



Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE Monday, 27th June, 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 Monday, 27th June, 2016
at 7.00 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

Gary Woodhall
(Governance Directorate)
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors L Hughes, R Jennings, J Knapman, A Patel and J M Whitehouse.

Independent A Jarvis and N Nanayakkara

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.

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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. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

(Director of Governance) Under Article 11, paragraphs 13 – 17, of the Constitution, the Chairman and Vice-Chairman of the Committee shall be appointed at the first meeting of the municipal year for a term of one year.

Both Councillors and Co-Opted Members serving on the Committee are eligible for appointment to either role; however, if the Chairman is a Councillor then the Vice-Chairman must be a Co-Opted Member, and vice versa.

The Chairman and Vice-Chairman from the previous municipal year are eligible for re-appointment.

3. APOLOGIES FOR ABSENCE

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

4. DECLARATIONS OF INTEREST

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

5. MINUTES

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 31 March 2016 (previously circulated).

6. MATTERS ARISING

(Director of Governance) To consider any matters arising from the previous meeting.

7. AUDIT & GOVERNANCE WORK PROGRAMME 2016/17 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme for 2016/17.

8. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2015/16 (Pages 7 - 14)

(Chief Internal Auditor) To consider the attached report (AGC-001-2016/17).

9. INTERNAL AUDIT MONITORING REPORT - APRIL TO JUNE 2016 (Pages 15 - 24)

(Chief Internal Auditor) To consider the attached report (AGC-002-2016/17).

10. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR (Pages 25 - 34)

(Chief Internal Auditor) To consider the attached report (AGC-003-2016/17).

11. ANNUAL GOVERNANCE STATEMENT 2015/16 (Pages 35 - 44)

(Chief Internal Auditor) To consider the attached report (AGC-004-2016/17).

12. 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.

13. EXCLUSION OF PUBLIC AND PRESSExclusion:

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

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement:

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

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

(2) at the time appointed under (1) above, the Chairman shall permit the

completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press; and

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

Background Papers:

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

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

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

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

Audit & Governance Committee Work Programme 2016/17

27 June 2016

- Internal Audit Annual Report 2015/16.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Internal Audit Progress Report.

19 September 2016

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Internal Audit Progress Report.

- ❖ Annual Governance Report 2015/16.

28 November 2016

- 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.

- ❖ Annual Audit Letter 2015/16.

6 February 2017

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.

- ❖ Grant Claims Audit Report 2015/16.

27 March 2017

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2017/18.
- Internal Audit Compliance with the Public Sector Internal Audit Standards
- Corporate Fraud Team Strategy 2017/18

- ❖ Planning Letter 2017/18.

- ❖ Audit Plan 2016/17.

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 27 March 2017 meeting in the Conference Room.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-001-2016/17**
Date of meeting: **27 June 2016**

Portfolio: **Governance and Development Management**

Subject: **Audit and Governance Committee Annual Report 2015/16**

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

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

Recommendations/Decisions Required:

(1) That the Annual Report for the Audit and Governance Committee for 2015/16 be agreed and the report be referred to the Council.

Executive Summary:

The Annual Report of the Audit and Governance Committee outlines the Committee's work and achievements over the year ending 31 March 2016. The Annual Report helps to demonstrate to residents and the Council's other stakeholders the vital role that is carried out by the Audit and Governance Committee and the contribution that it makes to the Council's overall governance arrangements.

Reasons for Proposed Decision:

To present the Audit and Governance Committee Annual Report for 2015/16 and to recommend that the report be referred to the Council.

Other Options for Action:

None.

Report:

1. The Committee is invited to comment on the report, in particular, whether the remit of the Committee is adequately reflected in this report. It is suggested that if any substantive changes are required these are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

Resource Implications:

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

Legal and Governance Implications:

The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report

the Audit Committee helps the Council to maintain a high standard of corporate governance. There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group, Chair of the Audit and Governance Committee.

Background Papers:

Minutes of Audit and Governance Committee.

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.

Date / Name	Summary of equality analysis
27/6/16 Chief Internal Auditor	The report is a summary of the work reviewed in the year by the Audit and Governance Committee and has no equality implications.

EPPING FOREST DISTRICT COUNCIL

ANNUAL REPORT

OF THE

AUDIT AND GOVERNANCE COMMITTEE

2015/16

1. INTRODUCTION

The Audit Committee was established by the Council in July 2007. Its purpose is:

- to provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

Whilst there is no statutory obligation for a local authority to establish an audit committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.

The key benefits of an effective audit committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations; and
- reinforcing the importance and independence of internal and external audit and similar review processes.

