

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 26 June 2017

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.30 - 8.20 pm

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

Other Councillors: A Lion and J Philip

Apologies: J Knapman and L Hughes

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 made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

The Director of Governance opened the meeting and reminded the Committee that it needed to elect a Chairman and Vice-Chairman for 2017/18, and that, under the Terms of Reference for the Committee, where the Chairman was an elected Member then the Vice-Chairman had to be one of the Co-Opted Members and vice versa. Nominations were invited from the Committee for the role of Chairman for the forthcoming municipal year.

Following the election of the Chairman, the Director of Governance invited nominations for the role of Vice-Chairman for the forthcoming municipal year.

Resolved:

(1) That Cllr J Knapman be elected Chairman of the Audit & Governance Committee for 2017/18; and

(2) That A Jarvis be elected Vice-Chairman of the Audit & Governance Committee for 2017/18.

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 27 March 2017 be taken as read and signed by the Chairman as a correct record.

5. MATTERS ARISING

Cllr Patel enquired as to whether there were any lessons that could be learnt by the Council from the recent health & safety issues discovered at the Townmead Depot. The Senior Internal Auditor responded that a follow-up audit would be performed and the results reported back to the Committee.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2017/18

The Chief Internal Auditor presented the Audit & Governance Work Programme for 2017/18, and stated that additional items could be added to the Programme as and when they arose.

7. ANNUAL GOVERNANCE STATEMENT 2016-17

The Chief Internal Auditor presented a report on the Annual Governance Statement for 2016/17.

The Chief Internal Auditor stated that the Council's Statutory Statement of Accounts had been prepared in accordance with the Accounts and Audit Regulations 2015. 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 also outlined the Governance Framework at the Council, the progress made on significant governance issues identified in the previous Statement, and the following areas for improvement or monitoring during 2017/18:

- (i) compliance with the General Data Protection Regulations from May 2018; and
- (ii) awareness of Corporate Policies, and any changes, by staff including the Officer Code of Conduct, Data Protection, Anti-Fraud, and Whistle Blowing.

The Chief Internal Auditor explained that 'meta compliance' involved staff being made to read a policy when they logged on to their computers and not being able to continue with their work until they had correctly answered three questions on the particular policy.

Resolved:

- (1) That the Annual Governance Statement for 2016/17 be approved.

8. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2016/17

The Chief Internal Auditor presented the Audit & Governance Committee Annual

Report for 2016/17.

The Chief Internal Auditor stated that the Annual Report of the Audit and Governance Committee outlined the Committee's work and achievements over the year ending 31 March 2017. The Annual Report helped to demonstrate to residents and the Council's 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 continued to make a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement was in the additional assurance provided for 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 that the Council adopted best practice;
- continuing to support the work of audit and ensure that appropriate responses were provided to their recommendations;
- continuing to help the Council manage the risk of fraud and corruption;
- providing effective challenge, particularly to Officers, raising awareness of the importance of sound internal control arrangements and giving the appropriate assurances to the Council;
- considering the effectiveness of the Council's risk management arrangements; and
- providing existing and new members of the Committee with relevant training, briefings etc. to help in discharging their responsibilities.

The Vice-Chairman commented that an Executive Summary would have been helpful, and requested that a concise Appendix summarising the actual audits/activities undertaken be added to next year's Annual Report; otherwise he was content with the report. The Chief Internal Auditor reminded the Committee when questioned that it reviewed its own effectiveness, and therefore the value for money aspect of its work could be highlighted in next year's Annual Report. It was the view of the Chief Internal Auditor that the Committee had performed a lot of good work throughout the year and the Annual Report captured that.

Resolved:

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

9. INTERNAL AUDIT MONITORING REPORT - MARCH TO JUNE 2017

The Senior Internal Auditor presented the Internal Audit Monitoring Report for the period March to June 2017.

The Senior Internal Auditor advised the Committee that seven reports had been issued since the previous meeting, of which all had been given substantial assurance: Electoral Registration; Langston Road Development Project; Recruitment of Staff; Housing Rents; Management of Housing Voids; Neighbourhood Enforcement; and Business Rates & Council Tax. The Audit Recommendation

Tracker currently contained three recommendations which had passed their due date; one medium priority recommendation for External Data Transfers, and two low priority recommendations also for External Data Transfers.

