

**AUDIT AND GOVERNANCE COMMITTEE**  
**Thursday, 31st March, 2016**

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, 31st March, 2016**  
**at 7.30 pm .**

**Glen Chipp**  
**Chief Executive**

**Democratic Services  
Officer**

Gary Woodhall  
The Directorate of Governance  
Tel: 01992 564470  
Email: [democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk)

**Members:**

Councillors J Knapman (Chairman), L Hughes and S Weston.

Independent A Jarvis (Vice-Chairman) and N Nanayakkara.

**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.**

**WEBCASTING/FILMING NOTICE**

**Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The meeting may also be otherwise filmed by third parties with the Chairman's permission.**

**You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.**

**Therefore by entering the Chamber and using the lower public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for web casting and/or training purposes. If members of the public do not wish to have their image captured they should sit in the upper council chamber public gallery area or otherwise indicate to the Chairman before the start of the meeting.**

If you have any queries regarding this, please contact the Public Relations Manager on 01992 564039.

**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**

(Director of Governance) To be announced at the meeting.

**3. DECLARATIONS OF INTEREST**

(Director of Governance) To declare interests in any item on this agenda.

**4. MINUTES (Pages 5 - 10)**

To confirm the minutes of the last meeting of the Committee held on 1 February 2016 (attached).

**5. MATTERS ARISING**

To consider any matters arising from the previous meeting that are not dealt with elsewhere on the agenda.

**6. AUDIT & GOVERNANCE WORK PROGRAMME 2015/16 (Pages 11 - 12)**

(Director of Governance) To consider the attached Work Programme for 2015/16.

**7. REPORTS FROM THE EXTERNAL AUDITOR (Pages 13 - 50)**

(External Auditor) To consider the attached reports (AGC-017-2015/16).

**8. EFFECTIVENESS OF THE ARRANGEMENTS FOR RISK MANAGEMENT (Pages 51 - 76)**

(Director of Resources) To consider the attached report (AGC-018-2015/16).

**9. INTERNAL AUDIT STRATEGY AND PLAN 2016-17 (Pages 77 - 92)**

(Chief Internal Auditor) To consider the attached report (C-019-2015/16).

**10. INTERNAL AUDIT COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (Pages 93 - 98)**

(Chief Internal Auditor) To consider the attached report (AGC-020-2015/16).

**11. AUDIT ASSURANCE AND RECOMMENDATION RATINGS (Pages 99 - 108)**

(Chief Internal Auditor) To consider the attached report (AGC-021-2015/16).

**12. CORPORATE FRAUD STRATEGY 2016/17 (Pages 109 - 114)**

(Chief Internal Auditor) To consider the attached report (C-022-2015/16).

**13. INTERNAL AUDIT MONITORING REPORT - FEBRUARY/MARCH 2016 (Pages 115 - 126)**

(Chief Internal Auditor) To consider the attached report (AGC-023-2015/16).

**14. 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.

**15. 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):

<b>Agenda Item No</b>	<b>Subject</b>	<b>Exempt Information Paragraph Number</b>
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.

## EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

**Committee:** Audit and Governance Committee    **Date:** 1 February 2016

**Place:** Council Chamber, Civic Offices, High Street, Epping    **Time:** 7.00 - 7.50 pm

**Members Present:** J Knapman (Chairman), A Jarvis (Vice-Chairman), L Hughes and N Nanayakkara

**Other Councillors:** -

**Apologies:** S Weston

**Officers Present:** C O'Boyle (Director of Governance), S Marsh (Chief Internal Auditor), S Alford (Principal Accountant), G J Woodhall (Senior Democratic Services Officer) and S Tautz (Democratic Services Manager)

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### 36. WEBCASTING INTRODUCTION

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

### 37. DECLARATIONS OF INTEREST

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

### 38. MINUTES

**Resolved:**

(1) That the minutes of the meeting held on 30 November 2015 be taken as read and signed by the Chairman as a correct record.

### 39. MATTERS ARISING

In respect of the Terms of Reference for the proposed Audit & Standards Committee, the Director of Governance reported that the Standards Committee was not in favour of the potential merger, at its meeting held on 25 January 2016. A report would now be submitted to the Council on 17 February 2016 to resolve the matter.

The Chairman stated that this issue should not be viewed as a disagreement between the two bodies as this Committee, whilst in favour of a merger, did not have particularly strong views on the matter either way.

### 40. AUDIT & GOVERNANCE WORK PROGRAMME 2015/16

The Committee noted its Work Programme for 2015/16, which had included some

minor updates since the previous meeting.

In response to a question from the Chairman, the Director of Governance reminded the Committee that it did have the authority to call Officers before it. However, it was important that there was a purpose behind calling an Officer before the Committee, and the Audit Recommendation Tracker could be used as a mechanism with the Committee focusing on those audit recommendations that it felt were not being progressed in a timely manner. But the Committee would have to be careful that it was not impinging upon the roles of other Committees, particularly the Select Committees who routinely monitored performance in their particular areas.

The Chairman welcomed the Director's response, and commented that the Committee should consider calling Officers when it felt that responses to audit reports and recommendations were not being provided.

#### **41. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/17 - 2018/19**

The Principal Accountant presented a wide-ranging report in respect of the Council's Treasury Management Strategy Statement and Investment Strategy for the period 2016/17 to 2018/19, which was a requirement of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and covered the authority's treasury activity for the period concerned. The Strategy Statement set out the risks associated with the Council's treasury activity and how these were managed.

The Principal Accountant reported that the Council undertook capital expenditure on long-term assets, funded by capital receipts, grants or borrowing. The Committee noted that the Council planned to borrow to carry out its capital investment, and that the Capital Programme envisaged a balance of £5.207million in capital receipts and £0 in the Major Repairs Reserve on 31 March 2019, from which it was concluded that adequate resources still existed to fund the Capital Programme in the medium-term. The Council's underlying need to borrow was referred to as the Capital Finance Requirement (CFR). As a consequence of the Housing Revenue Account Subsidy reform, and some large projects within the Capital Programme, an authorised limit of £230million had been set for borrowing, rising to £250million by the end of 2018/19.

The Committee was reminded that the Council's current investments were subject to regular advice from its treasury management advisors, Arlingclose, regarding the use of counterparties. Members noted that the Council currently had an investment portfolio of £54.6million, of which all were invested in the United Kingdom (UK). The Committee noted that the maturity profile of the investments ranged from £13.6million available for instant access, to £10million with a maturity date between nine months and a year; it was important that the cash flow of the Council was carefully monitored and controlled to ensure that sufficient funds were available each day to cover its outgoings. Members were advised that this would become more difficult as the Council used up capital receipts and investment balances reduced.

The Principal Accountant advised members of the key risks associated with the Council's treasury management activity, and how these had been managed throughout the year via the use of prudential indicators:

- (i) The Credit and Counterparty risk was the possibility of a counterparty going into liquidation and failing to meet its obligations to the Council. The Council's counterparty list was both prudent and regularly updated by its

treasury advisors, and the authority kept its investments fairly liquid within a restricted counterparty list.

(ii) The Liquidity risk was the possibility that sufficient cash would not be available to the Council when required. In mitigation of this risk, a number of Money Market Funds were maintained and the Director of Resources held monthly meetings with treasury staff to review cash flow requirements.

(iii) The Interest Rate risk was concerned with potential fluctuations in interest rates. It was proposed to maintain no more than 75% of the Council's investments in variable rate financial instruments, with the remainder of the investments made in fixed rate deposits. This approach would allow the Council to take advantage of any favourable changes in interest rates whilst also receiving a reasonable return. The Council's treasury management advisors considered that interest rates were unlikely to change significantly in the short to medium term.

The Principal Accountant informed the Committee that the Council had borrowed between the General Fund and Housing Revenue Account (HRA) for many years, and the interest rate charged had been based upon the average investment interest earned for the year. Regulations issued by CIPFA required that this interest rate should be approved by the Council before the start of the financial year, and it was proposed that the average investment interest continue to be used as the rate for any inter-fund borrowing.

The Committee noted that the Treasury Management Strategy Statement and Investment Strategy would be considered by the Council at its meeting on 18 February 2016, and that the views of the Committee in respect of the authority's management of the risks associated with its treasury management activity, would be reported to the Council meeting.

In response to questions from the Committee, the Principal Accountant explained that the expected rise in the Council's need to borrow was based on an estimate including the current size of the Capital Programme, the forecast for the HRA, expenditure in the recent past, plus some flexibility or contingency. It was currently difficult to envisage the Council needing to borrow more than £250million. It was acknowledged that the Balance Sheet on page 25 of the agenda did not strictly show the expected extra borrowing, although it did illustrate that the Council would need to borrow money in 2017/18 when the Resources Available became a negative figure; the Council still expected to borrow the majority of this amount from other Local Authorities at a competitive rate of interest. It was accepted that the wording for the '*Gross Debt and the Capital Financing Requirement*' section could be clearer, and the Principal Accountant agreed to provide Members with a written explanation after the meeting.

The Principal Accountant reiterated that the Council's prime concern was risk and the security of its investments; therefore, it would be correct to imply that the Council was a low risk authority and was careful about where it invested its money. However, the Council needed to diversify from solely investing in Banks, as the Council could lose some of its deposit if the Bank failed as an ongoing business. It was highlighted that there were no material changes to the Strategy Statement and Investment Strategy for this year, but increased levels of borrowing and reduction in investment limits were key themes that were accentuated last year.

The Committee noted the forecast capital expenditure on the Epping Forest Shopping Park, and that this was expected to generate a better return for the Council

than if the funds were invested in Money Market accounts. The Committee also felt that the Council was maintaining a relatively low risk strategy, which had been a consistent theme for a number of years for the Council's Treasury Management function. In addition, the Committee also recognised that the Council was currently aiming to:

- (i) diversify from solely investing with Banks;
- (ii) maintain liquidity; and
- (iii) improve its return from capital investments.

**Resolved:**

- (1) That the Council's proposed Treasury Management Strategy Statement and Investment Strategy for the period 2016/17 to 2018/19 be noted;
- (2) That the arrangements for dealing with the risks associated with its treasury management activity, as outlined in the Council's proposed Treasury Management Strategy Statement and Investment Strategy, be considered adequate; and

**Recommended:**

- (3) That the proposed Treasury Management Strategy Statement and Investment Strategy for the period 2016/17 to 2018/19 be recommended to the Council for approval and adoption without further amendment.

**42. INTERNAL AUDIT MONITORING REPORT - DECEMBER 2015 AND JANUARY 2016**

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the period December 2015 and January 2016, which provided a summary of the work undertaken by the Internal Audit Service during this time.

The Chief Internal Auditor advised the Committee that four reports had been issued since the previous meeting, of which 3 had been given Substantial Assurance – Community Partnerships, Council Housebuilding Programme and Licensing – and one had been given Limited Assurance. The Limited Assurance audit had been issued for Planning Fees; the recommendations made in the 2014/15 report had yet to be implemented and the main concern was the ability to ensure that all of the income due was collected and accounted for. The ICT team had been unable to effect regular reconciliations between the Northgate M3 system and the General Ledger, making reconciliations a largely manual process. This issue had been raised with Northgate.

The Chief Internal Auditor reported that the Recommendation Tracker contained three recommendations which had passed their due date, one of which replaced a previous Priority 1 recommendation for the reconciliation of Planning Fees (as outlined above). A Priority 3 recommendation had also been issued for the Planning Fees audit, for invalid applications to be returned to applicants within three months of submission, as per the Council's policy. The final overdue recommendation concerned the management of sickness absence and a pilot exercise was being carried out within the Communities Directorate.

The Chief Internal Auditor highlighted that the Corporate Fraud Team was continuing to focus on the large number of Right-to-Buy applications being received by the



Council, which had resulted in five applications being found as 'suspicious'. A three-bedroom semi-detached property in Ongar had been recovered following a long investigation and one individual had been successfully prosecuted in relation to Local Council Tax fraud. A housing fraud case was due to commence in February 2016.

The Chief Internal Auditor stated that work had continued on the Audit Plan for 2015/16, but the Committee was requested to approve the deferral of the following audits:

- (i) Gifts & Hospitality – to allow for the introduction of a new electronic system;
- (ii) Grants to Voluntary Organisations – a bereavement within the section;
- (iii) Facilities Management Contracts – to be included in next year's e-invoicing audit as the new system was being piloted in Facilities Management;
- (iv) Equality & Diversity – staffing vacancies, and not deemed a high risk area; and
- (v) ICT Asset Management – to be removed as a stock check was being undertaken following an internal theft.

Despite the need to defer/remove the small number of audits outlined above, the Chief Internal Auditor expected that sufficient audit work would be undertaken to give the annual audit opinion for 2015/16.

The Committee was surprised that Equalities & Diversity appeared to be never audited, as it had been deferred in 2014/15 as well; were there other means of assurance available for such areas? The Chief Internal Auditor reassured the Committee that her opinion would be based on discussions with Directors and Assistant Directors, as well as the audit reports issued throughout the year, and she had an impression of the assurance levels in such areas. The Director of Governance added that the Equalities Corporate Working Group also monitored Equalities activities and the minutes from this Group was submitted to the Management Board for monitoring. The Chief Internal Auditor was very confident about being able to give her audit opinion at the end of the year.

In respect of the Limited Assurance audit report for planning fees, the External Auditor had reached the same conclusions as the Internal Audit report. The Chairman commented that the planning fees issue was taking a long time to resolve. The Chief Internal Auditor stated that the reporting function in the Northgate M3 system was not designed to perform fee reconciliations; this also was not a priority previously for the Development Management department, but it was now and they would implement monthly reconciliations of the planning fees received. The Director of Governance, as the Director responsible for Development Management, assured the Committee that the planning fees issues would be resolved. In addition, the outstanding Priority 3 action for planning fees was more concerned with the return of the fee within three months to the applicant if their application was invalid, not whether the application was checked for validity within three months.

The Chairman enquired whether the Corporate Fraud Team was providing the Council with a value for money service? The Chief Internal Auditor stated that the team was inaugurated in April 2015 and it was possibly too early to ascertain at the current time, but this could be reported on at the next meeting as part of the

Corporate Fraud Strategy. It was acknowledged that Community Safety Partnerships were not currently included in the Audit Plan; this was being considered for 2016/17, and the Chief Internal Auditor would respond in writing to the Committee when a decision had been made.

**Resolved:**

(1) That the progress being made both against the 2015/16 Internal Audit Plan and by the Corporate Fraud Team be noted; and

(2) That the following audits in the Audit plan for 2015/16 be either dropped or deferred to 2016/17:

- (a) Gifts & Hospitality;
- (b) Grants to Voluntary Organisations;
- (c) Facilities Management Contracts;
- (d) Equality & Diversity; and
- (e) ICT Asset Management.

**43. ANY OTHER BUSINESS**

The Committee noted that there was no other urgent business for consideration.

**44. EXCLUSION OF PUBLIC AND PRESS**

The Committee noted that there was no business which necessitated the exclusion of the public and press from the meeting.

**CHAIRMAN**

## **Audit & Governance Committee Work Programme 2015/16** **(revised September 2015)**

### **29 June 2015**

- Internal Audit Annual Report 2014/15.
- Review of the Effectiveness of Internal Audit.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Internal Audit Progress Report.

