

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 27 June 2016

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 7.25 pm

Members Present: L Hughes, A Patel, J M Whitehouse, A Jarvis (Vice-Chairman) and N Nanayakkara

Other Councillors: R Bassett and C Whitbread

Apologies: R Jennings

Officers Present: C O'Boyle (Director of Governance), S Marsh (Chief Internal Auditor), S Linsley (Senior Auditor), G J Woodhall (Senior Democratic Services Officer) and J Leither (Democratic Services Officer)

1. WEBCASTING INTRODUCTION

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

2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

The Director of Governance opened the meeting and requested nominations for the roles of Chairman and Vice-Chairman for the coming municipal year. The Committee was reminded that, under the Constitution (Article 11, paragraph 16 refers), one of the roles had to be taken by an elected Member with the other role taken by a Co-Opted Member of the Committee.

Resolved:

(1) That Councillor J Knapman be elected Chairman of the Audit & Governance Committee for the 2016/17 municipal year; and

(2) That A Jarvis be elected Vice-Chairman of the Audit & Governance Committee for the 2016/17 municipal year.

3. DECLARATIONS OF INTEREST

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

4. MINUTES

Resolved:

(1) That the minutes of the meeting held on 31 March 2016 be taken as read and

signed by the Chairman as a correct record.

5. MATTERS ARISING

There were no matters arising from the previous meeting for the Committee to consider.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2016/17

The Committee noted its Work Programme for 2016/17.

The Committee queried why there were two items listed as “Unallocated” on the Work Programme. The Director of Governance stated that they would be considered if there was time available during the municipal year. The “Whistle Blowing Policy” was currently being reviewed. Although there was some uncertainty as to when the effectiveness of the Audit & Governance Committee had been previously reviewed, the Chief Internal Auditor suggested that this item be considered at the meeting scheduled for 28 November 2016, and that there was a checklist available to facilitate the Review.

7. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2015/16

The Chief Internal Auditor presented the Annual Report of the Audit & Governance Committee for 2015/16.

The Chief Internal Auditor stated that the Annual Report of the Audit and Governance Committee outlined the Committee’s work and achievements for the year ending 31 March 2016. The Annual Report helped to demonstrate to residents, and other stakeholders, the vital role that was carried out by the Audit and Governance Committee and the contribution that it made to the Council’s overall governance arrangements.

The Annual Report had concluded that the Committee had continued to have a real and positive contribution to the Governance arrangements of the Council. The key achievement of the Committee was the additional assurance provided of the robustness of the Council’s arrangements regarding Corporate Governance, Risk Management and the control environment. During the coming year, the Committee would concentrate on:

- continuing to review governance arrangements to ensure the Council adopted best practice;
- continuing to support the work of the Internal Audit Service and ensure that appropriate responses were provided to their recommendations;
- continuing to assist the Council manage the risk of fraud and corruption;
- providing effective challenge, raising awareness of the importance of sound internal control arrangements and giving the appropriate assurances to the Council;
- consideration of the effectiveness of the Council’s Risk Management arrangements;
- providing new and existing Members of the Committee with relevant training to assist in the discharge of their duties; and
- consideration of the potential role of the Committee in appointing the Council’s External Auditors.

The Committee noted that Treasury Management, Risk Management and the work of the External Auditors had not been covered in this year’s Annual Report, whereas it

had in previous years. Officers were requested to examine the scope of the report in future years.

Resolved:

- (1) That the Annual Report of the Audit & Governance Committee for 2015/16 be recommended to the Council for approval;
- (2) That the Chairman and Vice-Chairman of the Committee be authorised to agree any further substantive changes to the final draft of the report prior to its submission to the Council; and
- (3) That Officers examine the scope and contents of the Annual Report for 2016/17.

8. INTERNAL AUDIT MONITORING REPORT - APRIL TO JUNE 2016

The Senior Internal Auditor presented the Internal Audit Monitoring Report for the period April to June 2016.

The Senior Internal Auditor advised the Committee that 15 reports had been issued since the previous meeting, of which 14 had been given Substantial Assurance – Local Plan, Rent Assistance Loans, Email/Internet/Telephone Usage, Private Sector Housing Grants, Legal Debt Recovery, External Data Transfers, Budgetary Control, Corporate Asset Register, Housing Rents, Sundry Debtors, Epping Depot Health & Safety, Housing Repairs Service, Risk Management (Operational) and Creditors – and one had been given Full Assurance – Council Tax.

The Senior Internal Auditor reported that the Recommendation Tracker contained four recommendations which had passed their due date. Two related to income reconciliations for Local Land Charges, one for invalid planning applications to be returned to the applicant within three months, and one to review all policy, procedural and guidance documentation for Licensing.

The Senior Internal Auditor stated that the Corporate Fraud Team had stopped five fraudulent Right-to-Buy applications and had recovered a further five properties as a result of fraud. Anti-fraud services had been provided to another authority through the shared Internal Audit Service, and assistance was being provided to Human Resources for an ongoing disciplinary investigation.

The Senior Internal Auditor added that the Service was also represented on a number of business groups and project teams to provide advice and guidance, including:

- Project & Programme Management;
- Electronic Invoicing; and
- Customer Self Service Kiosks.

In response to queries from the Committee, the Chief Internal Auditor emphasised that it was important for Audit recommendations to be implemented. The Tracker at Appendix 2 of the report allowed the Committee to monitor those recommendations that were not implemented, with the option of requesting relevant Officers to attend and provide an explanation at a future meeting. There was a 'Master' Tracker spreadsheet which contained all of the recommendations issued in Audit reports.

