of court costs so as to assess whether the income received matched the expenditure in seeking recovery. In the longer term, CGG suggested that once the system had been in operation, it might be coupled with individual assessments of debtors to make judgements about the effectiveness of recovery as against costs.</p> <p>Management Board have agreed that a Working Party be convened to review corporate debt processing and that appropriate membership and terms of reference be brought forward to a future Management Board meeting.</p>	<p>Q4 2012/13</p>	<p>Quotes have been sought from 4 different agencies who provide process serving and tracing services. Two quotes have been received and one is awaited.</p> <p>In reviewing the procedures currently in place and the finance systems available to comply with the Audit recommendations it has become apparent that the debt collection process across the Council needs to be reviewed. A detailed report was discussed at Management Board on 3 April 2013.</p> <p>Action. C O'Boyle/R Rose to draft Terms of Reference for the Working Party and suggested membership and chairmanship.</p>

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	<p>quality data.</p> <p>The recommendations included in this report will address the weaknesses identified and improve the controls surrounding debt recovery</p>					

**INTERNAL AUDIT
FOLLOW UP OF LIMITED ASSURANCE AUDITS AS AT MARCH 2013**

Appendix 3

Report Title	Directorate	Date Issued	Agreed Actions by priority	Agreed Actions Outstanding	Time of Follow Up	Outstanding Issues / Comments
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 124</p> Planning Fees	Planning and Economic development	March 2012	P1. 2 P2. 1	P1. 1	Q4 2012/13	Following a meeting of all relevant officers chaired by the Chief Executive, ICT staff produced a prototype report that is designed to work towards an electronic reconciliation of the DC account. Planning staff have analysed this first report and ICT further refined it to capture some information that was not originally included. The unmatched items are now being investigated and the process is being monitored by Internal Audit.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 124</p> Legal Debt Recovery	Corporate Support Services	Sept2012	P1. 4 P2. 3 P3. 1	P1. 3 P2. 3 P3. 1	Q4 2012/13	<p>This audit has identified improvement areas to enhance the system of control and to ensure the process for collecting unpaid debts is monitored and action is taken to maximise the prospects of debt recovery.</p> <p>Controls should be put in place to prompt Officers to check that court costs have been recovered and allocated to the correct account code.</p> <p>In accordance with Contract Standing Orders, three quotes should be obtained annually for the use of the contractor for tracing debtors and serve court documents.</p> <p>Officers responsible for debt recovery should implement a system for recording debts collected after court proceedings are issued. This information will be used during the next Audit.</p>

					<p>The debt recovery process is not always cost effective as the resources are not available to ensure all debts referred to Legal are monitored regularly.</p> <p>Officers should be reminded of the importance of good quality data.</p> <p>The recommendations included in this report will address the weaknesses identified and improve the controls surrounding debt recovery.</p>
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Audit Plan 2012/13 as at 31st March 2013

Appendix 4

Audit area	Audit type	Days allocated	Completed	Risk Identifier
FINANCE AND ICT				
Finance				
Bank Reconciliation	system/follow up	15	Completed	PKF
Sundry Debtors	system/follow up	20	Completed	PKF
Creditors	system/follow up	20	Completed	PKF
Treasury Management	system/follow up	15	Completed	PKF/R26
Budgetary Control (capital and revenue)	system/follow up	10	reduced risk	PKF
Risk Management and Insurance	system/follow up	15	reduced risk	PKF
Main Accounting and Financial Ledger	system/follow up	15	Completed	PKF
Housing Benefits	system/follow up	25	In Progress	PKF
Council Tax	system/follow up	25	Completed	PKF/R27/AC
National Non Domestic Rates	system/follow up	15	Completed	PKF/R27
Cash receipting and Income control	system/follow up	15	Completed	PKF
Provision for 'top up' testing	systems	25	Completed	PKF
Cash Office spot checks	verification	5	reduced risk	PKF
ICT				
Environmental controls/backup procedures	IT	10	Completed	PKF
Disaster recovery/business continuity	IT	10	C/fd	PKF/R8
TOTAL		240		
PLANNING AND ECONOMIC DEVELOPMENT				
Planning Fees	System	20		R27
Building Control	follow up	5	Completed	R27
TOTAL		25		
ENVIRONMENT AND STREET SCENE				
Waste Management and Recycling	follow up	20	Completed	R20
Car Parking	system	20	Completed	R27
North Weald airfield	establishment	15	C/fwd	R27
Leisure contract	contract	15	Reduced risk	R20
TOTAL		70		
OFFICE OF THE CHIEF EXECUTIVE				
Members Services		10	Completed	R
TOTAL		10		
HOUSING				
Housing Rent Collection and Arrears	system/follow up	25	In Progress	PKF/R27
Housing Lettings	follow up	5	In Progress	AC
Housing Repairs Service	system/follow up	15	C/fwd	