### **21 September 2015**

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Internal Audit Progress Report.
  
- ❖ Annual Governance Report 2014/15.

### **30 November 2015**

- Treasury Management Mid-Year Report.
- Internal Audit Progress Report.
- Review of the Internal Audit Charter
- Review of the Audit and Governance Committee Terms of Reference.
- Schedule of Meetings for 2016/17.
  
- ❖ Annual Audit Letter 2014/15.

### **1 February 2016**

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.
  
- ❖ Grant Claims Audit Report 2014/15.

### **31 March 2016**

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2016/17.
- Internal Audit Compliance with the Public Sector Internal Audit Standards
  
- ❖ Planning Letter 2016/17.
- ❖ Audit Plan 2015/16.

### **Unallocated Items**

- Review of the Audit and Governance Committee Effectiveness.
- Information Regarding the Whistle Blowing Policy.

### **Key**

- EFDC Officer Report.
- ❖ External Auditor Report.

*N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 31 March 2016 meeting in the Conference Room.*

## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report Reference: AGC-017-2015/16**

**Date of meeting: 31 March 2016**

**Portfolio: Governance & Development Management**

**Subject: Reports from the External Auditor**

**Responsible Officer: Bob Palmer (01992 564279)**

**Democratic Services: Gary Woodhall (01992 564470)**

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### **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 2015/16, which summarises the significant risks that impact on the audit and the key outputs from the audit. There are detailed sections setting out the scope of the audit, providing a risk assessment and the audit timetable.

The second report is the Planning Letter for 2016/17, which sets out the proposed fee and audit arrangements.

The final report is the Grant Claims and Returns Certification Report, which was previously circulated to Members of the Committee.

### **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:**

There are no other options for action.

### **Report:**

1. The reports will be presented to the Committee by Ms Zoe Thompson, Engagement Lead.

### **Resource Implications:**

Sufficient allowance was made in the original estimates for 2016/17 to cover the fees for the 2015/16 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.

**Risk Management:**

The documents identify areas of risk that the external auditors will address as part of their work.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date / Name</b>	<b>Summary of equality analysis</b>
16/03/16  Director of Resources	The report relates to the work conducted by the external auditor and has no equality implications.

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# EPPING FOREST DISTRICT COUNCIL

PLANNING REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE  
Audit for the year ending 31 March 2016  
14 March 2016

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# INTRODUCTION

## PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the Council for the year ending 31 March 2016. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Governance Committee and should not be shown to any other person without our express permission in writing.

In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

## CONTENT OF OUR REPORT

In this report, we set out the following:

- Our team and responsibilities for this year's audit
- Our client service commitment
- An overview of the audit timetable with key dates and deliverables
- The audit scope and objectives
- Our preliminary evaluation of materiality
- Our overall audit strategy
- Our initial assessment of the key audit risks and other relevant matters along with our planned audit approach
- Confirmation of independence and consideration of any independence related matters
- Our proposed fees for the audit.

# YOUR BDO TEAM



Name	Contact details	Key responsibilities
<b>Zoe Thompson</b> Engagement Lead	Tel: 01473 320 734 <a href="mailto:Zoe.thompson@bdo.co.uk">Zoe.thompson@bdo.co.uk</a>	Oversee the audit and sign the audit report
<b>Barry Pryke</b> Project Manager	Tel: 01473 320 793 <a href="mailto:Barry.pryke@bdo.co.uk">Barry.pryke@bdo.co.uk</a>	Management of the audit
<b>Nuwan Indika</b> Senior	Tel: 01473 320 807 <a href="mailto:Nuwan.indika@bdo.co.uk">Nuwan.indika@bdo.co.uk</a>	Day to day supervision of the on-site audit

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Zoe Thompson is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements and use of resources. In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

She is responsible for the overall quality of the engagement.

# OUR CLIENT SERVICE COMMITMENT TO YOU

## CLIENT SERVICE EXPECTATIONS

1

High quality audit service at a reasonable cost.

2

A quality team, with relevant expertise.

3

Clear communication.

4

Concentrating our work on areas of higher risk.

5

Avoiding surprises through timely reporting of issues.

6

Consulting with management to resolve matters early.

7

Meeting deadlines.

8

Identifying shortcomings in controls and processes.

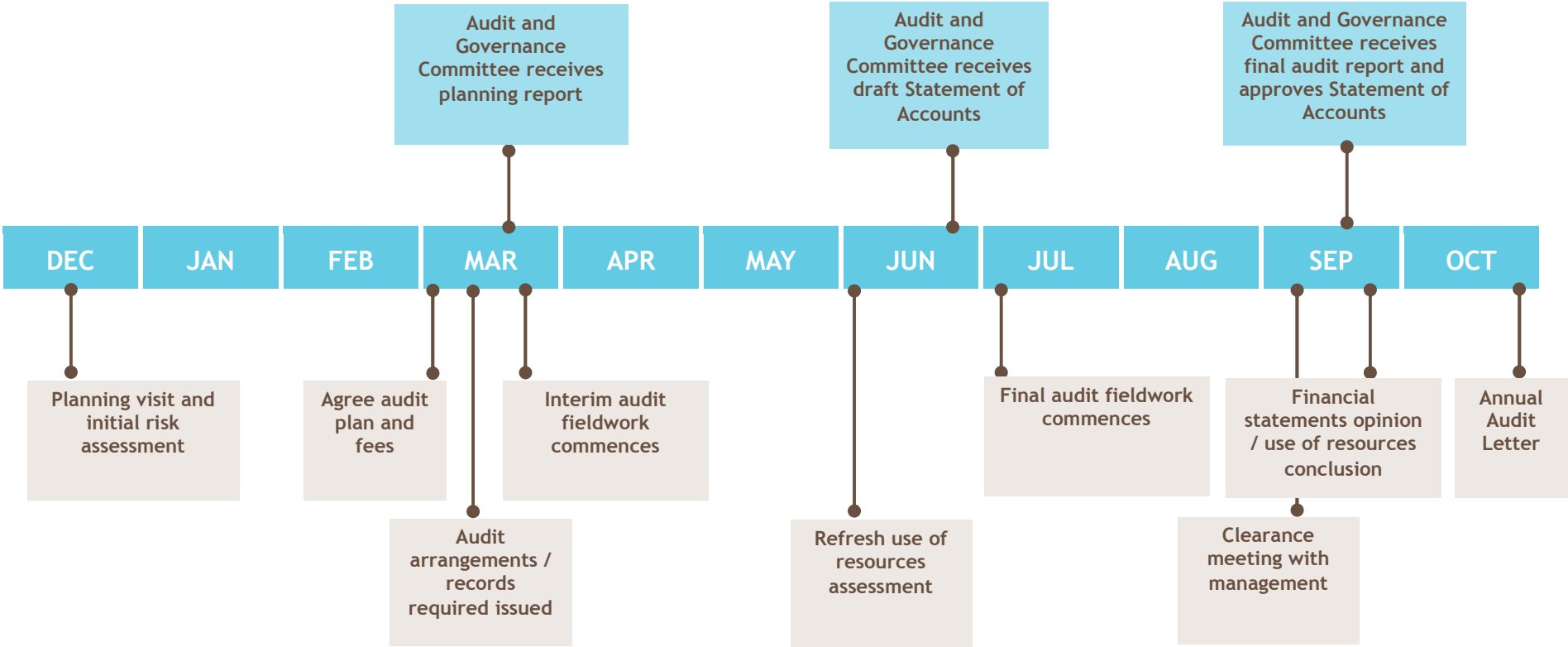
# ENGAGEMENT TIMETABLE

## TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.

← CONTINUOUS COMMUNICATIONS →

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# AUDIT SCOPE AND OBJECTIVES

## SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p><b>1</b></p> <p>The financial statements give a true and fair view of the financial position of the authority and its expenditure and income for the period in question.</p>	<p><b>2</b></p> <p>The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p><b>3</b></p> <p>Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p><b>4</b></p> <p>The return required to facilitate the preparation of WGA consolidated accounts is consistent with the audited financial statements.</p>	<p><b>5</b></p> <p>The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

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## ADDITIONAL POWERS AND DUTIES

<p><b>6</b></p> <p>To consider the issue of a report in the public interest.</p> <p>To make a written recommendation to the authority.</p>	<p><b>7</b></p> <p>To allow electors to raise questions about the accounts and consider objections.</p> <p>To apply to the court for a declaration that an item of account is contrary to law.</p> <p>To consider whether to issue an advisory notice or to make an application for judicial review.</p>
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# MATERIALITY

## COUNCIL MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Council	£1,900,000	£76,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based on 2% of gross expenditure. At this stage, the figure is based on the gross expenditure recognised in the 2014/15 audited financial statements. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 4% of the materiality level.



# OVERALL AUDIT STRATEGY

## We will perform a risk based audit on the Council's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk during our planning visit in order to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and Council-specific level, and draw on relevant cost and performance information as appropriate.

The new, single criterion set by the NAO that underpins our work is:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

We then carry out our audit procedures in responses to risks.

## Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided sub criteria which we will consider as part of our risk assessment process as follows:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties.

## Internal Audit

We will ensure that we maximise the benefit of the overall audit effort carried out by Internal Audit and ourselves, whilst retaining the necessary independence of view.

We understand that Internal Audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on Internal Audit work as evidence of the soundness of the control environment.

# KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other issue

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk.</p> <p>In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.</p>	Not applicable.
	<p>Under International Standard on Auditing 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements” there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We consider that, due to the nature of the transactions, this risk is significant in respect of income from fees and charges where the revenue is generated from the raising of invoices and the collection of cash and direct payments arising from payments made for Council services.</p>	<p>We will carry out audit procedures to gain an understanding of the authority’s internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We will also substantively test an increased sample of income streams from source document to the general ledger, testing income to supporting documentation and testing an increased sample of receipts either side of the year end to ensure that income is complete, accurately recorded and earned in the year.</p>	Government grant funding will be agreed to information published by the sponsoring Department.

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# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Property, plant and equipment valuations</p> <p>Page 27</p>	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The Council carries out a rolling programme under which relevant items of PPE are revalued at least every five years. The assets that are not revalued in year are assessed to establish whether the carrying value remains materially accurate.</p> <p>There is a risk over the valuation of land and building as the valuations are based on assumptions that are uncertain by nature. There is a risk of material misstatement if inappropriate or inaccurate assumptions are used in the calculation of fair values.</p>	<p>We will review the competence, objectivity and independence of the external valuer engaged by management to assist with the valuation of land and buildings.</p> <p>We will agree a sample of revaluations recognised in the statement of accounts to the external valuers report to ensure that they have been accurately recorded.</p> <p>We will challenge managements assumptions in relation to assets not valued during the year to ensure the fair value is accurately reflected in the financial statements.</p>	<p>We will use the report that will be produced by Gerald Eve LLP, which include the details of general changes in property prices and a review of the qualifications, resources, objectivity and approach of the Valuation Office Agency.</p>
<p>Pension liability assumptions</p>	<p>The net pension liability comprises the Council's share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will obtain assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.</p> <p>We will review the competence, objectivity and independence of the actuaries responsible for the valuation of the liabilities associated with the Pension Fund.</p> <p>We will also carry out other procedures such as agreeing the contributions paid during the year to the payroll records and review for any significant changes within the Council that affect the pension liability valuation.</p>	<p>We will obtain the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management and review councillors and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.	Companies House searches for undisclosed interests.
Fraud and error	<p>We are required to discuss with you the possibility of material misstatement, due to fraud or error.</p> <p>We are informed by management that there have not been any cases of material fraud or error, to their knowledge.</p>	We will continue to consider throughout the audit process and discuss with management.	Not applicable.

# KEY AUDIT RISKS AND OTHER MATTERS

## Continued

### AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Sustainable Finance Page 29</p>	<p>The spending review announced by the Government in November 2015 confirmed that central government funding for local government will continue to fall following significant reductions implemented during the previous Parliament. Existing funding mechanisms, particularly in relation to local taxation, are also likely to be restructured in the medium-term.</p> <p>The Council's most recent medium term financial strategy (MTFS, prepared in February 2016) takes into account the above factors. Identified savings of £2.6m will need to be delivered during the period 2016/17 - 2019/20 and further savings of £0.5m will need to be identified for the period 2017/18 - 2019/20.</p> <p>The likely changes to local government funding, coupled with the need to deliver savings in the medium term, means that the Council continues to face financial risks. These are, in part, mitigated by the levels of reserves currently held by the Council, which are forecast to remain significantly above the target of 25% of the Council's net budget requirement for the duration of the MTFS.</p>	<p>We will review the Council's MTFS to assess the reasonableness of assumptions used and how the Council is addressing financial pressures.</p> <p>We will consider the progress made by the Council regarding the exploitation of the commercial opportunities it has identified. We will also review the progress it has made with its transformation programme, including any potential efficiency savings arising from the programme.</p>	<p>Not applicable.</p>

# INDEPENDENCE

## INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate Audit and Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2016.

We have not identified any potential threats to our independence as auditors.

On the following page, we have recorded details of any non audit services.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

# FEES

## FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2016 are:

	£
Code audit fee	64,672
Certification fee	18,533
Audit related services	TBC
<b>TOTAL FEES</b>	<b>83,205</b>

Code audit fee invoices will be raised as set out below, following which our firm's standard terms of business state that full payment is due within 14 days of receipt of invoice:

- 1<sup>st</sup> instalment - £16,168 on 30 June 2015
- 2<sup>nd</sup> instalment - £16,168 on 30 September 2015
- 3<sup>rd</sup> instalment - £16,168 on 31 December 2015
- 4<sup>th</sup> and final instalment - £16,168 on 31 March 2016

Fees for certification work will be invoiced in November 2016.

In 2014/15, we were engaged by management to provide reporting accountant assurance on the pooling of housing capital receipts return. This work is outside of the framework which governs the Code audit work and certification of the housing benefit subsidy return. Should we be appointed to undertake similar work in 2015/16, we will report the fee to the Audit and Governance Committee once agreed with management.

### Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

# APPENDIX I: MATERIALITY

## CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Statutory performance targets
  - Instances when greater precision is required (e.g. senior management remuneration disclosures).

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.



# APPENDIX I: MATERIALITY

## Continued

### REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

### UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit and Governance Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.  
Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit and Governance Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
  - Clear cut errors whose correction would cause non-compliance with statutory performance targets, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
  - Other misstatements that we believe are material or clearly wrong.

## APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Zoe Thompson - Engagement lead	1	31 March 2021
Barry Pryke - Project manager	3	31 March 2024

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# EPPING FOREST DISTRICT COUNCIL

Planning Letter 2016/17

6 March 2016

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# PROPOSED FEES

## Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2016/17 financial year.

### Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2015. There are no planned changes to the overall work programme for 2016/17 and the scale audit fees have been set at the same level as 2015/16, although it acknowledges that for some authorities a change in accounting requirements relating to highways infrastructure assets will require additional audit work. PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

### Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available but this is reset annually and the 2016/17 indicative fee is not yet published.

### Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor.

### Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate

safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

## Fees

AUDIT AREA	PROPOSED FEE 2016/17 (£)	SCALE FEE 2016/17 (£)	PROPOSED FEE 2015/16 (£)
Code audit fee	64,672	64,672	64,672
Certification fee	TBC	TBC	18,533
Audit related services - None	-		-
Non audit services - None	-		-
Total fees	64,672		83,205

### Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit or 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 Resources. Where this requires a variation to the scale fee we will seek approval from the PSAA.