The Senior Internal Auditor drew the Committee's attention to the 2016/17 Annual Summary for the Corporate Fraud Team, which highlighted that:

- 28 Right-to-Buy applications had been stopped or withdrawn;
- other investigations into suspected housing frauds had resulted in the recovery of 16 Council-owned properties;
- the Team had been involved in five criminal prosecutions;
- the Team had undertaken a number of other investigations, including two that were staff related;
- the Team had undertaken a Standards investigation for which a fee had been received;
- an informal joint working arrangement with Chelmsford City Council had been instigated; and
- the Team had founded The Eastern Corporate Fraud Group for counter fraud professionals in Essex, Suffolk and Norfolk, which had already met three times.

In addition, the Senior Internal Auditor reminded the Committee that the Internal Audit and Corporate Fraud Teams collaborated to assess the data matches from the National Fraud Initiative to identify those worthy of further investigation. Priority was given to areas of potential fraud which might have a high direct impact on the Council, including any data matches involving Council Members and Officers.

The Senior Internal Auditor added that staff within the shared service worked across all three Councils and were therefore able to apply their skills and knowledge to assignments at each Council. The three Councils also benefited from the sharing of best practice. The Service was also represented on a number of business groups and project teams to provide advice and guidance, including:

- Programme & Project Management;
- Information Management;
- Personal Data (Payroll/HR System); and
- Corporate Debt Working Party.

In response to questions from the Committee, the Chief Internal Auditor stated that the audit concerning the Management of Housing Voids had only focused on Council residential housing and not commercial premises. An extra audit for Commercial Property Voids could be undertaken if the Committee so desired; however, the Audit Plan was based on identified risks to the Council. There was some contingency within the Plan for 2017/18 or this item could be scheduled for 2018/19. The Chief Internal Auditor undertook to discuss the matter with the Corporate Governance Group and the Council's Estates Team to ascertain if there were any issues which required further investigation.

The capital overspends and project specification issues that had occurred with the relocation of Council services from Langston Road to the Oakwood Hill Depot were highlighted and whether this was an issue that the Internal Audit team intended to investigate. The Senior Internal Auditor reminded the Committee that there was an audit of the Council's Strategic Sites scheduled, and perhaps these issues could be picked up as part of that. The Chief Internal Auditor added that the issues that had arisen had been managed and reiterated that the Audit Plan was risk based, i.e. if time was spent looking at this issue then potentially an audit with a higher risk factor to the Council would be deferred or cancelled.

Resolved:

- (1) That the progress made against the Internal Audit Plan for 2017/18 be noted; and
- (2) That the work of the Corporate Fraud Team during 2016/17 be endorsed.

10. 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 the Internal Audit shared service during 2016/17. 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 2016, it had approved the Internal Audit Plan for 2016/17, 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 18 audits had been completed during the year, of which 17 had been awarded Substantial Assurance and one had been awarded Limited Assurance; no audits had been awarded No Assurance.

The Chief Internal Auditor reassured the Committee that the one report given Limited Assurance had related to a specific area rather than a more general breakdown of internal controls across the Council. A common theme during the audits in 2016/17 had been the need to consult with interested parties such as Legal, Accountancy and Procurement at a much earlier stage. Although not a control weakness in itself, earlier engagement would ensure a more orderly process when letting contracts or delivering projects. Overall, there was a good alignment between the work of Internal Audit in 2016/17 and the Council's Corporate Risks, but this could be improved still further and would be kept under review during 2017/18.

The Chief Internal Auditor also stated that her opinion did not rely solely upon the formal audits undertaken, but also took account of special investigations undertaken by the Internal Audit or the Corporate Fraud Team, attendance at and advice given to various Corporate Working and Project Groups or Parties, and specific anti-fraud and corruption work undertaken by the Corporate Fraud Team.