Stores - Depot stock take	stocktake	5	Completed	R23
TOTAL		65		
CORPORATE SUPPORT SERVICES				
Human Resources				
Payroll	System/follow up	25	Completed	PKF
Recruitment and Selection	Follow up	5	Completed	AC
Management of Sickness absence	Follow up	5	Completed	R15
Overtime and Committee Allowances	verification	10	Completed	R
Car Mileage claims	verification	10	Completed	R
Estates/Facilities Management/Other				
Commercial Property portfolio	system/follow up	20	Completed	R9
Property Management System - Asset Register	system	5	C/fwd	PKF
Fleet Operations income	system	5	Completed	R27
Legal				
Licensing	system	15	C/fwd	R27
Debt recovery	system	15	Completed	R27
TOTAL		115		
MISCELLANEOUS				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
FRAUD PREVENTION & DETECTION				
Contracts	fraud	15	In Progress	AC/R20
Procurement	fraud	15	In Progress	AC/R2
Council Tax Discounts	fraud	15	C/fwd	AC/R23
National Fraud Initiative (NFI)	fraud	15	In Progress	R23
Data matching and analysis (IDEA software)	fraud	25	C/fwd	AC
CORPORATE				
Corporate Procurement	system/follow up	15	In Progress	AC/R2
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
Data Protection Act	system	5	C/fwd	R18
Follow up of Priority 1 Audit recommendations	follow up	10	Completed	R23
Governance Statement	management review	5	Completed	AC/PKF
TOTAL		155		
TOTAL DAYS ALLOCATED				
Contingency/Spot checks/Minor investigations		40		R23
Corporate/Service Advice		55		
TOTAL		775		
	Key	Risk Identifier		
	AC	Audit Commission		
	PKF	External Audit		
	R no.	Risk No. in Corporate Register		
	R	Reputation of Council		

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-009-2013/14

Date of meeting: 27 June 2013

Portfolio: Finance and Technology

Subject: Internal Audit Annual Report 2012/13 and Review of the Effectiveness of the System of Internal Audit.

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- 1. To note the 2012/13 Audit Plan Status report as at 31 March 2013 (Appendix 2) and the assurance level given;**
- 2. To note the review of the effectiveness of the system of internal audit, undertaken by the Corporate Governance Group for 2012/13, in the context of the Council's Governance Statement; and**
- 3. To scrutinise the review and consider the effectiveness of the system of internal audit in 2012/13.**

Executive Summary:

This report is presented in support of the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment, provides a summary of the work undertaken by the Internal Audit Unit between April 2012 and March 2013 and details the overall performance against the Audit Plan for 2012/13.

The Accounts and Audit Regulations include a requirement for the Authority 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.

This report summarises the review undertaken for 2012/13 by the Corporate Governance Group, to assist the Committee in assessing the effectiveness of the system of internal audit on behalf of the Authority.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

To provide the Committee with the opportunity to scrutinise the review of effectiveness.

Other Options for Action:

No other options.

Report:

Introduction

1. The Internal Audit Annual Report for 2012/13 is based on the "Code of Practice for Internal Audit in Local Government" produced by CIPFA. The work referred to in this report was carried out as part of the agreed Audit Plan for the period from 1 April 2012 to 31 March 2013.

2. The purpose of the report is to support the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment as a contribution to the proper, economic, efficient, and effective use of resources. This report provides part of the evidence that underpins the Corporate Governance Statement published in the Council's Statutory Statement of Accounts, in line with the requirements of the Accounts and Audit Regulations 2011.

Opinion

3. Although work continues to improve awareness of governance requirements and to promote improvement in systems, overall full assurance cannot be given as risks cannot be totally minimised. On this basis, the opinion given in this report provides a reasonable level of assurance that there are no significant weaknesses in the Council's control environment, as the audits carried out during 2012/13 concluded that systems were generally operating satisfactorily and appropriate follow up action has been taken where required to reduce risk of error or fraud.

4. No material errors were identified from Internal Audit work carried out on the Council's major financial systems during 2012/13. Reviews of the Council's overall systems of internal control identified some weaknesses in internal controls and the timeliness of reconciliations between systems. These have been referred to in reports to the Audit and Governance Committee, and in the Council's Governance Statement.

External Audit

5. The Authority's External Auditor has a statutory responsibility to express an independent opinion on the Council's accounts, performance management and the financial aspects of corporate governance. The External Auditors BDO (formerly PKF) are appointed by the Audit Commission, who have to be confident in the processes and procedures at the Council to produce the accounts by the statutory deadline each year, as well as being able to place reliance on the work of Internal Audit. Internal and External Audit work closely together to avoid duplication of audit effort and to ensure that the Council receives comprehensive audit coverage.

The Role of Internal Audit

6. Internal Audit is provided in the context of the Council's statutory responsibility to make arrangements for the proper administration of its financial affairs. It is an assurance function that primarily provides an independent and objective opinion to the Council on the adequacy of the control environment, as a contribution to the proper, economic, efficient and effective use of resources.