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.

At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

### Arrangements from 2017/18

CLG has confirmed that the current contracts negotiated by the Audit Commission in April 2014 will be extended for one year. As a result, the Council will be required to make a local appointment for external audit services from 2018/19.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the 2016/17 audit:

REPORT	DATE
Audit plan	March 2017
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	June 2017
Final report to those charged with governance	September 2017
Independent auditor's report including: Opinion on the financial statements Value for money conclusion Certificate	September 2017
Consistency opinion on the summarisation schedules	October 2017
Summary of findings from the audit in the annual audit letter	October 2017
Grant claims and returns certification report	December 2017

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## Audit team

The key members of the audit team will be:

**Engagement Lead - Zoe Thompson**

email: [zoe.thompson@bdo.co.uk](mailto:zoe.thompson@bdo.co.uk)

Tel: 01473 320734

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

**Project Manager - Barry Pryke**

email: [barry.pryke@bdo.co.uk](mailto:barry.pryke@bdo.co.uk)

Tel: 01473 320793

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

**Senior - Nuwan Indika**

email: [Nuwan.indika@bdo.co.uk](mailto:Nuwan.indika@bdo.co.uk)

Tel: 01473 320807

Nuwan 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 Zoe Thompson 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 PSAA complaints handling procedure is detailed on their website <http://www.psa.co.uk/about-us/contact-us/complaints/>.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# EPPING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION  
Year ended 31 March 2015

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# INTRODUCTION

## THE PURPOSE OF THIS REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2015.

We have completed our 2014/15 grant claim and return certification in relation to housing benefit subsidy as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. This work has been completed in accordance with the Statement of Responsibilities issued by the Audit Commission.

2014/15 is the final year that arrangements for certification have been the responsibility of the Audit Commission. From 2015/16, certification work will be completed in accordance with guidance issued by Public Sector Audit Appointments Ltd, which replaced the Audit Commission on 1 April 2015.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified with the reasons for qualification set out in a letter to the grant paying body. Sample sizes used in the work on the housing benefit subsidy return and the methodology for the certification of the return are prescribed by the Audit Commission.

Our work on the pooled housing capital receipts return is not part of the Audit Commission regime. This work is governed by a tri-partite agreement between the Council, the Department for Communities and Local Government and BDO. We act as a reporting accountant and provide an independent reasonable assurance conclusion as to whether the subject matter is in accordance with the relevant terms and conditions.

A summary of the fees charged for certification work for the year ended 31 March 2015 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2013/14 Grant Claims and Returns Certification report (presented to the Audit and Governance Committee on 30 March 2015).

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

FEES	2014/15	2014/15	2013/14
	OUTTURN FEE (£)	PLANNED FEE (£)	OUTTURN FEE (£)
Housing benefit subsidy	24,710	24,710	23,604
Pooled housing capital receipts return	2,000	2,000	1,280
<b>TOTAL FEES</b>	<b>26,710</b>	<b>26,710</b>	<b>24,884</b>

# KEY FINDINGS

## Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	37,535,523	Yes	Yes	559 decrease in the amount payable to DWP
Pooled housing capital receipts return	5,055,042	No	Yes	8 increase in the total housing capital receipts subject to pooling

## Detailed Findings

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Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2015. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan in respect of these matters is included at Appendix II of this report on page 7.

### Housing benefit subsidy

Local authorities responsible for managing the housing benefit scheme are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions (DWP). We have no discretion over how this methodology is applied.

### Findings and impact on claim

During our initial testing of a sample of cases, two errors were identified. In both instances, the Council's quality control procedures had highlighted and corrected these errors after the subsidy claim was produced but before we completed our testing. Therefore, no additional testing was performed in respect of these errors.

The methodology specified by the Audit Commission requires us to consider our findings from the prior year. If there is insufficient evidence to demonstrate that the Council has taken adequate steps to address these errors, we perform additional testing in the current year to determine the potential impact on subsidy.

This resulted in additional testing being undertaken in 2014/15 as described below.

- Testing of 100% of the population of non-HRA rent rebate claims to confirm that ineligible meal costs have been correctly deducted
- Testing of a sample of claims from the sub-population of rent rebate claims where the claimant is in receipt of private pension to confirm that private pension income has been correctly calculated

- Testing of all rent allowance claims where the landlord levies a support charge to ensure that that the support charge has been correctly treated in the calculation of the weekly eligible rent
- Testing of 100% of the population of rent allowance cases which do not need to be referred to the rent officer to ensure that they had been correctly classified

The additional '40+' testing and 100% testing is required by the methodology agreed with the Department for Work and Pensions (DWP). For situations where errors are identified that cannot be concluded as isolated, we must carry out extended testing of an additional sample of 40 cases. Where there is a small population (less than 100) a 100% check is undertaken.

It should be noted that underpayments of benefit are not considered to be errors for subsidy purposes (as the Council cannot claim subsidy for benefit expenditure which has not been incurred). Therefore, where the nature of an error is such that it will only ever result in an underpayment of benefit, the methodology does not require us to complete any additional testing.

- **Non-HRA rent rebates ineligible meal costs:** Testing of 100% of the population of non-HRA rent rebate claims identified one case where ineligible meal costs had been incorrectly included in the calculation of eligible rent (error of £57). The affected case was corrected and this will be reflected in the 2015/16 subsidy return. Therefore no adjustment was made to the 2014/15 subsidy return and the matter was reported in our qualification letter.
- **Rent rebates private pension income:** Testing of a sample of claims from the sub-population of rent rebate claims where the claimant is in receipt of private pension identified two cases where benefit had been overpaid because private pension income had not been correctly calculated (error of £182). This matter was reported in our qualification letter.

The Capita system reconciliation was carried out, but there were unreconciled differences of £128 in relation to Rent Rebates and £6,782 in relation to Rent Allowances. Our testing also identified that there were differences between the headline cells and in-year reconciliation cells for rent rebates and rent allowances of £93 and £133 respectively. These matters were reported in our qualification letter.

We also identified that the DWP overpayments (which the Council enter into the form manually) were incorrectly input. These were amended in the final version of the claim form.

## Pooling of housing capital receipts

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received. The Council is required to obtain, from a reporting accountant, an independent reasonable assurance conclusion over the total housing capital receipts subject to pooling.

## Findings and impact on return

Our work on the pooling of housing capital receipts is complete and we have agreed the required amendments with officers. However, at the time of drafting this report, it has not been possible to process these amendments on the Logasnet system. We will continue to work with the officers to address this issue and will provide an update to members once we have issued our assurance statement.

One issue was identified in relation to the recording of quarterly amounts arising from the disposals of dwellings which took place before 1 April 2012 under Right to Buy. These amounts were inconsistent with the prime documentation provided by officers, primarily due to amounts being recognised in the wrong quarter on the form. One amount was also recognised at the incorrect value, resulting in the £8 adjustment reflected in the table above.



# APPENDICES

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## APPENDIX I: STATUS OF 2013/14 RECOMMENDATIONS

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY						
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	
Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have applied correctly.	Medium	Agreed	Assistant Director (Accountancy)	Production of 2014/15 return	Our testing identified that DWP error overpayments had been input incorrectly. This recommendation as therefore been raised again in 2014/15.	
Carry out refresher training for staff that specifically covers the correct treatment of rent liability, eligible rent and tax credits. Retain documentation to demonstrate training has been delivered.	Medium	Rent liability training has been undertaken and guidance issued on tenancy types. Further refresher training will be undertaken in March 2015. All Regulated tenancies are now regularly checked. Tax Credits are now taken from ATLAS which has eliminated the errors with amounts and dates, plus ATLAS training notes have been issued. Checking of claims for accuracy will continue and any errors will continue to be discussed with the individual staff members.	Benefits Manager	Throughout 2014/15 and ongoing	Our initial testing identified two errors, both of which were identified by the Council's quality control procedures prior to commencement of our testing. This is reduction on the number of errors identified in the prior year.	
POOLING OF HOUSING CAPITAL RECEIPTS						
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS	
Review instructions for completing the return to ensure all relevant amounts are included prior to submission.	Medium	Agreed	Assistant Director (Accountancy)	Production of 2014/15 return	Implemented. Instructions are now reviewed prior to completion of the quarterly returns.  Our testing did not identify any errors arising from the omission of relevant amounts.	
Contact DCLG to discuss the errors identified and establish whether or not these can be adjusted to ensure the correct values are carried forward to the following years form.	Medium	Agreed	Assistant Director (Accountancy)	March 2015	The correct figures have been ascertained.  Officers have confirmed that DCLG are yet to be contacted to confirm the action that now needs to be taken.	



## APPENDIX II: 2014/15 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
During production of the 2014/15 return, manual adjustments to totals on the return were made incorrectly.	Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have been applied correctly.	Medium	Agreed - Review of return to be carried out by one of the other Principal Accountants or Assistant Director of Resources	Assistant Director of Resources	Production of 15/16 claim
Pooling of housing capital receipts					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Quarterly amounts arising from the disposals of dwellings which took place before 1 April 2012 under Right to Buy were recorded in the wrong quarter on the Logasnet return.	Review quarterly amounts input into the form prior to submission of the final return to ensure they are consistent with supporting documentation maintained by the Council.	Medium	Agreed - Review of return to be carried out by one of the other Principal Accountants or Assistant Director of Resources	Assistant Director of Resources	Production of Q4 pooling return

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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## **Report to the Audit & Governance Committee**



**Epping Forest  
District Council**

**Report Reference: AGC-018-2015/16**

**Date of meeting: 31 March 2016**

**Portfolio: Finance**

**Subject: Effectiveness of the Arrangements for Risk Management**

**Responsible Officer: Bob Palmer (01992 564279)**

**Democratic Services: Gary Woodhall (01992 564470)**

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### **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".

The internal audit of Risk Management for 2014/15 contained a rating of substantial assurance and made no recommendations for improvement. The 2015/16 audit is currently being completed and so will form part of the fourth quarter report to the June meeting of this Committee. As the audit is still in progress no conclusion has yet been made on the level of 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 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 Management Board. During 2015/16 meetings were held in May, August, December and February. The Director of Resources, 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.

7. The annual updating and approval of the terms of reference for the RMG is being considered by the Finance and Performance Management Cabinet Committee on 17 March 2016 and a report recommending their adoption will go to a subsequent meeting of Cabinet. The meeting on 17 March will also consider 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 Management Board (which consists of the Chief Executive and the four Directors).

9. Management Board 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 Board is not aware of any other new risks for inclusion.

10. Finally, recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee.

#### Updates to the Risk Register

11. Key points from the reviews by the Finance and Performance Management Cabinet Committee are given in the table below:

<u>Date of Meeting</u>	<u>Updates Considered</u>
18 June 2015	<p>Risk 10 – Housing Capital Finance – new risk added due to concern about time limit in which to spend right to buy receipts before being required to pay the money (plus interest) to the Treasury. The risk score was agreed as B2 (high likelihood/moderate impact).</p> <p>Risk 9 – Safeguarding – due to work undertaken, two triggers related to training and awareness removed. Given progress in managing this risk score reduced from B2 to C2 (high likelihood/moderate impact to medium likelihood/moderate impact).</p> <p>Updates to risks 1, 2, 3, 4 and 6.</p>
17 September 2015	<p>Risks 1, 2, 4 and 8 updates to action plans and effectiveness of controls.</p> <p>Risks 5, 6, 7 and 9 updates to required further management action.</p> <p>Risk 10 – additional vulnerability and trigger to cover possible loss of income to the Housing Revenue Account.</p>
21 January 2016	<p>Risks 1 – Local Plan – comprehensive update of vulnerabilities, triggers and consequences.</p> <p>Risks 2, 3, 4, 9 and 10 updates to action plans and effectiveness of controls.</p> <p>Risks 6, 7 and 8 updates to existing controls and required further management action.</p>
17 March 2016	<p>Risks 1, 2, 4 and 6 updated descriptions and effectiveness of controls.</p>

12. For information, the current risk register is attached as Appendix 1.

**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:**

Reports to the Finance and Performance Management Cabinet Committee as set out above.

**Risk Management:**

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

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date / Name</b>	<b>Summary of equality analysis</b>
16/03/16  Director of Resources	The report is about the effectiveness of the arrangements for risk management and relates to this process not the delivery of any particular service and so has no equality implications.

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# **Epping Forest District Council Corporate Risk Register**

**Date: 17 March 2016**

# Contents

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# 1. Introduction

A strategic risk management 'refresh' exercise was conducted on 15<sup>th</sup> May 2013 with assistance from Zurich Risk Engineering. This exercise was an opportunity for the Management Board to refresh (or update) through identification, analysis and prioritisation those risks that may affect the ability of the Council to achieve its strategic objectives and Corporate Plan. In doing so, the organisation is recognising the need to sustain risk management at the highest level.

The refresh exercise involved a workshop with Management Board to identify new business risk areas and to update and re-profile important risks from the existing corporate risk register.

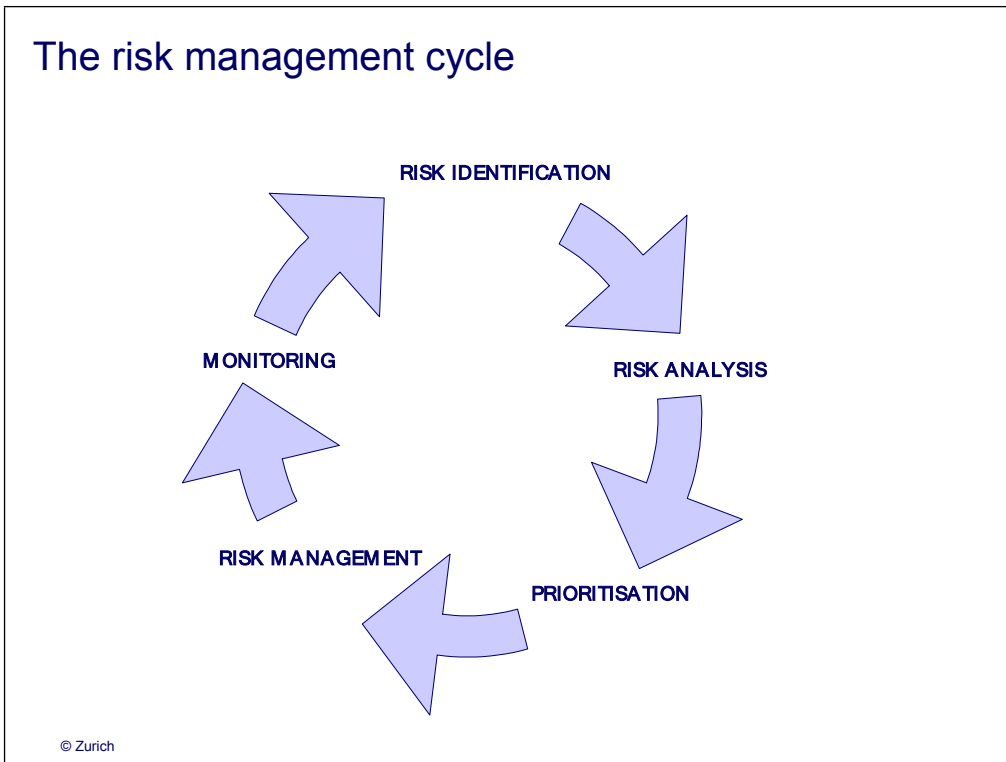
In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

Management Board agreed a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. Risks in the red zone will be monitored on a monthly basis and those in the amber zone on a quarterly basis.