The Chief Internal Auditor reminded the Committee that an external quality assessment of the Internal Audit shared service had been undertaken in November 2016, which concluded that the shared service fully complied with the Public Sector Internal Audit Standards. In addition, the shared service's performance compared very favourably when benchmarked against other provision in the public sector and the wider industry. The performance indicators for the service in 2016/17 were as follows:

Performance Indicator	Target 2016/17	Actual Year-End
Achievement of Annual Plan	95%	84%
Issue of draft report	10 working days	16 working days average
Issue of final report	5 working days	4 working days average
Management responses to draft report	10 working days	21 working days average
Implementation of audit recommendations	Within agreed timescales	Largely met as reported by the Tracker
Compliance with professional standards	100% compliant	100% compliant

The Chief Internal Auditor reassured the Committee that the reasons why some of the performance indicators were not meeting their targets would be explored at team meetings and actions would be developed to address the issues. Internal Audit staff also participated in continuous professional development.

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 the 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.

The Vice-Chairman welcomed the inclusion of Appendix 2 of the report, which gave a summary of the work performed by the Internal Audit Service throughout the year and the associated links to the Council's corporate risks. N Nanayakkara, one of the co-opted Members, was pleased that the implementation of audit recommendations had been so positive; in contrast, the management responses had not been so positive and this was something that had been experienced by the co-opted Member at other organisations. It was suggested that Managers could be requested to attend meetings of the Committee to explain their lack of response.

The Chief Internal Auditor reiterated that the Service was looking to get different sections of the Council talking to each other at an earlier stage of proceedings, and this issue was being helped by the Transformation Programme which was starting to break down some of the silos within the Council. Covalent was the Project Management system being used to manage projects in the Transformation Programme which cut across Directorates; it was intended to allow all Officers and Members to access this system in the future. The Director of Governance added that a demonstration of the Covalent system could be given to any Members that were interested.

The Chief Internal Auditor confirmed that there was not one particular reason for the Internal Audit shared service failing to meet their target to issue the draft audit report within 10 days of the final meeting. The issues would be examined by the Team and the conclusions reported back to the Committee at a future meeting. The Director of Governance suggested that a target of 95% completion of the Audit Plan in the first year of the shared service might have been a little too ambitious.

Resolved:

- (1) That the Annual Report of the Chief Internal Auditor for 2016/17 and the Assurance Level given be noted;
- (2) That the Annual Report of the Chief Internal Auditor for 2016/17 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 2017, the confirmation by the Chief Internal Auditor that the Council had an adequate and effective Governance, Risk Management and Control Framework be noted.

11. ANTI FRAUD AND CORRUPTION POLICY

The Chief Internal Auditor presented a report on the Anti-Fraud and Corruption Strategy.

The Chief Internal Auditor stated that the revised Anti-Fraud and Corruption Strategy brought together a number of fraud related documents including the Council's Anti-Money Laundering Policy, Bribery Policy and Fraud Response Plan and had been updated to ensure it remained in line with good practice within the sector and current legislation. The fundamental messages contained within the Strategy were that the Council would:

- maintain a culture that would not tolerate fraud or corruption;
- ensure Officers and Members demonstrated the highest standards of honesty and integrity at all times;
- commit to an Anti-Fraud and Corruption Strategy that included the best practice principles of:
 - acknowledging and understanding fraud risks;
 - preventing and deterring fraud; and
 - being stronger in pursuing fraud; and
- work in partnership both locally and nationally to tackle fraud and corruption.

The Chief Internal Auditor explained that this Anti-Fraud and Corruption Strategy would be implemented in part through the Corporate Fraud Team's Strategy, which was approved at the meeting of the Audit and Governance Committee on 27 March 2017 and would be overseen by the Corporate Governance Group.

When questioned by the Committee, the Chief Internal Auditor confirmed that the Council had no jurisdiction over the Department of Work & Pensions and their investigations of Housing Benefit Fraud. The Corporate Fraud Team did have a good working relationship with both the Housing and Council Tax teams, and there was a hotline for Officers to report suspected Housing fraud.

Resolved:

(1) That the revised Anti-Fraud and Corruption Strategy be recommended to the Council for approval.

12. ANY OTHER BUSINESS

The Co-Opted Member, N Nanayakkara, thanked Officers for their prompt response to her recent query regarding fire safety in Council-owned buildings.

13. 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