7. The main elements of the work are to:

- (a) audit and report on the core financial controls throughout the Authority;
- (b) provide advice during the development of new systems;
- (c) provide advice on financial, contractual and IT controls, including Financial Regulations and Contract Standing Orders;

- (d) review computer and network security;
- (e) investigate suspected fraud, corruption, bribery and other irregularities;
- (f) monitor the Anti-fraud strategy and participate in the National Fraud Initiative;
- (g) keep Management Board and the Corporate Governance Group informed of key issues;
- (h) liaise with the Audit Commission and their appointed External Auditors; and
- (i) report to the Audit and Governance Committee on key issues arising from audits and on the performance of the Audit team.

Performance Against the Audit Plan

8. Whilst the majority of planned audits, including all of the key audits of financial systems, were completed by 31 March 2013 a small number have been rolled forward into the 2013/14 plan due primarily to sickness within the audit team. The prioritisation of Audits was based on a risk evaluation and the audits that were rolled forward were considered to be of a lower priority.

9. During the year, 32 reports were issued to Management with the following assurance levels:

Assurance Level	2012/13	2011/12
Full Assurance	1	3
Substantial Assurance	29	29
Limited Assurance	2	2
No Assurance	0	0

10. The recommendations made within the audit reports are given a priority rating of 1 to 3, with priority 1 being the highest. These priority 1 recommendations are monitored by the Corporate Governance Group to ensure that action is taken and these actions are reported quarterly to the Audit and Governance Committee. The recommendations are included in detail as appendices to the four quarterly reports to the Audit and Governance Committee.

Priority Level	Number Issued 2012/13	Number Issued 2011/12
Priority 1 - High	6	17
Priority 2 - Medium	31	53
Priority 3 - Low	12	12

Additional Support Provided

11. To assist non-financially trained managers' understanding of finance and governance issues, advice is regularly given by the Audit team and training has been provided by an external supplier supported by the Director of Finance and ICT and the Chief Internal Auditor.

12. A summary of Contract Standing Orders which lays out the process to be followed during procurement exercises has been issued to staff in Housing Services as a pilot and minor amendments made following feedback from staff. This document is now available to all staff.

13. A module on Fraud Awareness, provided by the National Fraud Authority was loaded into the Council's e-learning system accessible through the intranet. Initially all Spending Control Officers and Authorised Signatories have received the training and the course will be rolled out to all other staff and Members over the next few months.

14. The level of assurance on the Council's systems of internal control that can be given by the Chief Internal Auditor takes into account:

- All audit work completed during 2012/13;
- Follow up actions from previous years audits;
- Management's response to findings and recommendations;
- The resources available to deliver the audit plan;
- The certification of Service Directors in their assurance statements;
- Internal Audit performance in 2012/13;
- The reliance placed on the work of Internal Audit by the External Auditor; and
- Relevant information in Audit Commission and National Fraud Authority reports, such as Protecting the Public Purse and Fighting Fraud Locally.

15. Taking all of the available information into account, in particular the audit work completed, it is considered by the Chief Internal Auditor that the Council has in place a satisfactory framework of internal control, which provides reasonable assurance regarding the efficient and effective achievement of its objectives in 2012/13.

Performance Management

16. The Internal Audit Team has local performance indicator targets to meet in 2012/13, as set out below:

	<i>Actual 2009/10</i>	<i>Actual 2010/11</i>	<i>Actual 2011/12</i>	<i>Target 2012/13</i>	<i>Actual 2012/13</i>
<i>% Planned audits completed</i>	87%	82%	82%	90%	85%
<i>% chargeable "fee" staff time</i>	69%	66%	71%	72%	69%
<i>Average cost per audit day</i>	£300	£307	£213	£245	£243
<i>% User satisfaction</i>	94%	86%	89%	85%	See note below

17. The indicators are calculated as follows:

(a) % Planned audits completed - a cumulative calculation is made based on the approved plan as amended for additional work (e.g. investigations) during the year;

(b) % Chargeable fee time - a calculation is made based on reports produced from Internal Audit's time recording system;

(c) Average cost per audit day - the calculation is based on the costs in the cost centre monitoring report divided by the number of fee earning days extracted from the time recording system. As previously reported, a reassessment of what constitutes productive time, based upon comparator information being shared between Uttlesford, Harlow, Broxbourne and Epping Forest has resulted in a new baseline for this indicator which for 2012/13 was £245; and

(d) % User satisfaction - Recently it has been increasingly difficult to encourage clients to return the user satisfaction form with any meaningful comments. A replacement electronic form has been developed for use from April 2013 with the new audit plan.