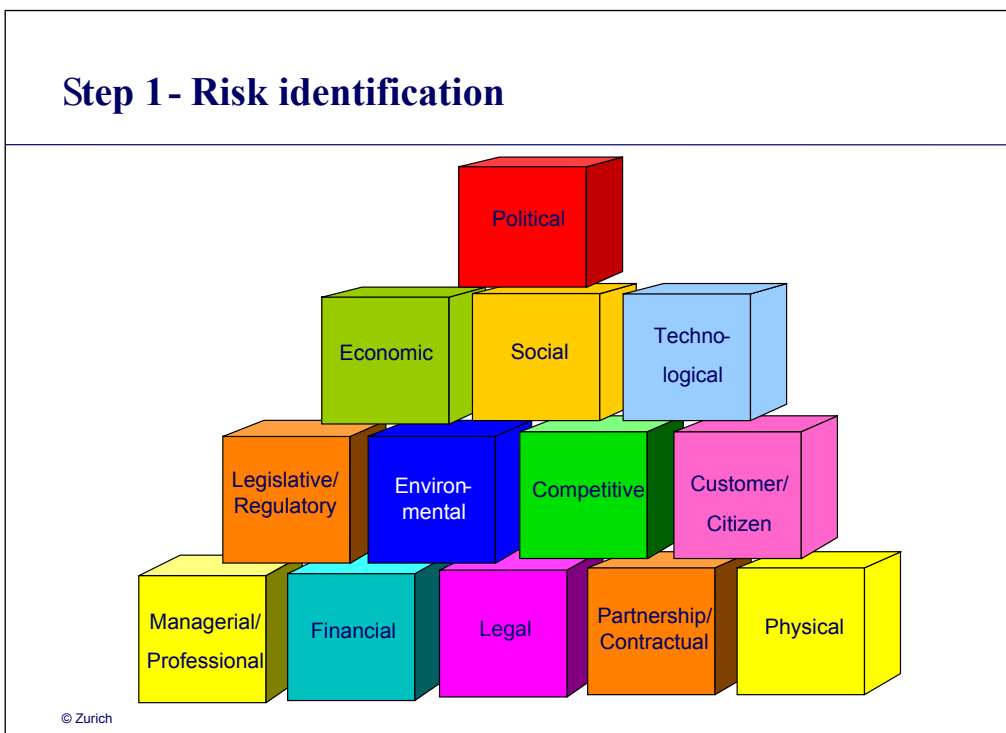
The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

## 2. The Process



### Risk identification

The first of five stages of the risk management cycle requires risk identification. This formed the initial part of the workshop. In doing so the following 13 categories of risk were considered.



## **Risk analysis**

During the workshop, the identified risks were discussed and framed into a risk scenario format, containing risk cause and consequence elements, with a 'trigger' also identified. This format ensured that the full nature of the risk was considered and also helped with the prioritisation of the risks.

## **Risk prioritisation**

The discussion resulted in 8 risk scenarios being agreed (Appendix 2) and these were then assessed for impact and likelihood and plotted onto a matrix (Appendix 1). The likelihood of the risks was measured as being 'very high', 'high', 'medium', or 'low/very low'. The impact, compared against the key objectives and Corporate Plan was measured as being 'major', 'moderate', 'minor' or 'insignificant'.

Once all risks had been plotted the matrix was overlaid with red, amber and green filters, with those risks in the red area requiring further particular scrutiny in the short-term, followed by those in the amber area.

## **Risk management and monitoring**

The next stage is to monitor the revised 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.

A risk owner has been identified for each risk. It is vital that each risk should be owned by a member of Management Board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans. Risks should also be reviewed as part of the business planning process, in order to assess if they are still relevant and to identify new issues.

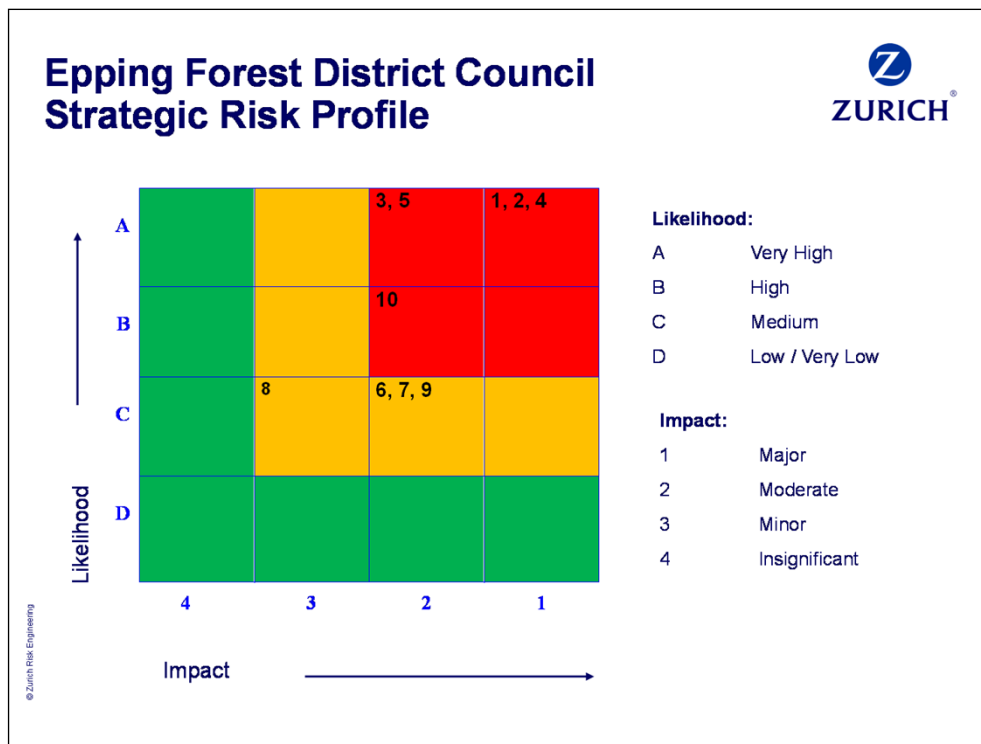
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting an additional risk on Safeguarding was added to the register in January 2014. The most recent addition was a risk covering various aspects of Housing Capital Finance and this was added in June 2015.

# Appendix 1 – Risk Profile

## Risk profile

During the workshop, 8 risks were identified and framed into scenarios. The results are shown on the following risk profile.



Appendix 2 details all of the above risks.

It is important that an action plan element is written for each of the risks, with particular focus on those with the highest priority, as it is this which will allow them to be monitored and successfully managed down.

An opportunity was also taken as part of this refresh to 'spring clean' the risk numbers, and they were numbered in priority order as follows:

Risk number	Short name
1	Local plan
2	Strategic sites
3	Welfare reform
4	Finance – income
5	Economic development
6	Data/ information
7	Business continuity
8	Partnerships
9	Safeguarding
10	Housing Capital

## Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1	Local Plan	A1		
Vulnerability	Trigger	Consequence	Risk Owner	
<p>On-going changes to Planning system increase importance of having up to date Local Plan, in particular, Central Government's announcement that Local Authorities must complete by 2017 or face sanctions</p> <p>Proposed changes to the New Homes Bonus regime where planning approvals granted on appeal will not qualify for bonus.</p> <p>Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors e.g. Duty to Co-operate, release Green Belt.</p> <p>Difficulties in implementing "Duty to Co-operate" may make it difficult or impossible to achieve "Sound" Local Plan in timely fashion</p> <p>Particular vulnerability to delay in approvals from Highways England on strategic modelling delay ability to understand impacts of delivering to objectively assessed need levels.</p> <p>Protracted process of achieving local highway modelling</p> <p>Failure to make timely progress increases likelihood of "planning by appeal"</p> <p>Planning policy recruitment and retention issues. Not considering alternative options of delivering work i.e outsourcing.</p>	<p>Failure to make timely decisions and adhere to Local Development Scheme Project Plan.</p> <p>Failure to make timely decisions and adhere to Local Development Scheme Project Plan.</p> <p>Failure of Council to approve a draft plan in line with National Planning Policy Framework.</p> <p>Inability to agree, particularly on amount and distribution of objectively assessed development needs.</p> <p>Failure to make timely decisions on Preferred Approach plan due to lack of required information</p> <p>As above</p> <p>Failure to adhere to Local Development Scheme leads to developers making significant planning applications in advance of new Plan.</p> <p>S106/CIL arrangements. Planning policy recruitment and retention issues. Not considering alternative options of delivering work i.e outsourcing</p>	<p>Reduced ability to manage development in line with local priorities and provide strategic direction. Possible Government intervention through designation as a failing authority, loss of control over the local plan process and loss of new homes bonus.</p> <p>Loss of New Homes Bonus revenue.</p> <p>Plan not "sound", leading to further delay, wasted resources, and vulnerability to planning appeal decisions.</p> <p>As above</p> <p>As above</p> <p>As above</p> <p>Significant diversion of professional resources to appeals. Risk of costs awards against Council.</p> <p>Delays in achieving timetable, loss of New Home Bonus revenue.</p>	<p>Derek Macnab</p>	

**Risk No 1 Local Plan – Action Plan**

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
Project management approach in place including regular updates, resource planning.	Project plan needs to incorporate more time for political engagement at key decision points.	Agree mechanisms and timing with lead members, incorporate in revised project plan	Derek Macnab	Future adherence to project plan.	MB review 6 weekly	None – process ongoing.
Local Development Scheme revised June 2015.	Local Development Scheme adopted by Cabinet 11 June 2015.	Review progress against key milestones.	Derek Macnab	Local Development Scheme remains robust	As necessary	Review likely within 12 months
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful.	Supplement workshops with other forms of briefing to EFDC members as agreed with leading members.	Derek Macnab	Timely decision making in line with project plan.	As necessary	
Engagement with other key stakeholders e.g. ad hoc meetings with Town/Parish councils, Resident Associations and website.	Utilising existing mechanisms including Local Council Liaison Committee and Forester. Intensive engagement takes place in lead up to formal consultations. Ongoing discussions being had around Neighbourhood Plans.	Consider hiring a PR firm to assist in delivering the next statutory consultation.	Derek Macnab	Stakeholders feel well informed about process and decisions. Informed responses to public consultation.	As necessary	



<p>Understanding with key councils in the Strategic Market Housing Area.</p>	<p>progress now being made. Meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Inspectorate local plan decisions re Duty to Co-operate.</p>	<p>exploring additional items to be included on discussion agenda. Engage further key bodies e.g. Lee Valley Regional Park. Discuss informally with Planning Inspectorate as necessary.</p>				<p>Governance arrangements agreed. "Duty to Co-operate" Member meetings now ongoing.</p>
<p>Lobbying of DCLG and local MP's re Highways England delays together with SHMA partners. Pursuit of MoU with Natural England.</p> <p>Consistent close working with Essex County Council through relevant structures, and individual officers</p>	<p>Effect as yet unknown</p>	<p>Joint letter from Leaders to local MPs</p>	<p>Derek Macnab</p>	<p>As above</p>	<p>As above</p>	
<p>Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, master planning.</p>	<p>Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult. EFDC is not offering the most competitive salaries compared to other Essex and London authorities.</p>	<p>Ongoing review of strategy by senior planners and Management Board.</p>	<p>Derek Macnab</p>	<p>No delays to timetable due to staffing gaps or lack of critical skills</p>		<p>Further review of staffing and resourcing February 2016.</p>

**Risk No 2 Strategic Sites A1**

Vulnerability	Trigger	Consequence	Risk Owner
<p>The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions.</p> <p>One key individual is driving forward the projects.</p>	<p>Not maximising the opportunity of the strategic sites either through decisions or delivery.</p> <p>Loss of key individual</p>	<ul style="list-style-type: none"> <li>• Financial viability of Council harmed</li> <li>• Lack of economic development and job creation</li> <li>• External criticism</li>   <li>• Project delayed or mismanaged</li> </ul>	<p>Derek Macnab</p>

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
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<p>Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.</p>	<p>Work is progressing on developing a number of sites:</p> <ol style="list-style-type: none"> <li>1. Winston Churchill site groundworks underway and agents appointed to let the retails space;</li> <li>2. Disposal of St Johns by Essex County Council approved by Secretary of State. Developer and ECC still trying to agree overage;</li> <li>3. Langston Road, PQQ evaluation late February with the final tender submission by 1<sup>st</sup> April. Good progress being made on pre-lets;</li> <li>4. NWA work has commenced on drafting on outline specification;</li> <li>5. Oakwood Hill, making good progress and should open April 2016.</li> </ol>	<p>Reports to Cabinet Committee and Cabinet to obtain decisions on development options.</p> <p>Identification of alternative Housing depot and re-location.</p> <p>Conduct a fresh tendering exercise for the main contract.</p>	<p>Derek Macnab</p>	<p>Development of strategic sites completed in accordance with Cabinet decisions.</p>	<p>Monthly</p>	<p>None</p>
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<b>Risk No 3 Welfare Reform A2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
<p>The government has pledged to make substantial savings from the overall welfare bill. This will require a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.</p>		<p>Welfare reform changes have a detrimental effect on the Council and community</p>	<ul style="list-style-type: none"> <li>• Tenants no longer able to afford current/new tenancies.</li> <li>• Increase in evictions and homelessness</li> <li>• Increased costs of temporary accommodation</li> <li>• Unable to secure similar level of income due to payment defaults</li> <li>• Increase in rent arrears</li> <li>• Public dissatisfaction</li> <li>• Criticism of the Council for not mitigating the effects for residents.</li> </ul>			<p>Alan Hall</p>
<b>Existing Controls /actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Joint Benefits and Housing working group established. Mitigation action plan developed.</p>	<p>Two thirds of the actions have been implemented and the remaining actions are in abeyance pending Government announcements on Universal Credit.</p>	<p>Working Group to continue and amend mitigation action plan as necessary.</p>	<p>Alan Hall</p>	<p>A smooth implementation of welfare reforms.</p> <p>Minimise number and cost of redundancies.</p>	<p>Monthly</p>	<p>Start date for full version of universal credit still unclear.</p>

<b>Risk No 4 Finance Income A1</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
<p>The Government will be consulting in 2016 on significant changes in the responsibilities and financing. District Councils are likely to suffer large reductions in grant income and New Homes Bonus.</p> <p>A large number of rating appeals have been received and the outcome of these is uncertain.</p> <p>Welfare reform may require substantial change to the calculation and administration of benefits with a likely reduction in funding received.</p> <p>The medium term financial strategy requires substantial net CSB reductions over three years.</p>		<p>Unable to secure required level of income due to reduced demand for services, changes in legislation or adverse change in funding mechanisms.</p>	<ul style="list-style-type: none"> <li>• Council unable to meet budget requirements</li> <li>• Staffing and service level reductions</li> <li>• Increase Council Tax</li> <li>• Increase in charges</li> <li>• Greater use of reserves if required net savings not achieved</li> <li>• Higher level of saving in subsequent years.</li> </ul>			<p>Bob Palmer</p>

<b>Existing Controls /actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Monitoring of key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.</p>	<p>Effective to date as budgets have been achieved that meet the financial targets set by Members.</p>	<p>Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare.</p> <p>Continue to pursue opportunities to reduce net spending.</p>	<p>Bob Palmer</p>	<p>Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan.</p>	<p>Monthly</p>	<p>Issue of revised scheme for New Homes Bonus likely late summer.</p>

<b>Risk No 5 Economic Development A2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.		Council performs relatively poorly compared to other authorities.	<ul style="list-style-type: none"> <li>• Unable to secure sufficient opportunities</li> <li>• Local area and people lose out</li> <li>• Insufficient inward investment</li> <li>• Impact on economic vitality of area</li> <li>• Loss of revenue</li> </ul>			Derek Macnab
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Work has commenced on an updated Economic Development Strategy.</p> <p>Cabinet approved four new posts.</p>	Too early to determine effectiveness of new management and new posts.	Completion of Strategy and allocation of appropriate resources.	Derek Macnab	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	March 2016.