2. ASSURANCE ACTIVITY 2015/16

To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from the following sources:

Internal Audit

The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Director of Resources as Section 151 Officer. Internal Audit is a key source of assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.

The Committee considered and agreed reports regarding the Internal Audit Strategy, Terms of Reference and Annual Plan 2015/16, and progress by management in implementing audit recommendations. It also received regular progress reports on the performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance and internal control in place.

The Committee also kept under review the recent joint working arrangement with Harlow District Council and Broxbourne Borough Council, including audit resources to deliver the plan and benefits derived from the shared working.

Assurance Framework / Annual Governance Statement

The Committee's terms of reference include advising on the effectiveness of the Council's assurance framework including the production of the Annual Governance Statement.

During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. The Assurance Framework is compiled from various sources of assurance, for instance Directors and other key officers.

The Chief Internal Auditor provides an annual report and opinion regarding the Council's control framework. This opinion is considered by the Committee alongside other sources of assurance.

The Committee reviewed the Annual Governance Statement (AGS) for 2014/15 which identified governance issues requiring further ongoing improvement relating to:

- Parking income;
- Housing rent reconciliations;
- Contract Standing Orders; and
- Sundry debtors

The assurance framework and the Council's Code of Corporate Governance remained unchanged during 2015/16. The Committee was able to be satisfied that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Head of Internal Audit's annual opinion.

Anti-Fraud and Corruption

Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud, particularly with the setup of the Corporate Fraud Team, who work in tandem with Internal Audit.

The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI).

The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.

Based on the work to date, coupled with no major incidences of fraud and corruption being highlighted by management, the Corporate Fraud Team or Internal Audit, the Committee concludes that there is a sound anti-fraud framework in place.

Risk Management

The Committee receives regular reports on risk management, including in March 2016 a report on the effectiveness of the arrangements for risk management highlighting the Council had continued its programme of risk management.

Committee Working Arrangements

The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect

changes in policies, priorities and risks. The Committee met five times in 2015/16. The Committee considered items which are presented annually, such as audit results, the statement of accounts, the annual governance statement, and audit plans; as well as a number of other items including treasury management as this falls under the committee's remit.

Training sessions have been held and the agreed work programme enables the Committee to provide an independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.

Members of the Committee have a wide range of both experience and professional knowledge which, coupled with it having two co-opted persons, has continued to help demonstrate its independence. The Committee has the benefit of being well supported by Council officers. This included the Director of Resources, who is also the Section 151 Officer, Director of Governance, who is also the Monitoring Officer, and the Chief Internal Auditor as well as the Council's external auditors.

During the year the committee considered the benefits of combining the committee with the Standards Committee. It was agreed that keeping the two committees separate was a current strength of the Council but the situation would be reviewed in two years' time.

To help ensure the effectiveness of the Committee, there is a training programme, comprising of formal training sessions, as well as the committee reports. This supplemented the corporate induction packs and training programme provided, particularly for new members to the Council. Ongoing training requirements are kept under review and opportunities for joint training with Harlow and Broxbourne Councils are actively sought.

There have been no reported major breakdowns in internal control, governance and risk management that have led to a significant loss in one form or another, nor any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk.

The purpose, strategy and work programme of the Committee mitigates against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:

- An effective risk management framework and internal control environment including audit;
- The effectiveness of financial and non-financial performance (to the extent that it affects exposure to risk and poor internal control); and
- The compilation and consideration of the AGS.

Outcomes / Achievements

Through its work, the Committee's main outcome is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.

The Committee has added value through its activity and in particular:

- it has continued to increase the importance placed upon governance issues, particularly risk management, anti-fraud and the assurances sought that key risks are being mitigated; and
- it has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.

Conclusions

The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability and the delivery of audit and a robust assurance framework. The Committee has received and challenged reports from management and both internal and external audit.

The agreed work programme enables the Committee to provide independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.

The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

Looking Forward

The Committee has continued to work well and has considered a wide range of different topics relating to the Council's governance framework. It has continued to establish and develop its role, particularly in respect of ensuring that there are good risk assessment / management arrangements and good governance procedures in place.

Stricter internal control and the establishment of a Committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, the Committee will continue to raise awareness of the need for internal control and the implementation of audit recommendations as well as to maintain a watching brief on the areas highlighted in the AGS. In addition, through a process of independent and objective reviews, the Committee is best placed to provide an additional assurance as the adequacy of the Council's overall governance arrangements.