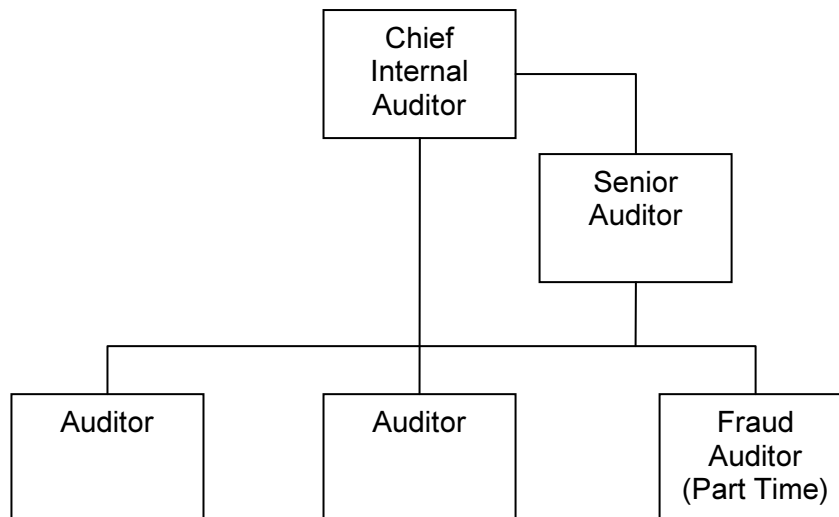
18. The figures for planned audits completed of 85% (target 90%) and the percentage of chargeable staff time of 69% (target 72%) being below target are both due to the long term

sickness of a member of staff who has now returned to full time work and study days for a member of staff studying for the Institute of Internal Auditors professional qualification, who has now qualified.

19. These indicators are monitored by the Corporate Governance Group and the Audit and Governance Committee.

The Audit Team

20. The Team currently has an establishment of 4.4 full time equivalent (fte) Internal Auditors. The establishment throughout 2012/13 is set out below:



Review of Effectiveness of Internal Audit

21. Regulation 6 of the Accounts and Audit Regulations 2011 requires the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. In Epping Forest, the system of internal audit consists of the work of the Internal Audit Team, although supervisory processes in all Directorates provide a control and risk management function that could be defined as contributing to the system of audit. For this purpose, however, the work of the Internal Audit Team is seen as the focus of the review of effectiveness.

22. The Council is required to carry out an annual review of the effectiveness of its system of internal audit, as part of a wider review of the effectiveness of the system of governance. It is the responsibility of the Authority to undertake the review, and not the External Auditor. The Audit and Governance Committee is the most appropriate body to oversee the review of the system of Internal Audit, as it is independent of the management of the Authority.

23. The review should demonstrate that the Internal Audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the CIPFA Code of Practice (this will be replaced by the Public Sector Internal Audit Standards (PSIAS) from April 2013);
- (c) effective, efficient and continuously improving; and
- (d) adding value and assisting the Authority in meeting its objectives.

24. The objective of these measures is to ensure that the performance and effectiveness of the Internal Audit service improves over time, in terms of both the achievement of targets and the quality of service provided to the user.

25. Along with compliance with the Code of Practice, the review is to agree the effectiveness of the service. The outcome of the review is independent confirmation that the opinion in the annual report of the Chief Internal Auditor may be relied upon as a key source of evidence in the Governance Statement.

26. The Council's External Auditors, PKF (UK) LLP (now known as BDO LLP following a merger in March 2013), conduct a thorough review of the quality of Internal Audit's work on financial systems each year, in assessing the extent of reliance that can be placed on the work, in the context of their audit of the Council's Statutory Accounts. The Annual Audit Letter 2011/12, issued by PKF in October 2012 stated: "We were able to rely on the work of Internal Audit"

27. The Council's Corporate Governance Group has undertaken the review of the Internal Audit Service in 2012/13 utilising the following main sources of evidence:

- (i) the annual report and opinion of the Chief Internal Auditor;
- (ii) a review of the Internal Audit Service against CIPFA standards;
- (iii) a review of Internal Audit monitoring reports for 2012/13;
- (iv) any comments from the Chief Executive following consideration of individual audit report summaries;
- (v) the role of the Corporate Governance Group monitoring the work of Internal Audit and any significant internal control issues raised in their reports;
- (vi) consideration of significant corporate control issues highlighted in audit reports, discussed within the Management Board;
- (vii) performance by Internal Audit against local performance indicators;
- (viii) the Internal Audit section of the Office of the Chief Executive Business Plan and work plans; and
- (ix) assessment by the Audit Commission appointed auditors.

Summary of Findings

28. The Internal Audit Section can demonstrate that it has a good understanding of the functions of the Council and has achieved the Council's objective to identify improvements to its control systems. The performance of the Unit has remained close to its key targets and while the actual audits achieved (85%) fell short of the target (90%) for completion of the audit plan due to sickness during the year, all fundamental financial systems were examined and reported on. The Council's External Auditors were able to place reliance on the work of Internal Audit when conducting their formal review of the Team's work as part of their review of the 2011/12 accounts.

29. The work of the Audit and Governance Committee, with independent membership, makes an important contribution to the independent review of internal and external audit processes, as part of the Council's arrangements for securing further improvements in its systems of governance, including internal control. The Annual Report of the Audit and Governance Committee for 2012/13 demonstrated the range of issues addressed during the year.

30. In the opinion of the officers attending the Audit and Governance Committee, the continued

support given by Members, in particular by insisting on timely and positive responses to audit recommendations, is invaluable in reinforcing the message of sound governance.