<b>Risk No 6 Data / Information C2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
The Authority handles a large amount of personal and business 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"> <li>• Breach of corporate governance</li> <li>• Increased costs and legal implications</li> <li>• Reputation damaged</li> </ul>			Colleen O'Boyle
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Updated Data Protection policy agreed by Corporate Governance Group and rolling out through meta-compliance.</p> <p>Data Protection formed part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy.</p> <p>Consolidation of Data Protection and Freedom of Information work in one area.</p> <p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access.</p> <p>Controls in systems have been strengthened in response to specific occurrences.</p>	Generally effective to date, with no significant lapses so far in 2015/16.	<p>Consider separation of Environmental Information Requests and ensure these are handled in accordance with the appropriate regulations.</p> <p>New system for handling F.O.I. requests purchased and being implemented early 2016. Review after six months for extension to Data Protection.</p> <p>Data sharing and fair processing notices to be reviewed and standardised.</p> <p>Maintain GCSx compliance and system controls.</p> <p>A working group is reviewing data held by Directorates to eliminate duplication and any inadvertent Data Protection issues.</p>	Colleen O'Boyle	<p>Continued security of personal data held by the Council in accordance with the Data Protections Act 1998.</p> <p>No criticism from the ICO over how requests are handled.</p> <p>No data loss or system downtime due to unauthorised access of EFDC systems or data.</p>	Quarterly	None

<b>Risk No 7 Business Continuity C2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
<p>The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act.</p> <p>Following the consolidation into four directorates plans need to be updated and changes in responsibilities confirmed.</p>		<p>Unable to respond effectively to a business continuity incident (e.g. IT virus/flu pandemic)</p>	<ul style="list-style-type: none"> <li>• Services disrupted / Loss of service</li> <li>• Possible loss of income</li> <li>• Staff absence</li> <li>• Hardship for some of the community</li> <li>• Council criticised for not responding effectively</li> </ul>			Derek Macnab
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.</p> <p>The Corporate Plan has been updated and adopted.</p>	<p>The effectiveness of controls is assessed periodically through test and exercises</p>	<p>Guidance to be issued to services on updating plans.</p> <p>Arrange periodic tests and exercises.</p>	Derek Macnab	<p>Having plans in place which are proved fit for purpose either by events or external scrutiny.</p>	Quarterly	None

<b>Risk No 8 Partnerships C3</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
<p>The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, and these have a variety of governance arrangements.</p> <p>Localism act may cause transfer of Council services to providers with governance issues.</p>		<p>Key partnership fails or services provided via arrangements lacking adequate governance.</p>	<ul style="list-style-type: none"> <li>• Relationships with other bodies deteriorate</li> <li>• Claw back of grants</li> <li>• Unforeseen accountabilities and liabilities for the Council</li> <li>• Censure by audit/inspection</li> <li>• Adverse impact on performance</li> </ul>			<p>Glen Chipp</p>
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Active participation in key partnerships by appropriate officers/Members.</p> <p>Structured reporting back to designated Select Committee.</p> <p>Members can request representatives on outside bodies to report to Full Council.</p>	<p>No significant issues to date. However, some concern exists about the working of the North Essex Parking Partnership.</p> <p>Internal Audit conducted an audit of partnerships and gave a rating of substantial assurance.</p>	<p>Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships.</p> <p>Service areas need to ensure their own risk registers cover any significant partnerships they are involved with.</p>	<p>Glen Chipp</p>	<p>No significant impacts on service delivery or Council reputation from any partnership failures.</p>	<p>Quarterly</p>	<p>None</p>



<b>Risk No 9      Safeguarding      C2</b>			
<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>	<b>Risk Owner</b>
<p>The Council needs to demonstrate its ability to meet its duties under Sections 11 and 47 of the Children Act 2004.</p> <p>In addition, with the introduction of the Care Act 2014 new legislation requires the Council to comply with a range of new duties for adults with needs for care and support. This includes a new responsibility for safeguarding adults from self-neglect.</p>	<p>The Council fails to meet its duties in regard to safeguarding children, young people and adults with needs for care and support.</p>	<ul style="list-style-type: none"> <li>• A child, young person or vulnerable adult suffers significant harm</li> <li>• A child, young person or vulnerable adult suffers from exploitation</li> <li>• Avoidable death of a child, young person or vulnerable adult living in the District</li> <li>• Reputational risk for Council</li> <li>• Censure and special measures applied</li> </ul>	<p>Alan Hall</p>

**Risk No 9 Safeguarding - Action Plan**

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
<p>The Council has a Safeguarding Policy (2015), which is updated in line with new legislation. The policy details what is required of all staff and Elected Members and is supported by a set of procedures which set out the process for recording safeguarding concerns, incidents and allegations.</p> <p>A corporate Safeguarding Group ensures sharing of best practice and information across Directorates and enables the identification of any weaknesses in the Council's work.</p> <p>Council policies have been developed for all new and emerging safeguarding issues such as Child Sexual Exploitation (CSE).</p> <p>A Safeguarding Strategy and Action Plan has been adopted by Cabinet.</p> <p>The Safeguarding Officer and part time Admin. posts have now been proposed as CSB growth.</p> <p>Nursery Worker Accommodation Task Group established.</p>	<p>The Council has reduced the risk of safeguarding issues going unnoticed by staff and Elected Members by providing a range of training and production of the new Policy and procedures in 2015.</p> <p>This group has become an effective forum for sharing of best practice and commitment from all Directorates is shown.</p> <p>Several of these policies have been used across Essex as examples of best practice.</p> <p>The Safeguarding Strategy and Action Plan set out the areas requiring further improvement.</p> <p>These posts have enabled a Safeguarding 'Hub', which all EFDC safeguarding issues are filtered through. The number of safeguarding concerns identified in the last year has quadrupled since these posts were introduced.</p>	<p>Leadership Team and Managers to continue to promote vigilance amongst staff.</p> <p>The Council needs to ensure timely response to changes in legislation or local procedures.</p> <p>Directorates need to continue to commit time for representatives to attend the Corporate Working Group.</p> <p>An ongoing rolling programme of training needs to be in place, to update and refresh staff and Elected Member awareness in the new and emerging issues.</p> <p>Finance Cabinet to agree proposal for CSB growth bid to make posts permanent.</p> <p>The group has developed an action plan which is submitted to Management Board.</p>	<p>Alan Hall</p>	<p>The Council meets all of its duties under Section 11 and 47.</p> <p>The Council meets the new duties of the Care Act 2014.</p> <p>The Council fully meets all aspects of the ESCB/ESAB Safeguarding self - assessment.</p>	<p>Monthly</p>	<p>October 2015 Self-Assessment Audit to be undertaken.</p> <p>December 18<sup>th</sup> 2015 submission of District LA responses from above and associated Action Plan.</p>

<b>Risk No 10 Housing Capital Finance</b>		<b>B2</b>				
<b>Vulnerability</b>		<b>Trigger</b>		<b>Consequence</b>		<b>Risk Owner</b>
<p>If the Council is unable to spend right to buy receipts in set timescale on qualifying capital schemes we will have to pay the money to the Government along with interest at a penalty rate.</p> <p>Changes to legislation which reduce income to the HRA.</p> <p>The Government is introducing right to buy for tenants of housing associations financed through the forced sales of Council properties as they become void. A scheme is being piloted initially with five housing associations to assist with the development of a national scheme.</p>		<p>Schemes are delayed by either the planning process or unanticipated site problems.</p> <p>Imposition of rent reduction proposal.</p> <p>Imposition of right to buy scheme which requires the disposal of a large proportion of the Council's void properties.</p>		<ul style="list-style-type: none"> <li>• Loss of capital resources</li> <li>• Revenues cost of penalty interest</li> <li>• Loss of HCA affordable housing grant</li> <li>• Loss of rental income</li> <li>• Delays in provision of new social housing</li> <li>• Increase in housing waiting list</li> <li>• Current 30 year business plan may become unsustainable.</li> </ul>		Alan Hall
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Position being monitored by the House Building Cabinet Committee and a number of contingency options are available including purchasing on the open market.</p> <p>The Council belongs to the Association of Retained Council Housing which lobbies on such issues.</p>	<p>Effective to date as no loss of funds yet.</p> <p>Too early to comment yet as the policy is still being developed.</p>	<p>Continue close monitoring of financial position.</p> <p>Keeping Members fully informed of the potential consequences of their actions.</p> <p>Monitor policy development/announcements and participate in lobbying if appropriate.</p>	<p>Alan Hall</p> <p>Alan Hall</p>	<p>No loss of right to buy receipts.</p> <p>No loss of Council properties to support right to buy for HA tenants.</p>	<p>Monthly</p> <p>Monthly</p>	<p>Ongoing</p>

Paper 5

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-019-2015/16**

**Date of meeting: 31 March 2016**

**Portfolio: Governance and Development Management**

**Subject: Internal Audit Strategy and Plan 2016/17**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

### **Recommendations/Decisions Required:**

**(1) The Internal Audit Strategy and Plan for 2016/17 be approved, including the level of Internal Audit resources required;**

### **Executive Summary:**

Internal Audit supports and contributes to the achievement of the Council's objectives by supporting good governance, with the outcomes from Internal Audit work feeding into the Annual Governance Statement. The Internal Audit Strategy and Plan for 2016/17, and the indicative work programme for the subsequent two years (2017/18 and 2018/19) sets out how this will be achieved.

### **Reasons for Proposed Decision:**

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

### **Other Options for Action:**

None.

### **Report:**

#### Introduction

1. The Internal Audit function provides independent and objective assurance and consulting services to Epping Forest District Council. This Internal Audit strategy summarises the key principles for the Internal Audit team for the period 2016/17, with some longer term aims. The strategy supports the Audit Plan which sets out the work of the Internal Audit function for the year.

2. Internal Audit supports and contributes to the achievement of the Council's 2015-20 strategic aims. These have been taken into account whilst developing the Internal Audit Strategy and Plan:

- To ensure that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services whilst

- continuing to keep the Council Tax low.
- To ensure that the Council has a sound and approved Local plan and commences its delivery.
- To ensure that the Council adopts a modern approach to the delivery of its services and that they are efficient, effective and fit for purpose.

### Purpose

3. The purpose of the Internal Audit Strategy and Plan is to document the Internal Audit team's approach to:

- provide independent and objective assurance to Members and senior management on the effectiveness of the Council's internal control framework;
- ensure the recognition of the key risks the Council faces in meetings its objectives when determining and allocating the use of internal audit resources;
- add value and support to senior management in providing effective control, whilst identifying opportunities for improving value for money; and
- deliver an Internal Audit Service that is compliant with the requirements of The Public Sector Internal Audit Standards.

### Internal Audit Mission and Core Principles

4. In 2015 the Global Institute of Internal Auditors made some new additions to the International Professional Practices Framework (IPPF) which included for the first time a mission and ten core principles, which have been adopted by this Internal Audit Service and are listed below.

*Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.*

*Core principles:*

1. *Demonstrates integrity.*
2. *Demonstrates competence and due professional care.*
3. *Is objective and free from undue influence (independent)*
4. *Aligns with the strategies, objectives, and risks of the organisation.*
5. *Is appropriately positioned and adequately resourced.*
6. *Demonstrates quality and continuous improvement*
7. *Communicates effectively.*
8. *Provides risk-based assurance.*
9. *Is insightful, proactive, and future-focused.*
10. *Promotes organisational improvement.*

### The Internal Audit Approach

5. While Internal Audit provides assurance through completing a programme of planned work the service is also flexible and responsive to changing and emerging issues. Some audit work is delivered on a consultancy basis, contributing advice on risk and controls, for example ex-officio attendance at project meetings or undertaking a specific investigation of a newly identified issue.

6. The purpose, authority and responsibility of Internal Audit is formally defined in the Internal Audit Charter, which was approved at the November 2015 Audit and Governance Committee.

## Key Deliverables

7. The key deliverables for the Internal Audit service during 2016/17 are:
- *Delivery of the Plan* - the Chief Internal Auditor will ensure there is sufficient audit coverage in order to provide an annual internal audit opinion and report, which feeds into the Council's Annual Governance Statement.
  - *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers including External Audit to prevent duplication of work.
  - *Management commitment*- Ensure agreed management responses to audit recommendations made are implemented thereby improving the overall control framework.
  - *Continually develop our approach* – To develop, improve and deliver a quality assurance and improvement programme for the service, including working more closely with the Audit and Governance Committee.
  - *Business insight* - working more closely with services to establish greater relevance to what matter most to the Council by contemplating current and future key risks and challenges.

## Protocol for Audit Reviews

8. For each audit a Lead Auditee will be identified who will be involved in scoping to ensure the audit is appropriately focused on key risks areas, providing assurance and maximising added value. A terms of reference will be produced for each audit to ensure the scope, objectives and approach are agreed with the appropriate Director.
9. Following fieldwork a draft Internal Audit report will be issued for discussion with the appropriate levels of management which is normally set put in the terms of reference.
10. Final reports will be issued after the agreement of draft reports and contain completed management actions plans that identify those responsible for implementation and timescales.
11. Agreed actions or recommendations will be followed up through the Internal Audit tracker process. All high priority recommendations and any passing their original implementation date are reported to the Audit and Governance Committee.

## Quality Assurance and Performance Management

12. The Internal Audit Quality Assurance and Improvement Programme ensures the work of the Internal Audit function conforms with the Public Sector Internal Audit Standards, operates in an efficient and effective manner and is adding value and continually improving Internal Audit activity. This is achieved through internal and external assessment, monitoring, and reporting on performance.
13. In 2016/17 the internal audit function will undergo an External Quality Assessment (EQA) which, in line with the PSIAS, must be conducted every five years by a qualified independent assessor or assessment team from outside the Council. The EQA will cover all three councils and will help inform the shared service as it moves forward. Each Audit Committee will be consulted on the process and outcomes.
14. To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, performance targets have been established based

on best professional practice and cover the following aspects:

- Coverage;
- Productivity and process efficiency; and
- Compliance with professional standards.