The Committee has performed its duties as required under its terms of reference, contributing to an effective control framework. In order to build upon its achievements to date and to raise awareness of the work of the Committee during the coming year the Committee will focus on the following:

- Continue to review governance arrangements to ensure that the Council adopts best practice;
- Continue to support the work of audit and ensure that appropriate responses are provided to their recommendations;
- Continue to help the Council manage the risk of fraud and corruption;
- Provide effective challenge, particularly to officers, raising awareness of the importance of sound internal control arrangements and giving the appropriate assurances to the Council;
- Consider the effectiveness of the Council's risk management arrangements.
- Provide existing and new members to the Committee with relevant training, briefings etc. to help in discharging their responsibilities.
- Consider the potential role of the Committee in appointing the Council's External Auditors.

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-002-2016/17

Date of meeting: 27 June 2016

Portfolio: Governance and Development Management

Subject: Internal Audit Monitoring Report - April to June 2016

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Committee notes the progress being made against the 2016/17 Internal Audit plan and by the Corporate Fraud Team.

Executive Summary:

This report provides a summary of the work undertaken by Internal Audit between April and June 2016, progress against the 2016/17 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:

2016/17 Internal Audit Plan

1. Work has started on the 2016/17 Audit Plan as detailed in Appendix 1, although the majority of the time has been spent completing the 2015/16 Audit Plan. Internal Audit staff are starting to work across all three Councils, thereby sharing best practice and expertise.

Internal Audit reports

2. The following 15 reports have been issued since the Committee received its last update in March 2016:

Full assurance:

- **Council Tax** – Council Tax is well managed and there are effective controls which ensure the database is complete and accurate, and the Council Tax liability is correct. The Section has a number of measures in place to minimise the risk of awarding fraudulent applications for discounts and exemptions, including robust application

processes, a cyclical review of all discounts and exemptions and property inspections. Income is maximised through effective recovery and enforcement action.

Substantial assurance:

- **Local Plan** – At an operational level the Local Plan is being well managed. The main area of concern is the lack of periodic (monthly) reporting to senior managers of progress against the timetable and the financial position of the Local Plan; this is now being addressed through regular reports to the Management Board. Transparency in the Local Plan process is essential given that it is such a high profile project, and is becoming more important as the Local Plan gathers pace.
- **Rent Assistance Loans** – There are robust controls in place which ensure that Rent Assistance Loans are awarded in accordance with the Council's policies and procedures. Loans and repayments are correctly recorded on a spreadsheet although no formal reconciliation to the general ledger is undertaken. Minor weaknesses in the monitoring of loan repayments were identified which could impact on the recovery rates achieved and therefore the level of funds available for further Rent Assistance Loans.
- **Email, Internet & Telephone Usage** – Email and internet usage is effectively monitored, and any excessive or inappropriate usage identified is successfully addressed. Telephone usage reporting and monitoring should be introduced to target any inappropriate telephone usage, and consideration should be given to making it a requirement for staff to reconfirm their agreement to internet, email and telephone acceptable usage policies on an annual basis.
- **Private Sector Housing Grants** – The processes around the management of Private Sector Housing Grants are operating effectively. Assistance is awarded in accordance with legislation and Council policy and there are effective controls which ensure works are completed to a satisfactory standard prior to payment. The List of Preferred Contractors, which includes undertaking appropriate vetting checks, requires updating to ensure that inappropriate contractors are not engaged to carry out work.
- **Legal Debt Recovery** – The systems surrounding the management of debt recovery in Legal Services are operating effectively. Where appropriate, debts are referred promptly to Legal Services and are referred back if arrangements to pay are subsequently broken. A more robust system for recording and monitoring court costs is recommended to ensure the Council is maximising the recovery of these debts.
- **External Data Transfers** – There are secure means for the transfer of data between the Council and third parties, and there are robust controls around the storing and processing of data within the Council. It is recommended that the Council produces an Information Asset Register to ensure it is aware of, and controls, all information flows both in and out of the Authority.
- **Budgetary Control** – Budgetary control processes are working well and there is a clear link between budgetary/financial management and the service planning process. Budget setting is carried out in accordance with the agreed timetable and approved by full Council; although draft budgets should be formally reviewed and agreed by the Spending Control Officers. There is regular and appropriate budget monitoring and reporting to management and Members.
- **Corporate Asset Register** – There are appropriate controls in place to ensure the

Asset Register holds a complete and accurate record of the Council's assets, which is reconciled annually to the general ledger. Additions and disposals are correctly recorded and depreciation correctly applied. The referencing and tagging of assets could be improved to help locate and identify specific assets on the register.