31. Having considered these issues, the Corporate Governance Group is satisfied that the Authority's system of Internal Audit was effective during 2012/13.

Resource Implications:

Within the report.

Legal and Governance Implications:

Within the report.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

Audit files and working papers.

Impact Assessments:

Risk Management

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this report assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

Priority Ratings

Each audit finding will generate an audit recommendation. These recommendations will be prioritised in accordance with the following criteria:

Priority 1 – Observations refer to issues that are fundamental to the system of internal control. We believe that these issues have caused or will cause a system objective not to be met and therefore require management action as a matter of urgency to avoid risk of major error, loss, fraud or damage to reputation. Failure to apply a Financial Regulation or Contract standing Order will normally be in this category.

Priority 2 – Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. System objectives are unlikely to be breached as a consequence of these issues, although Internal audit suggested improvement to system design and / or more effective operation of controls would minimise the risk of system failure in this area.

Priority 3 – Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

Assurance levels:

The level of assurance to be applied will be based on the auditor's assessment of the extent to which system objectives are met, with the agreement of the Chief Internal Auditor. As a guide, the following triggers will be used, taking into account the level of risk of error, loss, fraud or damage to reputation.

Overall assignment rating	Level of assurance and definition Trigger (number of individual audit recommendations)
1 Full Assurance –	There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied. Priority 3s or no audit recommendations.
2 Substantial Assurance –	There is a sound system of control designed to achieve system objectives, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance, which are placing some system objectives at risk. Priority 2s and 1 Priority 1 (if assessed as a low risk).
3 Limited Assurance –	There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in the application of control in a number of areas, and / or evidence of significant non-compliance, which are placing some system objectives at risk. Between 1 and four 1s and (usually) several Priority 2s.
4 No Assurance –	The system of control is weak, and / or there is evidence of significant non-compliance, which exposes the system to the risk of significant error or unauthorised activity. Five or more Priority 1s.

Approved by the Audit and Governance Committee 15 November 2010

AUDIT PLAN 2012/13

Audit area	Audit type	Days allocated	Completed	Risk Identifier
FINANCE AND ICT				
Finance				
Bank Reconciliation	system/follow up	15	Completed	PKF
Sundry Debtors	system/follow up	20	Completed	PKF
Creditors	system/follow up	20	Completed	PKF
Treasury Management	system/follow up	15	Completed	PKF/R26
Budgetary Control (capital and revenue)	system/follow up	10	reduced risk	PKF
Risk Management and Insurance	system/follow up	15	reduced risk	PKF
Main Accounting and Financial Ledger	system/follow up	15	Completed	PKF
Housing Benefits	system/follow up	25	In Progress	PKF
Council Tax	system/follow up	25	Completed	PKF/R27/AC
National Non Domestic Rates	system/follow up	15	Completed	PKF/R27
Cash receipting and Income control	system/follow up	15	Completed	PKF
Provision for 'top up' testing	systems	25	Completed	PKF
Cash Office spot checks	verification	5	reduced risk	PKF
ICT				
Environmental controls/backup procedures	IT	10	Completed	PKF
Disaster recovery/business continuity	IT	10	C/fwd	PKF/R8
TOTAL		240		
PLANNING AND ECONOMIC DEVELOPMENT				
Planning Fees	System	20		R27
Building Control	follow up	5	Completed	R27
TOTAL		25		
ENVIRONMENT AND STREET SCENE				
Waste Management and Recycling	follow up	20	Completed	R20
Car Parking	system	20	Completed	R27
North Weald airfield	establishment	15	C/fwd	R27
Leisure contract	contract	15	Reduced risk	R20
TOTAL		70		
OFFICE OF THE CHIEF EXECUTIVE				
Members Services		10	Completed	R
TOTAL		10		
HOUSING				
Housing Rent Collection and Arrears	system/follow up	25	In Progress	PKF/R27
Housing Lettings	follow up	5	In Progress	AC
Housing Repairs Service	system/follow up	15	C/fwd	
Housing Contracts	system	15	C/fwd	

Stores - Depot stock take	stocktake	5	Completed	R23
TOTAL		65		
CORPORATE SUPPORT SERVICES				
Human Resources				
Payroll	System/follow up	25	Completed	PKF
Recruitment and Selection	Follow up	5	Completed	AC
Management of Sickness absence	Follow up	5	Completed	R15
Overtime and Committee Allowances	verification	10	Completed	R
Car Mileage claims	verification	10	Completed	R
Estates/Facilities Management/Other				
Commercial Property portfolio	system/follow up	20	Completed	R9
Property Management System - Asset Register	system	5	C/fwd	PKF
Fleet Operations income	system	5	Completed	R27
Legal				
Licensing	system	15	C/fwd	R27
Debt recovery	system	15	Completed	R27
TOTAL		115		
MISCELLANEOUS				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
FRAUD PREVENTION & DETECTION				
Contracts	fraud	15	In Progress	AC/R20
Procurement	fraud	15	In Progress	AC/R2
Council Tax Discounts	fraud	15	C/fwd	AC/R23
National Fraud Initiative (NFI)	fraud	15	In Progress	R23
Data matching and analysis (IDEA software)	fraud	25	C/fwd	AC
CORPORATE				
Corporate Procurement	system/follow up	15	In Progress	AC/R2
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
Data Protection Act	system	5	C/fwd	R18
Follow up of Priority 1 Audit recommendations	follow up	10	Completed	R23
Governance Statement	management review	5	Completed	AC/PKF
TOTAL		155		
TOTAL DAYS ALLOCATED				
Contingency/Spot checks/Minor investigations		40		R23
Corporate/Service Advice		55		
TOTAL		775		
		Key	Risk Identifier	
		AC	Audit Commission	
		PKF	External Audit	
		R no.	Risk No. in Corporate Register	
		R	Reputation of Council	