15. The following service performance targets will be reported on in 2016/17:

Aspect of Service	Performance Indicator	Target
Audit Plan	<ul style="list-style-type: none"> <li>• Achievement of the annual Plan</li> </ul>	<ul style="list-style-type: none"> <li>• 95% minimum</li> </ul>
Internal Audit processes	<ul style="list-style-type: none"> <li>• Issue of draft report after closing meeting</li> <li>• Issue of final report after agreement with client to draft</li> </ul>	<ul style="list-style-type: none"> <li>• 10 working days</li> <li>• 5 working days</li> </ul>
Effective management engagement	<ul style="list-style-type: none"> <li>• Management responses within 10 working days of draft report</li> <li>• Implementation of agreed audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• 10 working days</li> <li>• Within agreed timescales</li> </ul>
Compliance with professional standards	Public Sector Internal Audit Standards	100% compliant

#### Developing the Internal Audit Plan

16. The methodology for developing the Internal Audit Plan is focused on the quantification of the risks associated with the Council's objectives in consultation with key officers. This process also takes into account:

- knowledge and experience accumulated in Internal Audit, including the results of previous reviews;
- a review of audit themes against the strategic risk register and Council priorities;
- the work of other assurance providers both internally and externally;
- the external environment including economic climate, government initiatives such as welfare reform and changes in funding; and
- harmonisation of themes with Harlow and Broxbourne Councils to enable benchmarking and sharing of good practice with other local authorities.

17. The Internal Audit Plan is indicative and changes may need to be made as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers and any significant changes brought to the Audit and Governance Committee for approval.

18. It is important for Internal Audit to plan ahead and allocate resources over the medium term but still maintain a flexibility of approach. This is achieved by documenting known risks over a three year period so that the three year plan includes an indication of proposed audit work for years two and three, based on current known risks if circumstances remain unchanged. However, as new risks emerge audit resources over the medium term will be focused accordingly.

19. The sections of the Internal Audit Plan include:

- Corporate Framework – key risk areas including those defined in the Council's strategic risk register;
- Strategic Themes – including cross cutting issues some of which will be incorporated within operational audits or will be undertaken through consultative work; and



- Service Areas – review of services, systems and processes accordingly to an assessment and business priorities.

#### Priority Areas for 2016/17

20. Having regard for the current risk profile of the Council the following have been identified as priority areas for Internal Audit work for 2016/17. These may not be audits in themselves, but cross cutting themes that will be fundamental to the scope of Internal Audit work undertaken:

- *Change Management* – Internal Audit assurances will aim to complement management's and those from other assurance providers. Areas will include project management, information management including data integrity and security and changes in business processes.
- *Information Governance and Management* - This includes data quality and security Internal Audit work will seek to provide assurances over the management information used for making key decisions.
- *Risk Management* – Internal Audit has a key role in promoting effective risk management and will continue to work with the Director of Resources and the risk manager to help embed a robust risk management framework across the Council. Within individual audits Internal Audit will seek compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.
- *Fraud* – Internal Audit will support the Council's anti-fraud work and strategy and, consider the potential for fraud within work.
- *Value for Money* – An increasing focus on VfM will be reflected in Internal Audit's work mainly as a cross cutting theme within operational audits. These will incorporate how the council makes the best use of resources and assets, the balance of cost and performance and meeting the needs of our residents; and providing challenge on whether services could be done differently.
- *Audit and Governance Support* – Internal Audit will work with the Audit and Governance Committee in developing its role in relation to best practise and to contribute to effective corporate governance of the Council.

21. At the operational level the key priorities of Internal Audit work in 2016/17 include:

- *Transformation* – To ensure any new processes and ways of working are working in the best interest of the Council.
- *Key Financial Systems* – The effectiveness of controls and management of risks with the core financial systems remains a core part of the Internal Audit work. Audits have been scheduled on a three year cyclical basis so not all key financial systems will be undertaken each year.

#### Resources

22. At the start of 2015/16, the Internal Audit function consisted of a Chief Internal Auditor, a senior Internal Auditor, two Internal Auditors and a vacancy for an Internal Auditor. The Chief Internal Auditor retired at the end of May and the Head of Internal Audit for the shared service between Harlow District Council and Borough of Broxbourne Council took on this role from 1 June 2015. The cost and time of this person is shared equally between the three councils. The auditor vacancy has not been recruited to; instead an outsourced internal audit provider was brought in to help complete the 2015/16 Plan.

23. Joint team meetings between with auditors from all three Councils have taken place and audit methodology, working practices and document templates have been aligned between all three.

24. On the basis of a shared Chief Internal Auditor, a senior Internal Auditor and two Internal Auditors there are 602 audit days available for the 2016/17 Plan. The longer term plan is to formalise the shared internal audit service between the three Councils, and this process is starting with all auditors working across all three Councils in delivering each of the 2016/17 Audit Plans.

25. For 2016/17, the intention is not to fill the vacancy and to sell Epping Forest's spare capacity to Broxbourne and Harlow.

#### Audit Plan 2016/17

26. The Audit Plan as detailed in Appendix A requires 500 days, as set out in the table below:

Thematic Area	Audit days (% in brackets)
Corporate framework including governance, assurance framework, fraud, value for money and risk management	63 (13%)
Information and performance management audits	35 (7%)
Projects, Joint Working and Partnership audits	44 (9%)
Financial audits	60 (12%)
IT Audits	18 (4%)
Cross cutting/themed audits	41 (8%)
Operational Audits	108 (22%)
Follow Ups	25 (5%)
Audit Committee support	16 (3%)
Audit strategy and engagement with the business	35 (7%)
Contingency (including investigations)	35 (7%)
Advice, training and raising staff awareness	20 (4%)
<b>TOTAL</b>	<b>500</b>

#### **Resource Implications:**

No additional resources required, but potential income as a result of 'selling' audit days.

#### **Legal and Governance Implications:**

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

#### **Safer, Cleaner and Greener Implications:**

None.

#### **Consultation Undertaken:**

Corporate Governance Group.

#### **Background Papers:**

Public Sector Internal Audit Standards, Internal Audit Charter, Internal Audit Resource Plan

and risk assessment.

**Risk Management:**

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date/Name</b>	<b>Summary of equality analysis</b>
31/03/16 Chief Internal Auditor	There are no equality implications arising from the recommendations of this report.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
<b>Corporate Framework</b>					
Governance & Probity	The Council's governance framework underpins everything it does.	Conflicts of Interest Gifts & Hospitality (deferred from 15/16) Transformation	✓	✓	16/17 Focussed audit work around the UK Bribery Act including conflicts of interest and gifts and hospitality. Ex-officio member of the Corporate Governance Group.  Transformation (also in projects section). Provide advice and guidance to the Head of Transformation to ensure internal controls, governance and risk management processes remain robust during the change programme
Fraud	Proactive fraud work	✓	✓	✓	Co-ordinating data matching (NFI), training and awareness, interaction with corporate fraud initiatives and corporate fraud team. Potential for fraud considered in all audits.
Assurance Framework incl Risk Management and support to Audit Committee		✓	✓	✓	Coordination of year end assurance reporting and Audit Ctte support and attendance. Ex Officio member of Corporate Governance Group and Risk Management Group. Assistance to Director of Resources in developing and embedding risk management

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Information Management and Governance  Data/information features on the strategic risk register	Data protection and security. Data owners and protocols. Governance and data sharing. Training and awareness.	Data retention and disposals  EU General Data Protection Regulation	Data Protection Act	Freedom of Information	This year data retention and disposal processes plus Council's readiness for the new EU General Data Protection Regulation expected 2017. Following year Freedom of Information as the new FOI database will have been in place over a year.
Performance Management	Data integrity & quality (collection, collation, analysis and validation). Use of performance targets.	Neighbourhoods	✓	✓	KPIs considered within operational audits. Plus specific review each year on a key risk area. For 16/17 Neighbourhoods as they are often reliant on third party data.
Value for Money	Guiding principle of the Council and in the corporate risk register	Energy Management	Facilities Management	✓	VfM considered within operational audits. Specific vfm reviews could be undertaken e.g. printing and use of consultants. In 16/17 focus will be energy management.
Income Streams  (Finance – income features on the strategic risk register)	To ensure financial resilience the Council needs to protect and maximise its income streams	Covered under Key Financial Control audits – see later	Commercial rents (last audited 15/16)	✓	Each year a portion of IA work will focus on ensuring key income streams for the Council are maintained and adequately controlled.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Joint Working, Shared Services, Outsourcing and Partnerships	Partnerships feature on the corporate risk register	Community Safety	✓	✓	Ensuring arrangements are working in the best interest for the Council with appropriate governance and monitoring arrangements in place. For 16/17 this will include Community Safety, looking at the key partnerships in place and, linking with the safeguarding audit.
Projects (Strategic sites features on the corporate risk register)	Business case, project methodology, governance arrangements, contract management and viability	Langston Road New Homes. Project Methodology Transformation Programme	✓	✓	Each year examine a sample of capital and smaller projects focusing on the key risks dependent where there are in the process e.g. business case, procurement, delivery, return on investment, post project. For 16/17 this will include progress with the Langston Road retail park and the overall new homes building programme.  In addition, we will work with the business in helping them develop a suite of templates for project managers.
Contingency	Annual provision for responsive work, special investigations or key/emerging risk areas	✓	✓	✓	Will also take into account themes/issues coming out of the Annual Governance Statement. Includes preparation time for the External Quality Assessment.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
<b>Themed/cross cutting audits</b>					
Procurement	Themed audits - compliance, vfm, fraud, goods and services. End to end processes (need, selection, appointment, contract management & exit strategies)	Contract Standing Orders Contract Management	✓	✓	The focus of IA work this year will ensure compliance with the new Contract Standing Orders (Procurement Rules), which will be covered in existing audits, as well as the management of contracts (rather than an audit of central procurement processes).
Health & Safety	Safeguarding features on the strategic risk register	See specific H&S audits under housing and neighbourhoods.	Staff H&S especially those not permanently located at the Civic Offices	Contractor H&S	Specific H&S audits for 16/17 detailed later on – Housing H&S statutory testing/compliance and depot H&S under neighbourhoods.
Business Continuity Planning (BCP)	Business continuity features on the strategic risk register	BCP oversight IT Disaster Recovery	✓		Continue oversight in 16/17 with full assurance audit in 17/18. Examine IT disaster recovery (DR) as part of this year's plan (see IT audits).



Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Key Financial Controls (KFC)	Three year rolling programme of full system and key controls unless significant change in process/system or poor audit outcome	Cash & banking Payroll(deferred from 15/16) Business rates follow up Housing Rents follow up Council Tax follow up E-invoices Treasury Management (deferred from 15/16)	Debtors Main accounting system/general ledger Housing Benefits	Creditors Fixed assets/asset management	Previously KFC audits took place annually mainly due to External Audit requirements. As this is no longer the case a rolling 3 year programme of KFC audits will take place unless there is a major system or process change or significant concerns raised.  In 16/17 IA work will examine the new e-invoicing process, new payroll system, treasury management and focus on the main income streams. Cash and banking will focus on our satellite offices and other outposts.
IT Audits	IT Governance IT Regulation Security/Privacy Business Systems DRP/BCP Network Emerging Technologies e.g. mobile devices IT Applications Projects	IT Disaster Recovery IT Helpdesk	Cyber Attacks Mobile working	Access controls IT Asset Management	Each year will include at least one technical audit to be determined with specialist IT Auditor and management and will include disaster recovery for 16/17.  Non-technical IT audits could include asset management, procurement, IT strategy (including IT governance) and email/internet usage. In 16/17 this will include the IT helpdesk and service standards to ensure business needs are being met.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
<b>Operational/service audits - Audits post 16/17 may change depending on the Council's risk profile</b>					
Communities  (Housing capital and welfare reform features on the strategic risk register)	Housing Property  Housing Operations  Public Sector Housing and Communities Support	Safeguarding  Mutual exchanges and tenant improvements  H&S - statutory testing and compliance  Voids  Anti-Social Behaviour (ASB)  Grants to Voluntary organisations (deferred from 15/16)	Home Ownership & Leaseholders service charges  Planned maintenance and major works  Allocations	Repairs (last audited 15/16)  Right to Buy (last audited 15/16)  Disability Facility Grants (last audited 15/16)  Homelessness (last audited 15/16)  Garages	Housing rents covered in 16/17 under KFC audits (see above).  16/17 Council's safeguarding practices to protect vulnerable clients (children & adults).  Mutual exchanges and tenant improvements to be examined being a potential area for fraud and not previously audited.  H&S- statutory testing and compliance will focus on specific areas e.g. gas safety, legionella, fire risk assessments, lifts, asbestos as not previously audited.  Voids will ensure there is a joined up process to ensure void turnaround times are optimised.  Anti-Social Behaviour in 16/17 will take in account new legislation in this area and include ASB regarding our housing tenants, as well as ASB in relation to HMOs (Houses in Multiple Occupation).

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Neighbourhoods  (Local Plan and Economic Development features on the strategic risk register)	Neighbourhood Services Technical Services Forward Planning & Economic Development	Langston Road Depots H&S  Asset Management strategy Enforcement.	Off street parking (new arrangements)  Leisure Management (new contract)  North Weald Airfield (longer term future and ensuring key risks being managed)	Grounds maintenance (last audited 15/16)  Waste Management & Recycling (last audited 15/16)  Licencing (last audit 15/16)	Each year we will consider some of the significant development projects taking place. In 16/17 this will be the new shopping complex in Langston Road as completion is expected in 2017.  With the move of the main depot to Oakwood we will ensure monitoring of H&S arrangements remain robust, and at Townmead.  Progress against the Asset Management strategy will be assessed in 16/17.  IA will look at the work of the enforcement teams e.g. fly tipping, abandoned cars to ensure processes and internal controls are robust.
Governance	Governance & Performance Management (see earlier for Perf Mgt) Legal Services Development Management	Electoral Registration (last audited 05/06) Planning Application processes Equality and Diversity (deferred from 15/16)	S106 agreements and income Complaints	Building Control & Planning Fees (last audited 15/16)  Members expenses (last audited 15/16)	Electoral Registration will include integrity and security of sensitive and personal data secure. Examination of planning application processes on the back of last year's planning fees audit. We will examine the framework in place to ensure the Council is compliant with equality and diversity legislation.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Resources	Human Resources Benefits and Revenues (both covered under KFC audits) Accountancy ICT & Facilities Management (IT audits covered elsewhere)	Staff selection and recruitment (deferred from 15/16) New payroll/HR system	Insurance (last audited 14/15)  HR - staff performance management incl appraisals	Budgetary control and financial management and links to service planning (last audited 15/16)  Agency staff (last audited 14/15)	Staff selection and recruitment will look at both central and local processes to ensure the necessary checks are undertaken.  Also in 16/17 IA will provide advice as the new HR/payroll system goes live.(as well as auditing the main payroll function)
Follow Up Audits	Review of progress against the recommendation tracker.	✓	✓	✓	Includes specific follow up audits especially where Limited assurance previously given. Includes maintaining the recommendation tracker.

## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-020-2015/16**  
**Date of meeting: 31 Mar 2016**

**Portfolio: Governance and Development Management**

**Subject: Internal Audit Compliance With The Public Sector Internal Audit Standards**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) That the Committee acknowledges that the Shared Internal Audit Service is compliant with the Public Sector Internal Audit Standards; and**
- (2) That the committee agrees the action plan contained within the report.**

### **Executive Summary:**

This report demonstrates Internal Audit's compliance with The Public Sector Internal Audit Standards (PSIAS) and how this conclusion was arrived at. The report includes an action plan where minor enhancements are required.