- **Housing Rents** – The processes around housing rents are working well. Annual rent setting is correctly carried out and the figures checked for accuracy prior to uploading to OHMS (the Council's housing system). Housing stock reconciliations are undertaken quarterly and are independently reviewed. The monthly report of Former Tenant Arrears with Legal Services should be reviewed by the Housing Managers to ensure arrears are being monitored and recovered.
- **Sundry Debtors** – The controls around the management of sundry debtors are effective. Charges are identified and invoiced promptly, and income due is correctly recorded. Debt recovery processes, although effective, should be reinforced to ensure all sections follow the Council's procedures.
- **Epping Depot Health and Safety** – There are effective policies, procedures, reporting and monitoring arrangements in place to provide assurance that health and safety is managed in line with Council policy. Recommendations have been made around housekeeping aspects at the depot.
- **Housing Repairs Service** – The housing repairs service is operating well, as confirmed by the performance indicators published. Repairs are carried out in a timely manner and to the required standard, and where required, tenants are recharged for repairs. A stock management system should be introduced at the depot to ensure all materials are accounted for.
- **Risk Management (Operational)** – The risk management processes at a directorate level are working well. Improvements to processes were identified which will provide consistency and help identify interdependencies, which will in turn strengthen the corporate risk management framework.
- **Creditors** – The systems and controls around the ordering, receipting and payment for goods and services are operating well. This includes new supplier set up and amendments to supplier details such as bank details, although independent checking of amendments on a sample basis is recommended to reduce the risk of internal and external fraud. Isolated incidences of orders being raised after receipt of the invoice and of goods not being receipted on Marketplace will be largely addressed by the introduction of e-invoicing, which is due to be implemented later in 2016/17.

Recommendation Tracker

3. 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.

4. The current tracker (Appendix 2) contains two priority 2 recommendations and two priority 3 recommendations which have passed their due dates. Regular monitoring of these recommendations demonstrates that, although they have not been completed by the original implementation dates, progress has been made on all of these.

Recommendation type	Number (as at June 2016)
Priority 1 not passed its due date	0
Priority 1 passed its due date	0
Priority 2 passed its due date	2
Priority 3 passed its due date	2

Other Internal Audit Activities

5. Internal Audit is represented on a number of business groups and project teams in order to provide advice and guidance. New project teams include:

- Project and Programme Management – to assist in ensuring that project management processes are developed to ensure consistent methodology is applied across the Authority
- Electronic invoicing – to provide guidance on controls around the implementation of electronic invoicing and the impact on the purchase ordering and accounting systems.
- Customer Self Service Kiosks – to advise on controls in relation to cash receipting and income control processes.

Corporate Fraud Team

6. Since the last update, five Right to Buy applications have been stopped or withdrawn following Corporate Fraud Team intervention. The total discount saved as a result of this is approximately £390,000 and the value of retained rent revenue streams is around £229,000. In addition, five properties have been recovered as a result of fraud (for example, illegal subletting) resulting in a saving of approximately £90,000.

7. The Team is currently working on a number of criminal investigations including an active money laundering investigation linked to a Right to Buy application.

8. The Senior Corporate Fraud Investigator is now an accredited Senior Authorised Officer under the Proceeds of Crime Act, and the accredited Financial Investigator is undertaking further training in June in order to be able to carry out financial confiscation and cash seizure work.

9. Through the Internal Audit shared service, anti-fraud services are being provided to another authority and the first investigation for this authority was undertaken in May. Training is also to be provided as part of these services.

10. A presentation on Right to Buy fraud was given at a meeting of local authority fraud investigators in East / West Sussex. This was very well received and may lead to joint working opportunities in the future. Work has begun on setting up a fraud forum for Essex / Suffolk local authority investigators with EFDC as the lead.

11. The Team is currently providing assistance to Human Resources in respect of an ongoing disciplinary investigation, is working with Legal Services on a number of fraud prosecutions (housing fraud and Local Council Tax Support Fraud) and working with the Communities Directorate to implement tighter anti-fraud procedures in areas such as mutual exchanges and joint tenancy applications.

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2016/17 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.

Date/Name	Summary of equality analysis
27/06/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.