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-010-2013/14
Date of meeting: 27 June 2013

Portfolio: Finance and Economic Development

Subject: Audit and Governance Committee Annual Report for 2012/13.

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the attached draft Annual Report for the Audit and Governance Committee for 2012/13 be considered; and**
- (2) That the Chairman and Vice-Chairman be authorised to agree the final draft in the event of any changes proposed at the meeting.**

Executive Summary:

The Committee is invited to comment on the draft. Officers will then make the necessary amendments to the report. It is suggested that any substantive changes are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

Reasons for Proposed Decision:

This report is produced in accordance with the Terms of Reference for the Committee, which require an annual report to be submitted to Council each year.

Other Options for Action:

No other options.

Report:

1. This report is produced in accordance with the Terms of Reference for the Committee, which require an annual report to be submitted to Council each year.
2. The Committee is invited to comment on the draft. Officers will then make the necessary amendments to the report. It is suggested that any substantive changes are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

Resource Implications:

These have been included in the individual reports to the Committee throughout the year.

Legal and Governance Implications:

These have been included in the individual reports to the Committee throughout the year.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

Minutes of Audit and Governance Committee.

Impact Assessments:

Risk Management

If the adequacy of the arrangements for Risk Management were not considered and reported regularly a significant weakness in the overall governance arrangements could occur and remain undetected.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

EPPING FOREST DISTRICT COUNCIL

ANNUAL REPORT

OF THE

AUDIT AND GOVERNANCE COMMITTEE

2012/13

1. INTRODUCTION

- 1.1 This Annual Report of Epping Forest District Council's Audit and Governance Committee covers the municipal year 2012/13.
- 1.2 Membership of the Committee comprises three District Councillors and two co-opted independent members. During 2012/13 the Councillors were Antony Watts (Chairman), Sylvia Watson and Colin Finn; Melanie Peddle (Vice Chairman) and Robert Thompson were the co-opted members.

2. TERMS OF REFERENCE & CONSTITUTION

- 2.1 In summary, the purpose of the Committee is to provide:
 - 2.1.1 independent assurance on the adequacy of the Council's risk management framework and the associated control environment;
 - 2.1.2 independent scrutiny of the Council's financial and non-financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment;
 - 2.1.3 independent scrutiny of treasury management strategy and outcomes;
 - 2.1.4 oversight of the financial reporting process.
- 2.2 The full terms of reference are set out in Appendix 1.
- 2.3 During the year, the Committee reviewed its constitution and recommended some changes in respect of co-opted members, which were subsequently ratified by the Council. The agreed changes were:
 - (a) introduction of three-year terms of office;
 - (b) a limit of two terms of office as of right;
 - (c) an opportunity for up to two further terms of office, but only after a competitive selection process;
 - (d) a requirement that re-appointment be conditional upon satisfactory attendance; and
 - (e) the creation of overlapping terms of office so that the terms for both Co-Opted members did not expire at the same time.

3. MEETINGS

- 3.1 The Committee was scheduled to meet five times during the municipal year with four meetings taking place.
- 3.2 The Committee is supported by the Director of Finance and ICT and the Chief Internal Auditor, who attend the Committee meetings.
- 3.3 The Council's external auditors are invited to attend meetings of the Committee and may, when they consider it appropriate, request a private meeting with the Committee, with other parties excluded.

- 3.4 A Corporate Governance Group (CGG), consisting of senior Council officers, chaired by the Chief Executive, meets regularly to consider governance issues across all of the Council's operations. This includes monitoring progress in implementation of high priority audit recommendations. The Committee is notified of the CGG minutes for information and review.
- 3.5 When it considers it necessary, the Committee requests senior officers to attend its meetings, to aid the Committee's understanding of relevant issues and explain delays in implementing audit recommendations, especially high priority ones.