Resolved:

- (1) That the progress being made both against the 2016/17 Internal Audit Plan and by the Corporate Fraud Team be noted.

9. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

The Chief Internal Auditor presented their Annual Report for 2015/16.

The Chief Internal Auditor informed the Committee that this report was presented in support of the Internal Audit opinion on the adequacy of the Council's internal control environment and provided a summary of the work undertaken by Internal Audit for 2015/16. The Accounts and Audit Regulations 2015 also included a requirement for the Authority to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance.

The Chief Internal Auditor reminded the Committee that, in March 2015, it had approved the Internal Audit Plan for 2015/16, which was designed to allow sufficient audit coverage to support the overall opinion for the Council. There had been some variations to the Plan throughout the year, which had been approved by the Committee, but there had been sufficient audit coverage to allow an overall opinion to be given. A total of 32 audits had been completed throughout the year, with the following results:

- full assurance for 2 audits;
- substantial assurance for 28 audits;
- limited assurance for 2 audits; and
- no assurance for 0 audits.

The Chief Internal Auditor reassured the Committee that the two limited assurance audits had tended to relate to a specific area and did not represent a breakdown of controls across the Council. In 2015/16, a new process had been introduced to track and report on the progress of the implementation of agreed audit recommendations; the new process was working well and there were no significant issues to report concerning the implementation of audit recommendations.

The Chief Internal Auditor highlighted that the Internal Audit Service was most effective when its advice was sought to ensure that suitable controls were incorporated at an early stage in the planning of policy or systems. During the year, Internal Auditors had acted in an ex-officio role on the following key business groups:

- Corporate Governance Group;
- Risk Management Group;
- Corporate Green Working Party;
- Corporate Debt Working Party;
- Personal Data Working Party;
- Contract Standing Orders Working Party; and
- E-Invoicing Group.

The Chief Internal Auditor reported that the Corporate Fraud Team, which became operational on 1 April 2015, investigated any allegations of fraud and suspected irregularity, and presented an annual report to the Committee on such matters. However, during the year, there were no significant investigations into suspected fraud (in excess of £10,000) and therefore the production of an annual report was not deemed necessary for the Committee to consider.

The Chief Internal Auditor revealed that the Internal Audit Service had undertaken a self-assessment against the requirements of the Public Sector Internal Audit Standards (PSIAS) in March 2016, which had concluded that the Service was compliant. This had been reported to the Committee, along with an Action Plan to address the minor issues where there was partial rather than full compliance with the Standards. The performance indicators for the Service in 2015/16 were as follows:

Performance Indicator	Target 2015/16	Actual Year-End
% of Audit plan completed	90%	79%
Productivity of Staff	72%	73%
Implementation of agreed recommendations	Within agreed timescales	90%

The Chief Internal Auditor stated that staff within the Internal Audit Service undertook continuous professional development, participated in various networking groups, and maintained close working relationships with other Councils.

The Chief Internal Auditor concluded that no system of control could provide absolute assurance against material misstatement or loss, and the work of Internal Audit was only intended to give reasonable assurance on controls. However, based on the results of work undertaken during the year, it was the overall opinion of the Chief Internal Auditor that the Council had an adequate and effective governance, risk management and control framework.

In response to questions from the Committee, the Chief Internal Auditor stated that the audit of the Langston Road Development had now been issued to management in draft form, and had also been added to this year's Audit Plan to follow up on. The gross misconduct issue investigated by the Corporate Fraud Team was not a matter which required reporting to the police, although the member of staff concerned was summarily dismissed. The Senior Internal Auditor added that management responses were still awaited for some of the audits whose status was listed as "Draft report".

The Vice-Chairman thanked the Chief Internal Auditor and all staff in the Internal Audit Service and Corporate Fraud Team for their efforts throughout the year.

Resolved:

- (1) That the Annual Report of the Chief Internal Auditor for 2015/16 and the assurance level given be noted;
- (2) That the Annual Report of the Chief Internal Auditor for 2015/16 be included as part of the review by the Committee of the adequacy and effectiveness of Internal Control; and
- (3) That, for the twelve-month period ending 31 March 2016, the confirmation by the Chief Internal Auditor that the Council had an adequate and effective Governance, Risk Management and Control Framework be noted.

10. ANNUAL GOVERNANCE STATEMENT 2015/16

The Chief Internal Auditor presented a report on the Annual Governance Statement for 2015/16.

The Chief Internal Auditor stated that the Council's Statutory Statement of Accounts had been prepared in accordance with the Accounts and Audit Regulations 2011.

Within the Regulations, and in accordance with defined 'proper practice', there was a mandatory requirement to publish an Annual Governance Statement. The arrangements were designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements needed to be improved. The Statement was also partly derived from detailed reviews by all Service Directors on the effectiveness of the governance arrangements within their areas. The Statement outlined the Governance Framework at the Council, the progress made on significant governance issues identified in the previous Statement, and areas for improvement or monitoring during 2016/17.

The Committee welcomed the Statement and suggested, and agreed, that a "Conclusion" section should be added to the Statement at the end.

Resolved:

- (1) That a "Conclusion" section be added at the end of the Annual Governance Statement for 2015/16; and
- (2) That the Annual Governance Statement for 2015/16 be approved.

11. ANY OTHER BUSINESS

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

12. 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