Appendix 1 - Audit Plan Monitoring 2016-17

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
Quarter 1										
Conflicts of interest	Governance	10	In Progress	n						
Car Parking (c/f from 15/16)	Neighbourhoods	10	In Progress	n						
Corporate Procurement (c/f from 15/16)	Resources	15	In Progress	n						
Pls - sickness absence (new audit)	Resources	6	TofR issued							
Waste Management	Neighbourhoods	10	Scoping							
Depot Health & Safety	Neighbourhoods	12	Scoping							
Grants to Voluntary Organisations	Communities	8	Scoping							
Cash and Banking	Resources	12	Scoping							
E-invoices	Resources	6	Scoping							
Recruitment and Selection	Resources	10								
Housing Health & Safety	Communities	12								
Voids	Communities	10								
Quarter 2										
Data Retention and Disposals	Corporate	15								
Project - Transformation	Corporate	6								
Asset Management Strategy	Neighbourhoods	10								
Performance Management - Neighbourhoods	Neighbourhoods	12								
Enforcement	Neighbourhoods	10								
Treasury Management	Resources	10								
IT Disaster recovery	Resources	10								
Electoral Registration	Governance	10								
Quarter 3										
Energy Management vfm	Corporate	10								
Joint Working - Community Safety	Neighbourhoods	10								
Project - Langston Road	Neighbourhoods	10								
Project - New Homes	Communities	12								

Safeguarding	Communities	12									
Business Rates follow up	Key Financial Control	5									
Council Tax follow up	Key Financial Control	5									
Planning Application Processes	Governance	8									
Equality and Diversity	Governance	12									
Quarter 4											
IT Helpdesk	Resources	8									
Contract Management	Corporate	15									
Payroll	Key Financial Control	12									
Housing Rents	Communities	10									
Mutual Exchanges	Communities	8									
Antisocial Behaviour	Neighbourhoods	12									
Key									0	0	0

c/f = carried forward

TofR = Terms of Reference

Appendix 2

EFDC Internal Audit Recommendation Tracker (Overdue and In Progress)

Last updated: 14 June 2016

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Audit Recommendations 2015/16									
Local Land Charges Report No. 754 November 2015	1.1	The income reconciliations between the Local Land Charges system (M3) and the General Ledger should be brought up to date and performed quarterly thereafter to ensure that any differences are identified and resolved promptly.	2	The Local Land Charges income will be reconciled on a quarterly basis. A spreadsheet detailing the income received by cheque and BACS will be provided by Accountancy in order to achieve this.	Local Land Charges Manager Assistant Director (Accountancy) Director of Governance	01/04/16	01/07/16 01/09/16	May 16: Local Land Charges are in the process of completing the LLC income reconciliations for Q's 3 & 4 for 2015-16. Q's 1 & 2 2015/16 are done but need finalising. June 16: The reconciliations for Quarters 1-4 2015/2016 have been completed but there are still outstanding anomalies that need to be investigated before they can be signed off by the Local Land Charges Manager.	Overdue
Local Land Charges Report No. 754 November 2015	1.2	The reconciliations should be independently reviewed by the Local Land Charges Manager	2	The income reconciliations will be independently reviewed by the Local Land Charges Manager	Local Land Charges Manager Director of Governance	01/04/16	01/07/16 01/09/16	May 16 and June 16: As above	Overdue
Planning Fees Report No. 760 January 2016	3	Invalid application should be returned within three months in accordance with the Council's policy.	3	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 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	Senior Technical Officer Development Control Assistant Director (Development Management)	30/04/16	30/06/16	May 16: Work is in progress on the backlog of invalid application forms and refunds. The most historic date of old applications is June 2015.	Overdue

Appendix 2

EFDC Internal Audit Recommendation Tracker (Overdue and In Progress)

Last updated: 14 June 2016

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
				compliance.					
Licensing Report No. 765 February 2016 <div>Page 24</div>	1	A review of all policy, procedural and guidance documentation should be completed to ensure compliance with current Legislation.	3	The update of the fee structure in accordance with the Deregulation Act was undertaken following full consultation in October. The Hackney Carriage and Private Hire Licensing Policy is currently undergoing a full revision which has included a review by a Member/officer working party. Once this review has taken place the revised policy will be subject to a full consultation process prior to Council approval.	Assistant Director Neighbourhood Services	26/04/16	01/07/16 30/09/16	May 16: The Member/Officer review is now complete. However the section has been advised to carry out the consultation after the appointment of the new Chairman of the Licensing Committee in June 2016. June 16: The Hackney Carriage and Private Hire Licensing Policy is currently undergoing a full revision and the revised policy will be subject to full consultation process. The process will entail consultation with all Public Hire licence holders (some 600+ people), all the Town and Parish Councils, all Members and a selected group of interested parties such as the Police and Essex County Council etc. The consultation period will be six weeks and we hope to start at the beginning of July.	Overdue

Report to the Audit and Governance Committee



Report reference: AGC-003-2016/17
Date of meeting: 27 June 2016

**Epping Forest
District Council**

Portfolio: Governance and Development Management

Subject: Annual Report of the Chief Internal Auditor

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Committee be requested to note the following report for 2015/16 and the assurance level given;
- (2) That the Committee considers the contents of this report and appendices as part of their review of the adequacy and effectiveness of internal control; and
- (3) That the Committee notes, for the 12 month period ended 31 March 2016, the Chief Internal Auditor confirms that the Council has an adequate and effective governance, risk management and control framework.