4. THE YEAR IN REVIEW

Control Environment and Risk Management Arrangements

- 4.1 The Committee reviewed minutes of the Corporate Governance Group to ensure effective overview of governance arrangements and to maintain awareness of topics discussed and any actions required.
- 4.2 The Committee considered an Audit Commission report on the National Fraud Initiative 2010/11. The Initiative is part of a statutory audit process for health, local government and other public sector bodies. It involves matching data from various sources to detect a range of frauds against the public sector. Despite the Council gaining less immediate benefit from its participation than might have been expected, the Committee supported continuation in the initiative as a useful component of the Council's fraud prevention and detection strategy.
- 4.3 The Committee reviewed regular reports on treasury management including performance against prudential indicators. It was satisfied that control procedures were effective and potential financial risks to the Council were adequately monitored. Particular attention was paid to the impact of the Council's borrowing requirement as a result of Government reform of financing local authority housing.
- 4.4 The Committee approved the Council's Annual Governance Statement for 2011/12 for inclusion in the Council's statutory Statement of Accounts.

Effectiveness of the System of Internal Audit

- 4.5 The Committee received quarterly reports on the performance of the Council's Internal Audit Unit and its findings and recommendations. The reports were considered in the context of the adequacy of the Council's governance arrangements and internal control framework. The Committee monitored progress in implementation of internal audit recommendations, particularly high priority ones and those arising from audits given a limited assurance.
- 4.6 The Committee approved the Internal Audit Annual Report for 2011/12, together with a review of the effectiveness of the system of Internal Audit. The work

undertaken by Internal Audit during the year supported the opinion that the Council's internal control environment was adequate.

Statutory Statement of Accounts

- 4.7 The Committee considered the draft annual Statutory Statement of Accounts for 2011/12. In recommending that the Statement of Accounts be submitted to the Council for adoption, the Committee noted the significance to the Council's financial position of the debt incurred as a result of Government reform of financing local authority housing, and the Pension Fund deficit.

External Audit Reports

- 4.8 The Committee received the Council's external auditor's annual audit letter for 2011/12, which summarised the key issues arising from their audit work during the year. The external auditor reported that:
- The financial statements had given a true and fair view of the Council's financial affairs and were properly prepared in accordance with the 2011 Code of Practice on Local Authority Accounting.
 - The Annual Governance Statement was not misleading or inconsistent with other information available.
 - The significant financial systems were generally adequate for preparing the financial statements.
 - The work of Internal Audit could be relied upon.
 - The Council had put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

5. CONCLUSION

- 5.1 During the year, the Committee considered a range of governance issues and offered guidance on improvements in internal control. It is pleasing to note that the number of internal audits given limited assurance continued to reduce, as did the number of high priority recommendations arising from the audits. The Committee believes this evidences a sustained improvement in the Council's internal control environment.
- 5.2 The importance of an effective Audit and Governance Committee remains critical, given the continued financial pressures facing local government. The Committee must continue to ensure that the control environment, governance and risk management arrangements remain robust.

Background Information

Further information on the Audit and Governance Committee can be obtained from the Local Democracy / Committees / Audit and Governance Committee area of the Council's web site.

Terms of Reference

The Terms of Reference of the Audit and Governance Committee incorporate the following roles and functions for the Committee:

- (a) To consider the effectiveness of the Council's risk management arrangements, control environment and associated anti-fraud and anticorruption measures.
- (b) To seek assurances that action is being taken on risk related issues, identified by Auditors and Inspectors.
- (c) To be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- (d) To approve the Council's Internal Audit Strategy Plan, Annual Audit Plan and monitor performance against all associated plans.
- (e) To review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- (f) To receive an Annual Report from the Chief Internal Auditor.
- (g) To ensure that there are effective relationships between External and Internal Audit, Inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- (h) To review financial statements, including the Council's Statement of Accounts, External Auditor's opinion and reports to Members, and monitor management action in response to the issues raised by External Audit.
- (i) Review, and challenge where necessary, the actions and judgements of Management, in relation to the Council's Statement of Accounts, paying particular attention to:
 - (i) critical accounting policies and practices, and any changes to them;
 - (ii) decisions requiring a major element of judgement;
 - (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (iv) significant adjustments resulting from the audit; and
 - (v) any material weakness in internal control reported by the Internal or External Auditor.
- (j) Consider other reports of External Audit and inspection agencies which are relevant to the functions of the Committee.

(k) For the Committee to meet privately and separately at least once a year with the External Auditor and Chief Internal Auditor.

(l) To have the right to call any Members or officers of the Council as required.

(m) To consider performance and best value issues to the extent that they relate to the audit and control environment and risk management issues of the Council.

(n) To be responsible for the scrutiny of the Council's Treasury Management Strategy, including consideration of mid financial year and outturn reports.

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-011-2013/14

Date of meeting: 27 June 2013

Portfolio: Finance and Economic Development

Subject: Annual Governance Statement 2012/13

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee is requested to consider, comment upon and approve the draft Governance Statement for 2012/13.

Executive Summary:

The Council's Statutory Statement of Accounts have been prepared in accordance with the Accounts and Audit Regulations 2011. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

Reasons for Proposed Decision:

To provide the Committee with the opportunity to scrutinise the draft Governance Statement.

Other Options for Action:

No other options.

Report:

1. In accordance with good practice the governance statement should include the following information:

- (a) an acknowledgement of responsibility for ensuring there is a sound system of governance;
- (b) an indication of the level of assurance that the systems and processes that comprise the authority's governance can provide;
- (c) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
- (d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
- (e) an outline of the actions taken, or proposed, to deal with significant

governance Issues.