### **Reasons for Proposed Decision:**

The Public Sector Internal Audit Standards are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

### **Other Options for Action:**

No other options.

### **Report:**

#### Background

1. On 1 April 2013 new Public Sector Internal Audit Standards came into effect, jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Standards replaced the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK as the mandatory guidance and provide a coherent and consistent internal framework for the whole of the public sector.

2. In the past, compliance with PSIAS has been confirmed in the Chief Internal Auditor's annual report. Since then the Head of Internal Audit at Broxbourne and Harlow has taken on the role of Chief Internal Auditor at Epping Forest District Council (as well as continuing as Head of Internal Audit at Borough of Broxbourne Council), moving towards a shared service between all three Councils.

Approach to the Review

3. This review was undertaken by the Chief Internal Auditor, in conjunction with the Internal Audit team, including the auditors based at Harlow and Broxbourne as all three Councils now follow the same audit methodology and working practices.

4. A single assessment was completed to cover the three councils, which was verified by the Section 151 Officers at Broxbourne and Harlow (as Internal Audit falls under their remit) and the Monitoring Officer at Epping Forest.

5. The self-assessment comprises the following areas:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards:
  - Purpose, authority and responsibility;
  - Independence & objectivity;
  - Proficiency & due professional care; and
  - Quality assurance and improvement programme;
- Performance Standards:
  - Managing the internal audit activity;
  - Nature of work;
  - Engagement planning;
  - Performing the engagement;
  - Communicating results;
  - Monitoring progress; and
  - Communicating the acceptance of risks.

Results of the Review

6. From the evidence gathered during this review, it is considered that the Internal Audit Shared Service is compliant with the new standards in all three Councils.

7. The action plan below covers all three Councils although only the second action on internal and external assessments is relevant to Epping Forest.

<b>PSIAS action plan for 2016/17</b>		
<b>Area</b>	<b>Description</b>	<b>Actions</b>
Due Professional Care Proficiency	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. In exercising due professional care internal auditors must consider the use of technology-based audit (Computer Assisted Audit Techniques) and other data analysis techniques.  Neither Harlow nor Broxbourne have access to a commercial software interrogation package such as IDEA.	The Internal Auditors at Epping Forest District Council (EFDC) have access to and use IDEA. Working with EFDC the capability and practicality of IDEA will be evaluated to determine if its use should be extended to Harlow and Broxbourne.

<p>Quality Assurance and Improvement Programme – Internal and External Assessments</p>	<p>PSIAS state internal assessments must include:</p> <ul style="list-style-type: none"> <li>• On-going monitoring of the performance of the internal audit activity; and</li> <li>• Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</li> </ul> <p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p>	<p>On-going monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity and this is in place. There are a suite of performance indicators in place which are reported to the Audit and Standards Committee. Other internal feedback mechanisms will be considered in 16/17.</p> <p>An external assessment does not have to be completed until 2017/18. However, one will be commissioned towards the end of 16/17 to cover all three Councils so it can inform the shared service going forward. The cost of this will be shared equally.</p>
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**Resource Implications:**

Resource requirements for the external assessment have been factored into the 2016/17 budget setting process.

**Legal and Governance Implications:**

The PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

Section 151 Officers at Broxbourne and Harlow (as Internal Audit falls under their remit) and the Monitoring Officer at Epping Forest.

Corporate Governance Group.

**Background Papers:**

Public Sector Internal Audit Standards and Local Government Application Note.

**Risk Management:**

Failure to comply with the PSIAS could undermine the work of Internal Audit and the assurances provided to the Audit and Governance Committee.



# Due Regard Record

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S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date/Name</b>	<b>Summary of equality analysis</b>
31/03/16 Chief Internal Auditor	The report is to demonstrate compliance against the Public Sector Internal Audit Standards and has no equality implications.

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-021-2015/16**  
**Date of meeting: 31 March 2016**

**Portfolio: Governance and Development Management**

**Subject: Audit Assurance and Recommendation Ratings**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

### **Recommendations/Decisions Required:**

- (1) That the Committee approves the revised assurance and recommendation ratings.**

### **Executive Summary:**

This report details the proposed revised assurance and recommendation ratings to be used for all audits undertaken from 1 April 2016.

### **Reasons for Proposed Decision:**

The Public Sector Internal Audit Standards (PSIAS) gives clear guidance on criteria for communicating results and expectations regarding the audit engagement's opinion (see Appendix 1) although it is silent on grading recommendations.

### **Other Options for Action:**

Not to change reporting processes.

### **Report:**

#### Current Approach

1. Both Broxbourne and Harlow Councils use the same criteria for assessing the priority rating of recommendations as being Fundamental, Significant and Merits Attention. Epping Forest District Council (EFDC) also has three levels but use a numbering system (1 to 3) instead. A comparison of current recommendation priorities and criteria is made in Appendix 2.

2. As with recommendation priorities, both Broxbourne and Harlow use the same level of assurances for their audit reports: full, substantial, moderate, limited and no. EFDC has four levels of assurance: full, substantial, limited and none. Appendix 3 details the criteria for each Council.

#### Proposed Changes

3. The PSIAS makes it clear that the work of the internal audit function should be risk based and the proposed criteria both for recommendation priorities and level of assurances has taken this into consideration.

4. The evaluation is based on the risk criteria used by Broxbourne Council in their risk management strategy and it is proposed the same criteria is adopted by Harlow and Epping Forest District Councils in deciding the recommendation priorities and level of assurances to ensure consistency across all three councils.

#### Proposed Recommendation Priorities

5. It is proposed that each recommendation is linked to a category of risk, with most recommendations falling into high, medium or low. A more scientific approach can be made to assessing recommendation ratings by using the risk criteria defined in Appendix 4.

6. In only exceptional circumstances would the use of critical/catastrophic be used and senior management would be informed immediately if such a serious control failing was being observed or suspected during audit fieldwork.

#### Proposed Level of Assurances

7. No system of control/assurance can provide absolute assurance against material loss or misstatement, nor can Internal Audit give that assurance. Therefore, the use of full assurance has been discontinued. Instead it is proposed the following assurance levels are used: substantial, limited and no.

8. Broxbourne and Harlow currently have moderate as an option and the difference between a moderate and limited assurance opinion is subjective and having such granularity adds little value to management's and Audit Committee understanding of the risks involved.

9. The suggested criteria for the proposed assurance levels of substantial, limited and no is detailed in Appendix 5.

#### Next Steps

10. If agreement is reached on the new approach by all three Audit Committees (Broxbourne, Harlow and Epping Forest) then the new levels of assurance and recommendation priorities will be used for audits undertaken as part of the 2016/17 Audit Plan and beyond.

#### **Resource Implications:**

Within the report.

#### **Legal and Governance Implications:**

None.

#### **Safer, Cleaner and Greener Implications:**

None.

#### **Consultation Undertaken:**

Corporate Governance Group.

#### **Background Papers:**

Public Sector Internal Audit Standards.

**Risk Management:**

None.

## **2400 Communicating Results**

Internal Auditors must communicate the results of engagements.

### **2410 Criteria for Communicating**

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.

#### **2410.A1**

Final communication of engagement results must, where appropriate, contain internal auditor's opinion and/or conclusion. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

*Interpretation: Opinions at the engagement level may be ratings, conclusions, or other descriptions of results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance*

## Appendix 2: Comparison of current recommendation priorities

Recommendation Priority	Criteria
<b>Broxbourne and Harlow Councils</b>	
Fundamental	Recommendations relate to major weaknesses, which present material risks to objectives and require urgent attention by management, CMT and the Audit and Standards Committee. (Immediate action required).
Significant	Recommendations relate to significant control weaknesses who impact or frequency presents a risk which needs addressed by management.
Requires Attention	Recommendations relate to control weaknesses which need to be addressed by management.
<b>Epping Forest District Council</b>	
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.
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.
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.

## Appendix 3: Comparison of current level of assurances

<b>Level of Assurance</b>	<b>Criteria</b>
<b>Broxbourne and Harlow Councils</b>	
Full	There is a comprehensive system of control designed to achieve the system objectives and manage the risks in achieving those objectives. No weaknesses have been identified.
Substantial	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate	Basically sound control, with areas of weakness, which put system objectives at risk. (Any fundamental recommendations will prevent this level of assessment).
Limited	There are significant weaknesses in key control areas, which could put system objectives at risk.
No	There are fundamental control weaknesses, leaving the system open to material error or abuse.
<b>Epping Forest District Council</b>	
Full	There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied.
Substantial	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.
Limited	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.
No	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.



## Appendix 4: Proposed risk criteria for audit recommendations

Probability	Definite 96%+	<b>Almost Certain</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>
	Occurs in most circumstances 66%-95%	<b>Likely</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>20</b>
	Occurs in certain circumstances 36%-65%	<b>Possible</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>15</b>
	Occurs exceptionally 6%-35%	<b>Unlikely</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>
	Very unlikely 0-5%	<b>Rare</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
			<b>Impact</b>				
			<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Critical</b>	<b>Catastrophic</b>
		<i>Financial</i>	Loss / overspend under £20,000.	Loss / overspend £20,001 - £50,000.	Loss / overspend under £50,001 - £100,000	Loss / overspend under £100,001 - £500,000	Loss / overspend over £500,001+
		<i>Service</i>	No reduction in mandatory service / good mandatory service .	Marginal reduction in mandatory service / satisfactory mandatory service.	Significant reduction in mandatory service / unsatisfactory mandatory service.	Failure to provide adequate mandatory service / poor mandatory service.	Failure to provide mandatory service resulting in being classed as a failing authority leading to intervention.
			Marginal reduction in discretionary service / satisfactory discretionary service.	Significant reduction in discretionary service / unsatisfactory discretionary service.	Failure to provide an adequate discretionary service / poor discretionary service.	Failure to deliver the Council's corporate priorities	
			No significant disruption to service capability.	Short term disruption to service.	Short term loss of service.	Medium term loss of service.	
			Unlikely to cause complaint / litigation.	High potential for complaint with possible litigation.		Litigation almost certain and difficulty to defend.	
		<i>Reputation</i>	No adverse publicity.	Minor adverse publicity	Adverse national publicity / significant adverse local publicity	Significant adverse national publicity	
		<i>Legal / Regulatory</i>	Breaches of local procedures / standards.	Breaches of regulations / standards.	Breaches of law punishable by fine	Breaches of law punishable by imprisonment .	
		<i>Environmental / Public Health</i>	Incident with no lasting effect.	Short term incident (weeks)	Medium term major incident (1 month - 1 year).	Long term major incident (1 year +)	
		<i>People</i>	First aid' level injury.	Medical treatment required - long-term injury.	Extensive permanent injury - long-term absence.		

#### Appendix 5: Proposed criteria for audit report level of assurances

<b>Level of Assurance</b>	<b>Criteria</b>
Substantial	Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.
Limited	There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.
No	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

# Due Regard Record

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<b>Date/Name</b>	<b>Summary of equality analysis</b>
31/03/16 Chief Internal Auditor	This report sets out the proposed changes to audit assurance and recommendation ratings and has no equality implications.

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-022-2015/16**  
**Date of meeting: 31 Mar 2016**

**Portfolio: Governance and Development Management**

**Subject: Corporate Fraud Strategy 2016/17**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) That the Corporate Fraud Strategy for 2016/17 be approved**

### **Executive Summary:**

This report sets out the approach and focus of the work of the Corporate Fraud Team.

### **Reasons for Proposed Decision:**

To approve the Council's Corporate Fraud Strategy for 2016/17 as required in the Audit and Governance Committee's Terms of Reference.

### **Other Options for Action:**

No other options.

## **Report**

### Introduction

1. The provision of a Corporate Fraud Team and its structure was agreed at a meeting of the Cabinet on 1 December 2014 with the team becoming operational on 1 April 2015. This move away from the existing structure whereby the Council's fraud investigation resources were located within different directorates and operating independently of one another was intended to bring a uniform approach to investigation work within EFDC.
2. Furthermore, it was set up to ensure that the Council had adequate resources dedicated to anti-fraud activity following the transfer of benefits investigation staff to The Department for Work and Pensions; on 1<sup>st</sup> October 2015. This strategy summarises the key principles for the Corporate Fraud Team for 2016/17 along with some longer term aims.
3. The Corporate Fraud Team sits alongside the Internal Audit team, reporting to the Chief Internal Auditor, and both supports and contributes to the achievement of the Council's 2015-20 strategic aims. These have been taken into account when developing the Corporate Fraud Strategy as being:
  - to ensure that the Council has sufficient and appropriate resources on an ongoing basis to protect the delivery of its statutory duties and discretionary services from

- fraud, abuse and corruption;
- to contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base; and
- to ensure that the Council adopts a modern and innovative approach to the delivery of its services and that they are not comprised by fraud.

#### Purpose

4. The purpose of the Corporate Fraud Team Strategy is to document the Corporate Fraud Team's approach to:
- providing independent and professional investigations into all aspects of fraud affecting the Council, preventing fraud and abuse and taking fair and consistent action against those committing offences;
  - supporting the Council's anti-fraud culture and framework; and
  - delivering a corporate anti-fraud service that is innovative, professional and compliant with the relevant legislation.

#### The Corporate Fraud Team Approach

5. This strategy sets out the main focus of work that will be undertaken by the team during 2016/17:

##### ➤ Proactive Work

6. The policy of vetting 100% of Right to Buy Applications will continue into 2016/17 due to the high levels of success already experienced in this area. In addition, other areas of high fraud risk within the Council are to be reviewed and identified particularly those (but not limited to) that traditionally have not been the focus of anti-fraud initiatives but where any fraud and / or abuse represents a significant risk to the Council's financial position, for example. Business Rates.

7. Seeking the engagement of key stakeholders across the Council with a view to not only raising awareness of the teams remit and capabilities (thus encouraging referrals etc.) but also obtaining a better understanding of the various processes employed within each service area in order to identify potential areas of fraud risk.

8. The implementation of a rolling fraud awareness programme providing coverage not just in significant areas of expenditure such as finance, procurement and payroll but for all staff including Members and contractors. Plans are also being developed to undertake some community engagement work in this area, for example awareness sessions for community groups etc.

9. Engagement with those responsible for policy design and implementation to ensure that anti-fraud and corruption protocols are being considered across all aspects of the Council's services.

##### ➤ Reactive Work

10. Work has already been undertaken to formalise the processes by which the team receives referrals by the implementation of a specific fraud referral pro-forma, which has been rolled out to all service areas. The team will ensure it receives high quality referrals from both members of staff and the public.

11. As well as the rolling fraud awareness programme mentioned above, the team will continue to engage with staff members in order to provide advice, training and feedback.

12. Members of the public will be encouraged to report fraud and abuse. This is to be achieved through the implementation of the “Know a Cheat in your Street” advertising campaign, whereby each 2016/17 Council Tax / Business Rates Bill will have an A5 size flyer enclosed, highlighting reporting arrangements and the types of fraud to look out for.

13. The team will also seek to publicise its work including successful prosecutions by maintaining a policy of utilising press releases, updating the Council website and using existing means such as “Housing News” for housing / tenancy fraud specific items.