Executive Summary:

This report is presented in support of the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment and provides a summary of the work undertaken by Internal Audit for 2015/16.

The Accounts and Audit Regulations 2015 include a requirement for the Authority to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance. This report supports such a review.

Reasons for Proposed Decision:

To support the Committee in its review of the Annual Governance Statement

Other Options for Action:

No other options.

Report:

Introduction

1. This document summarises the results of internal audit work during 2015/16 and, as required by the Accounts and Audit (England) Regulations 2015, gives an overall opinion of the Council's governance, risk management and control framework.

Overall Opinion

2. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The work of Internal Audit is only intended to give reasonable assurance on controls. In assessing the level of assurance to be given, the Chief Internal Auditor has taken into account:

- All reviews completed during the year
- Any follow up actions taken in respect of audits from previous periods
- Any fundamental recommendations not accepted by management (there were none) and the consequence of risk
- The effect of any significant changes in the Council's objectives, activities or systems
- Whether any limitations have been placed on the scope of Internal Audit (there have not been any)
- Whether there have been any resource constraints that may impinge on Internal Audit's ability to deliver the agreed Internal Audit Plan (there have been none)
- Matters arising from previous reports to the Audit and Governance Committee

Based upon the results of work undertaken during the year it is the Chief Internal Auditor's overall opinion that the Council has an adequate and effective governance, risk management and control framework.

Context

3. This report outlines the work undertaken by Internal Audit covering the period 1 April 2015 to 31 March 2016.

4. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of these arrangements.

5. Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance, timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

6. The primary role of Internal Audit is to provide assurance to the Council (management, Directors and the Audit and Governance Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Internal Audit Work during 2015/16

7. The 2015/16 Internal Audit Plan was presented to the Audit and Governance Committee in March 2015. The plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:

- Knowledge and experience accumulated in Internal Audit, including the results of previous reviews
- A review of audit themes against the Corporate 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

8. The plan was designed to allow sufficient audit coverage to support the overall opinion for the Council. There have been some variations to the plan, which have been approved by the Audit and Governance Committee, and there has been sufficient internal audit coverage in order to give this opinion.

9. At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:

- 'Full' assurance – There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied.
- 'Substantial' assurance – There is a sound system of control designed to achieve system objectives, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance, which are placing some system objectives at risk.
- 'Limited' assurance – There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in the application of control in a number of areas, and / or evidence of significant non-compliance, which are placing some system objectives at risk.
- 'No' assurance – The system of control is weak, and / or there is evidence of significant non-compliance, which exposes the system to the risk of significant error or unauthorised activity.

Summary of Assurance Work

10. A total of 32 assurance reviews were completed and overall the audits are positive with the majority being given Full or Substantial assurance:

- 2 Full assurance;
- 28 Substantial assurance;
- 2 Limited assurance; and
- No report was given No assurance.

11. For the two reports giving Limited assurance these tended to relate to a specific area rather than represent a breakdown of controls across the Council.

12. Appendix A sets out the audits undertaken during 2015/16, with their assurance rating, and includes a small number of audits carried over from the 2014/15 Audit Plan.

Tracker process

13. Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories, in order of priority are one, two and three.

14. In 2015/16 a new process was introduced to track and report on progress of the management implementation of agreed recommendations, which is actively monitored by the Corporate Governance Group. The Audit and Governance Committee receives a report of all overdue recommendations plus any priority one recommendations from final reports issued, regardless whether they are overdue or not.

15. The new process is working well with greater commitment by managers to ensure audit recommendations are implemented or there are good business reasons why there has been a delay. There are no significant issues to report regarding the implementation of audit recommendations.

Other Sources of Assurance

16. The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.

Special investigations:

17. Internal Audit and the Corporate Fraud Team investigate any allegations of fraud and suspected irregularity although there are separate arrangements for reporting, investigating and dealing with benefits fraud. A record is maintained of all reported and alleged fraud and theft which forms the basis for an annual report on fraud which is presented to the Audit and Governance Committee. There were no significant (estimated at more than £10,000) investigations into suspected fraud, hence, an annual fraud report has not been presented to the Audit and Governance Committee; although an internal investigation was carried out by the Corporate Fraud Team which resulted in the dismissal of a staff member for gross misconduct.