2. The production of an AGS enables the Authority to use the review process positively and proactively to deliver assurance about governance arrangements within the Authority to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Authority's Local Code of Governance, and supports an intention and commitment to provide good governance.

3. The Annual Governance Statement is the product of an annual review by the Authority, of the effectiveness of the Council's governance arrangements. This includes an assessment of the effectiveness of its internal control arrangements. The AGS is published with the Statement of Accounts.

4. The AGS is derived partly from detailed reviews by all Service Directors of the effectiveness of the governance arrangements operating within their Directorate, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.

5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2012/13 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2012/13.

Resource Implications:

From existing resources.

Legal and Governance Implications:

No specific implications.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group and Service Directors.

Background Papers:

CIPFA Internal Audit Code of Practice, Audit reports and files.

Impact Assessments:

Risk Management

The preparation of the Annual Governance Statement is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

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EPPING FOREST DISTRICT COUNCIL

Annual Governance Statement 2012-13

1. Scope of responsibility

- 1.1 Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011, in relation to the publication of a Statement on Internal Control.

2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

- (i) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- (iii) promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) developing the capacity and capability of Members and officers to be effective.
- (vi) engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31st March 2013 and up to the date of approval of this Statement and the Statement of Accounts.

The Governance Framework	
	The key elements of the Council's governance arrangements are:
1	A corporate plan covering 2011-2015, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year
2.1	sets out the Council's decision-making framework
2.2	gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer)
2.3	includes a scheme of delegation of responsibility, financial regulations and contract standing orders
2.4	defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee.
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief

	Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer and The Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	Working Group on Financial Regulations, Contract Standing Orders and Delegated Authorities (reviewed annually)
11	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
12	A Medium Term Financial Strategy which informs service planning and budget setting,
13	A compliments and complaints procedure
14	A risk-based approach to internal audit, emphasising the need for sound control and good value
15	A robust whistle blowing policy and process, refreshed in 2011-12, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption
16	Contribution to the delivery of the Sustainable Community Strategy for the District through active participation on One Epping Forest, formerly the Local Strategic Partnership, and the alignment of the Key Themes of the Corporate Plan 2011/15 with the Community Strategy.

Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below.

Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;

Documentary evidence of processes, procedures and standards:

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, particularly in the key financial systems;

The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years;

Significant governance Issues from 2012/13.

In preparing this statement and reviewing the effectiveness of the council's governance arrangements, we have identified areas for improvement which are set out in the table below, together with the steps to be taken to address them.

No.	Issue	Action to be taken
1	<p>Housing Repairs Service Stores A number of Internal Audit Reports since the Housing Directorate has taken over responsibility for the former Building Maintenance Works Unit have highlighted internal control deficiencies within that section (now known as the Housing Repairs Service) with regard to procedures relating to the Stores.</p>	<p>Since taking over the Stores, the Asst. Director (Property) has taken a number of steps to improve the position in the short term.</p> <p>To improve efficiency, value for money and financial controls, an EU-compliant competitive tender exercise has therefore been undertaken to appoint a company to provide a material supply chain, with adequate control measures being a key component of the specification. This new contract will commence in May 2013.</p>
2	<p>Housing and Council Tax Benefits Accuracy checks Last year the Governance Statement mentioned an internal control issue in Benefits. This problem had been raised by both external and internal audit and related to the amount of checking that was being undertaken. The internal audit report issued on Benefits in June 2012 (relating to the 2011/12 year) still had a limited assurance rating because of the checking control.</p>	<p>This control has been addressed and checking has taken place to cover the whole of the 2012/13 financial year.</p>

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Glen Chipp
 Chief Executive

Signed

Councillor Chris Whitbread
 Leader of the Council

AGC-012-2013/14

Audit & Governance Committee Work Programme

2013/14

27 June 2013

- Internal Audit Annual Report.
- Review of the Effectiveness of Internal Audit.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Q4 Internal Audit Monitoring Report.
- ❖ Audit Plan 2012/13.
- ❖ Planning Letter 2013/14.

23 September 2013

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Q1 Internal Audit Monitoring Report.
- Appointment of Co-Opted Member – Report on Recruitment.
- ❖ Annual Governance Report 2012/13.

28 November 2013

- Treasury Management Mid-Year Report.
- Q2 Internal Audit Monitoring Report.
- ❖ Annual Audit Letter 2012/13.

6 February 2014

- Treasury Management Investment & Strategy Statements.
- Q3 Internal Audit Monitoring Report.
- ❖ Grant Claims Audit Report 2012/13.
- ❖ Audit Plan 2013/14.

3 April 2014

- Effectiveness of Risk Management.
- Internal Audit Business Plan.
- ❖ Planning Letter 2014/15.

Key

- EFDC Officer Report.
- ❖ External Auditor Report.

N.B...In addition, the Committee's annual private meetings with the External and Internal Auditors are scheduled to take place prior to the April meeting.

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