14. In addition to the above, the Corporate Fraud Team also plans to undertake the following areas of work in the forthcoming year:

❖ Explore and Pursue Joint Working / Shared Service Arrangements

15. The team will continue to provide training and advice to external organisations. In addition to this, work has already commenced to identify areas where the potential to engage in joint working and / or shared service protocols exists, with such agreements giving the possibility of revenue raising opportunities.

❖ The Use and Promotion of Accredited Financial Investigator Services

16. The team now has the ability to undertake financial investigations under the provisions of The Proceeds of Crime Act. This is an extremely significant development for the team going forward as it enables the Council to pursue any financial losses using The Proceeds of Crime Act thus (in appropriate cases) negating the need to spend further public money on attempting to seek financial redress via the Civil Court system. This is not just limited to fraud prosecutions however and can, where appropriate be used in other enforcement areas such as Planning etc. Furthermore, it is not limited to EFDC investigations and the service can be “bought in” by other Local Authorities and organisations such as Housing Associations etc.

### Resources

17. The Corporate Fraud Team consists of a Senior Investigator and three Investigators. One of the investigator posts has remained vacant during 2015/16 whilst the team has sought to establish itself. This position will be recruited to in 2016/17.

### Successes to Date

18. Since its formal establishment in April 2015, the Corporate Fraud Team has:
- been actively involved with the stopping or withdrawing of 22 Right to Buy applications;
  - recovered eight Council properties enabling them to be re-let to people in priority need on the Housing Register; and
  - successfully prosecuted three “legacy” benefit fraud cases representing overpaid benefits totalling £26,817.

### **Resource Implications:**

None, within existing budgets.

### **Legal and Governance Implications:**

There are no direct legal or governance implications arising from this report.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

Corporate Governance Group.

**Background Papers:**

Corporate Fraud Strategy.

**Risk Management:**

The occurrence of fraud may expose the Council to financial loss and the substantive risks associated with an inadequate control framework. The corporate fraud team assists the Council in managing the risk of fraud both internally and externally.



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S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date/Name</b>	<b>Summary of equality analysis</b>
31/03/16 Chief Internal Auditor	The report has no equality implications.

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-023-2015/16**  
**Date of meeting: 31 Mar 2016**

**Portfolio: Governance and Development Management**

**Subject: Internal Audit Monitoring Report - February to March 2016**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) That the Committee notes the progress being made against the 2015/16 Internal Audit plan and by the Corporate Fraud Team; and**
- (2) That the Committee agrees the suggestion to defer a small number of audits.**

### **Executive Summary:**

This report provides a summary of the work undertaken by Internal Audit between February and March 2016, progress against the 2015/16 Internal Audit plan and a summary of the work undertaken by the Corporate Fraud Team.

### **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:**

#### 2015/16 Internal Audit Plan

1. Work has continued on the 2015/16 Audit Plan as detailed in Appendix 1. The Audit and Governance Committee is requested to approve the deferral of four audits as detailed below. Despite the need to defer these audits there will still be sufficient coverage through the remaining audits and Internal Audit's proactive work, to enable the Chief Internal Auditor to give their annual opinion for 2015/16. This will be kept under constant review in conjunction with the Corporate Governance Group.

(a) Access Controls – this will be included in next year's plan. Access controls to systems has been covered by some of the key finance audits carried out this year;

(b) Payroll – defer to next year as Payroll/Human Resources are in the process of implementing a new IT system;

(c) Treasury Management – defer to next year as this area has historically been audited each year and no significant issues identified; and

(d) Recruitment and Selection – this will be carried out next year following a review of documentation by the Personal Data Working Group.

2. It is envisaged that the work for the remainder of this year's Audit Plan will be completed in time for year-end reporting to the June Audit and Governance Committee.

#### Internal Audit Reports

3. The following four reports have been issued since the Committee received its last update in February 2016:

(a) **Commercial Properties Management** – substantial assurance – Commercial properties currently generate in excess of £4m rental income each year. The audit confirmed that rent reviews and lease renewals are carried out promptly and invoices for rent and service charges are correctly calculated and raised. The Council is in the process of implementing a new commercial property management system which has the facility to monitor and manage the property portfolio and will therefore replace the spreadsheets currently used by the Section. Rental income is monitored and all outstanding debts are reviewed on a monthly basis.

(b) **Right to Buy** – full assurance – The audit reviewed the processes from initial application through to completion and confirmed that:

- Right to Buy applications are processed in accordance with legislative requirements and internal policies, which includes carrying out eligibility checks on both the property and the applicants;
- the Council's Corporate Fraud Investigation Team carries out effective and comprehensive background checks (including property visits) on all applicants as part of their proactive processes in relation to Right to Buy applications;
- applications are not processed through to completion stage until the appropriate proceeds have been received; and
- calculations are checked by the Accountancy Section and income is reconciled monthly.

(c) **Housing Benefits and Local Council Tax Support** – substantial assurance – The audit established that Housing Benefit and Local Council Tax Support are correctly calculated and only awarded after receipt of all the necessary documentary evidence to support the claim. There are adequate procedures in place to record and recover overpaid Housing Benefit which may arise as the result of a change in the claimant's circumstances. Irrecoverable debts are written off in accordance with Council policy although Portfolio Holder approval for the write off of debts over £2,500 has not yet been sought.

(d) **Business Rates** – substantial assurance - There are robust systems in place surrounding the management of Business Rates. The audit identified that the Section has a number of measures in place to identify and reduce business rates avoidance. A recommendation regarding the authorisation of accounts in receipt of mandatory charitable and discretionary relief has been raised.

## Recommendation Tracker

4. The Audit and Governance Committee receives details of all overdue recommendations, plus any priority one recommendations from final reports regardless of whether they are overdue or not.

5. The current tracker (Appendix 2) contains one priority 1 recommendation passed its due date which was reported at the February 2016 meeting. In addition, one priority 3 recommendation has passed its due date. These relate to recommendations which have been restated as audits have identified that the original recommendations had not been implemented.

<b>Recommendation type</b>	<b>Number (as at March 2016)</b>
Priority 1 not passed its due date	0
Priority 1 passed its due date	1
Priority 2 passed its due date	0
Priority 3 passed its due date	1

## Corporate Fraud Team

6. In the last two months, as part of the ongoing initiative focusing on Right to Buy fraud, a further three Right to Buy applications have been stopped or withdrawn due to the intervention of the Corporate Fraud Team having concerns about money laundering.

7. In respect of a current prosecution for Housing fraud offences, a hearing took place in February at Chelmsford Crown Court whereby both defendants entered not guilty pleas. This matter will now proceed to trial in the summer.

8. The team is currently engaged in a number of criminal investigations focusing on illegal subletting and Right to Buy fraud.

9. One officer in the team is now a fully accredited Financial Investigator for the purposes of The Proceeds of Crime Act whilst the team manager is due to undergo training as a Senior Authorised Officer at the end of March. This will enable financial investigations and proceeds of crime actions to be undertaken completely in-house. It also provides the potential to undertake these services on behalf of other prosecuting authorities.

10. The team recently attended a Housing Fraud Conference held in London whereby the work they are undertaking in combatting Right to Buy fraud was used as a national example of good practice. Consequently, a number of requests for advice, training etc., have been received from Councils throughout England. An Additional Information Form developed by the team, which is now part of every RTB application dealt with by EFDC, is to be the focus of a DCLG review into the RTB application process to provide more resilience against fraud.

11. Several opportunities to provide anti-fraud services to other local authorities are currently being investigated.

12. An internal investigation has been undertaken which arose as a result of a whistleblowing policy referral.

**Resource Implications:**

Within the report.

**Legal and Governance Implications:**

None.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

Corporate Governance Group.

**Background Papers:**

2015/16 Audit and Resource Plan.

**Risk Management:**

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date/Name</b>	<b>Summary of equality analysis</b>
31/03/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.

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## Appendix 1 - Audit Plan Monitoring 2015-16

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
Business Plans	Resources	10	Final report	n	n	n	Substantial	0	0	2
Reprographics	Resources	10	Final report	n	n	n	Substantial	0	1	0
Management of Sickness Absence	Resources	10	Final report	n	n	n	Substantial	0	2	0
Key and Local Performance Indicators	Governance	15	Final report	n	n	n	Substantial	0	1	0
Norway House (hostel)	Communities	10	Final report	n	n	n	Substantial	0	1	0
Homeless Prevention (Bed and Breakfast)	Communities	10	Final report	n	n	n	Limited	2	2	0
Members Allowances	Governance	10	Final report	n	n	n	Substantial	0	1	0
Local Land Charges	Governance	10	Final report	n	n	n	Substantial	0	1	0
Corporate Partnerships	Corporate	10	Final report	n	n	n	Substantial	0	2	2
Grounds Maintenance	Neighbourhoods	10	Final report	n	n	n	Substantial	0	4	1
Council Housebuilding Programme (c/f from 14/15 Plan)	Communities	15	Final report	n	n	n	Substantial	1	2	0
Planning Fees *	Governance	20	Final report	n	n	n	Limited	1	0	2
Licensing *	Neighbourhoods	10	Final report	n	n	n	Substantial	0	0	2
Right To Buy *	Communities	10	Final report	n	n	n	Full	0	0	0
Business Rates	Key Financial Control	20	Final report	n	n	n	Substantial	0	1	0
Commercial Property *	Neighbourhoods	10	Draft report	n	n		Substantial	0	0	3
Housing Benefits and Council Tax Support	Key Financial Control	20	Draft report	n	n	n	Substantial	0	2	0
Local Plan	Neighbourhoods	10	In progress	n						
Private Sector Housing Grants *	Communities	15	In progress	n						
Debt Recovery within Legal Services (c/f from 14/15 Plan)	Governance	10	In progress	n						
Corporate Asset Register *	Resources	5	In progress	n						
Sundry Debtors *	Key Financial Control	15	In progress	n						
Langston Road Development (new audit)	Neighbourhoods	10	In progress	n						
Depot Health and Safety (new audit)	Neighbourhoods	10	In progress	n						
Corporate Procurement	Resources	15	In progress	n						
Creditors (incl travel and subsistence claims)	Key Financial Control	15	In progress	n						
Council Tax	Key Financial Control	20	In progress	n						
Email, Internet and Telephone Usage	ICT	10	In progress	n						
Housing Repairs Service	Communities	20	In progress	n						
Rental Assistance Loans	Communities	10	In progress	n						
Risk Management	Resources	10	In progress	n						
Data Protection Act (External Data Transfers) *	Governance	10	Scoping							
Budgetary Control *	Resources	10	Scoping							
Economic Development	Neighbourhoods	10	Scoping							
Car Parking Contract	Neighbourhoods	10	Scoping							
Bank Reconciliations (incl cash receipting & income control)	Key Financial Control	15	Scoping							
Waste Management and Recycling (c/f from 14/15 Plan)	Neighbourhoods	20	Scoping							

## Appendix 1 - Audit Plan Monitoring 2015-16

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
Housing Rents*	Key Financial Control	20	Scoping							
<b>Totals</b>	<b>Totals</b>	<b>480</b>		<b>31</b>	<b>17</b>	<b>14</b>		<b>4</b>	<b>20</b>	<b>12</b>
<b>Drop/defer (already approved)</b>										
Gifts and Hospitality	Governance	10								
Grants to Voluntary Organisations	Communities	10								
Facilities Management Contracts	Resources	10								
Equalities (c/f from 14/15 Plan)	Governance	10								
ICT Asset Management (was ICT Procurement)	ICT	10								
<b>Defer (subject to approval)</b>										
Access Controls	ICT	10								
Payroll (incl mileage claims, overtime and committee allowances)	Key Financial Control	20								
Treasury Management	Key Financial Control	10								
Recruitment and Selection	Resources	10								
<b>Key</b>										
* Audits being completed by Mazars										
<b>Abbreviations</b>										
Incl = including										
c/f = carried forward										

Audit	Rec Ref	Original Recommendation	Priority	Managers Original response	Responsible Officer	Agreed Imp date	Revised Imp date	Status update from management	Status
<p><b>Planning Fees</b> Report No. 760</p>	<p>1</p>	<p>Development Control should work with the Northgate (M3) providers and ICT and establish a finance report to enable regular reconciliation, including refunds, between M3 and the General Ledger. In the mean time, the Finance and Procurement Officer should manually reconcile each month's income, including refunds, between M3 and the General Ledger. The Assistant Director of Development Management should sign off the reconciliation each month to evidence that the reconciliation has been completed. Once regular reconciliations are in place, the outcomes should be reported to management on a monthly basis.</p>	<p>1</p>	<p>Two separate processes will be implemented to ensure adequate audit assurance that the financial recording and verification of planning income takes place. <b><u>Effective Reconciliation of DC income at source</u></b> It is proposed the Senior Technical Officer Development Control carries out a weekly reconciliation of DC income to ensure that all planning application income is recorded accurately on all three systems – Northgate M3, Capita and e-financials. Particular emphasis will be on ensuring that cash / cheque payments are recorded accurately against relevant planning applications and those refunds are recorded correctly and verified. <b><u>Overall Periodic Reconciliation</u></b> It will also be recommended that the Development Management Accounts and Invoices Officer will carry out a periodic reconciliation ideally on a</p>	<p>Business Manager  Assistant Director (Development Management)</p>	<p>March 2015</p>	<p>01/04/16</p>	<p>Mar 16: Progress is still ongoing and the target for completion of reconciliations is the end of March 2016. A system has been developed to electronically highlight disparities between the General Ledger (GL) and M3 on the DC income account and a new, draft monthly reconciliation spreadsheet has been put together. This has been tested for December 2015 data.</p>	<p>overdue</p>

Audit	Rec Ref	Original Recommendation	Priority	Managers Original response	Responsible Officer	Agreed Imp date	Revised Imp date	Status update from management	Status
<p>Page 124</p>				<p>monthly basis. The current format and work carried out by the Accounts and Invoices Officer should be further developed in liaison with ICT/Finance. This should be submitted in the form of a monthly/periodic written return to the Assistant Director Development Management and the current system and format developed by ICT and Finance should continue to be utilised as an independent verification process. If effective verification of DC Income takes place on a weekly basis at source, then the overall error rate that the Accounts/Invoices Officer experiences at monthly/periodic intervals should be significantly reduced.</p>					
<p><b>Planning Fees</b> Report No. 760</p>	<p>3</p>	<p>Invalid application should be returned within three months in accordance with the Council's policy.</p>	<p>3</p>	<p>When workload is high, as it currently has been for the last couple of years, and there has been a turnaround of staff in this section that need training, this admittedly has had a lower priority</p>	<p>Senior Technical Officer Development Control  Assistant Director (Development Management)</p>	<p>Sept 2014</p>	<p>30/04/16</p>	<p>March16: In progress</p>	<p>Overdue</p>

**EFDC Internal Audit Recommendation Tracker**

Last updated: 02 March 2016

**Appendix 2**

Audit	Rec Ref	Original Recommendation	Priority	Managers Original response	Responsible Officer	Agreed Imp date	Revised Imp date	Status update from management	Status
				compared with the main task of registering planning applications, preparing reports for Planning Committees and issuing planning permission. However, as set out in our Policy, we will target this area for improvement and compliance.					

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