Advice:

18. Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit acting in an ex-officio role on key business groups which in 2015/16 included:

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

19. In addition, Internal Audit raises awareness of control issues throughout the Council particularly through the update of key governance documents and the co-ordination and analysis of service assurance statements which feeds into the Annual Governance Statement.

Anti-Fraud and Corruption work:

20. The Corporate Fraud Team became formally operational on 1 April 2015 and the

team reports directly to the Chief Internal Auditor. The team was created in order to bring together the Council's investigative teams to create a uniform approach to anti-fraud activities and to ensure that sufficient resilience going forward following the loss of a number of benefit investigation staff to the Department for Work and Pensions.

21. The Council also participates in the National Fraud Initiative, which is a data matching exercise run every two years. The exercise seeks to identify fraud spanning public bodies and Internal Audit is the key point of contact and facilitates and supports the Council's involvement.

Effectiveness

22. This section of the report sets out information on the effectiveness of the Internal Audit service and compliance with the Public Sector Internal Audit Standards (PSIAS).

23. In March 2016 the Internal Audit service undertook a self-assessment against the requirements of PSIAS and concluded it was compliant with this. This was reported to the Audit and Governance Committee with an action plan to address the minor issues arising, where there was partial rather than full compliance with the standards.

24. Internal Audit has a Quality Assurance and Improvement Programme (QAIP). The QAIP includes internal and external assessments of effectiveness, both on-going and periodic monitoring. Any areas for improvement are identified in the PSIAS compliance self-assessment.

25. The regular progress reports presented to the Audit and Governance Committee provide Members with the opportunity to monitor Internal Audit's output and effectiveness. Feedback on the implementation of recommendations also provides evidence of the degree of influence Internal Audit has on changes to strengthen the control framework for the Council.

26. Performance indicators are in place to monitor service performance and reported at each Audit and Governance Committee with a summary for the year presented below:

Performance Indicator	2015/16 Target	Actual Year End
Percentage of 2015/16 audit plan completed *	90%	79%*
Productivity of staff	72%	73%
Implementation of agreed audit recommendations from 15/16 Plan	Within agreed timescales	90%

* This figure is based on the number of audit reports issued as a percentage of the 2015/16 audit plan approved by the Audit and Governance Committee in March 2015. During 2015/16 the Committee requested the addition of one audit and approved the deferral/cancellation of nine audits. Other audit work carried out during the year includes participation on project and business groups, which is difficult to quantify in terms of audit plan coverage.

27. Internal Audit staff participate in Continuous Professional Development including keeping abreast of best professional practice. Members of the Internal Audit team participate in various networking groups including the Essex Audit and Counter Fraud Group and the London Audit Group, where speakers on topical issues give presentations. There are also close working relationships with other councils.

Resource Implications:

Within the report

Legal and Governance Implications:

Within the report

Safer, Cleaner and Greener Implications:

No specific implications

Consultation Undertaken:

Corporate Governance Group

Background Papers:

NB: There are papers referred to in the preparation of the report which are not attached as appendices but which are available for public or Councillor study.

Public Sector Internal Auditing Standards (PSIAS) 2016

Accounts and Audit Regulations (England) 2015

Risk Management:

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

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.

Date/Name	Summary of equality analysis
27 June 2016/Chief Internal Auditor	There are no equality implications arising from this report, being a summary of the work of Internal Audit for 2015/16.

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Appendix 1 - Audit Plan Monitoring 2015-16 Year End

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
Waste Management and Recycling	Neighbourhoods	20								
Gifts and Hospitality	Governance	10								
Equalities	Governance	10								
Grants to Voluntary Organisations	Communities	10								
Payroll (incl mileage claims, overtime and committee allowances)	Key Financial Control	20								
Treasury Management	Key Financial Control	10								
Bank Reconciliations (incl cash receipting & income control)	Key Financial Control	15								
Recruitment and Selection	Resources	10								

Abbreviations

Incl = including

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-004-2016/17**

Date of meeting: **27 June 2016**

Portfolio: **Governance and Development Management**

Subject: **Annual Governance Statement 2015/16**

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

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

Recommendations/Decisions Required:

(1) That the Committee be requested to consider, comment upon and approve the draft Governance Statement for 2015/16.

Executive Summary:

The Council's Statutory Statement of Accounts have been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

Reasons for Proposed Decision:

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

Other Options for Action:

No other options.

Report:

1. The Council's Statutory Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). In accordance with good practice the governance statement has included the following information:

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

(e) an outline of the actions taken, or proposed, to deal with significant governance Issues.

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

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

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

5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2015/16 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2015/16.

Resource Implications:

From existing resources.

Legal and Governance Implications:

Completion and approval of the Annual Governance Statement is required by the Accounts and Audit (England) Regulations 2015.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group and Service Directors.

Background Papers:

The following papers referred to in the preparation of the report are not attached as appendices but are available for public or Councillor study:

Accounts and Audit (England) Regulations 2011

Delivering Good Governance in Local Government (Framework and Guidance Note for English Authorities) CIPFA/SOLACE

Risk Management:

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

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.

Date / Name	Summary of equality analysis
27/6/16 Chief Internal Auditor	The report is a review of the Governance arrangements within the Council and has no equality implications.

EPHING FOREST DISTRICT COUNCIL

Annual Governance Statement 2015-16

1. Scope of responsibility

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

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

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2015, in relation to the publication of a Statement on Internal Control.

2. The purpose of the Governance Framework

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

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

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

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- (iii) Promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) Developing the capacity and capability of Members and officers to be effective.
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2016 and up to the date of approval of this Statement and the Statement of Accounts.

	The Governance Framework
	The key elements of the Council's governance arrangements for 2015/16 were:
1	The corporate plan covering 2015-2020, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> 2.1 sets out the Council's decision-making framework; 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer); 2.3 includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer, Director of Communities and the Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
11	A Medium Term Financial Strategy which informs service planning and budget setting,
12	A compliments and complaints procedure

13	A risk-based approach to internal audit, emphasising the need for sound control and good value
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti-money laundering policies.

3. Review of effectiveness

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

Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the first time, these were completed by the Directors in conjunction with their Assistant Directors;

Documentary evidence of processes, procedures and standards:

Creation of a Corporate Fraud Team from 1 April 2015, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

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

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

Significant governance issues from previous years and from 2015/16.

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, who monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

Table One: Progress on significant governance issues identified in the 2014/15 AGS

No.	Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1	Car Parking Income In 2013/14 it was reported in the Annual Governance Statement that as part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. During 2014/15 this problem was resolved but following the contracting out of cash collection by NEPP a similar problem was identified in the information provided by the cash collection contractor.	This issue was addressed by management and by the internal audit sections of the Councils which are members of the NEPP following a meeting with the cash collection contractor. The introduction of new ticket machines in 2015/16 has greatly improved the monitoring of the pay and display income received.

2	Housing rent reconciliations A Limited Assurance audit report was issued for Housing Rent Collection and Arrears, due to the Rental Income reconciliation and Council Stock reconciliation had not been completed for 2013/14.	Staff from both the Communities and Resources Directorates have worked together to resolve the issue; the Council Stock reconciliation had been completed by the time the final report was issued, and the Rental Income reconciliations are carried out on a monthly basis.
3	Contract Standing Orders A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders.	A Contract Standing Orders Working Party, chaired by the Director of Communities, was set up to undertake a fundamental review of the Council's Contract Standing Orders. New Contract Standing Orders (known as Procurement Rules) were approved by Council on 26 April 2016. These are being widely communicated across the Council, supplemented with training sessions, to help ensure compliance.
4	Sundry Debtors Internal audit reviews in 2014/15 also identified weaknesses in debt recovery processes, especially for debts below £500.	The Corporate Debt Working Group, chaired by the Assistant Director Revenues, has overseen the implementation of recommendations made to the Management Board in February 2015.

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table Two: Areas for improvement or monitoring during 2016/17

No.	Issue	Management response
1	Procurement Rules A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders as these had developed over time and were difficult to follow. On 26 April 2016 Council approved the new Procurement Rules, which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and are more responsive to the current and future procurement needs of the Council.	Staff are currently being trained on the Council's new Procurement Rules and mechanisms are being developed to ensure compliance with these.
2	Corporate Policies A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of this years' Service Assurance Statements.	A review of the Council's anti-fraud and corruption framework will be spearheaded by the Corporate Fraud Team this year and will include a review of the Council's Whistleblowing Policy and Officer Code of Conduct; the results of which will be promulgated to staff.

3	Project Management Service Assurance Statements also identified a need to develop project management processes and provide training in this area.	A Project and Programme Management project team has been set up, sponsored by the Chief Executive, and is meeting regularly to address this issue.
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We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Glen Chipp
Chief Executive

Signed

Councillor Chris Whitbread
Leader of the Council

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