

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** Monday, 5 February 2018

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 8.30 pm

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

Other Councillors: C Roberts

Apologies: A Jarvis and R Jennings

Officers Present: R Palmer (Director of Resources), S Marsh (Chief Internal Auditor), S Linsley (Senior Auditor), K Durrani (Assistant Director (Technical Services)), G J Woodhall (Senior Democratic Services Officer) and A Hendry (Webcasting Officer)

Also in attendance: Z Thompson and N Bernstein (External Auditors)

36. WEBCASTING INTRODUCTION

The Chairman 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.

37. DECLARATIONS OF INTEREST

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

38. MINUTES

Resolved:

(1) That the minutes of the meeting held on 27 November 2017 be taken as read and signed by the Chairman as a correct record.

39. MATTERS ARISING

There were no matters arising from the previous meeting for further discussion.

40. AUDIT & GOVERNANCE WORK PROGRAMME 2017/18

The Chief Internal Auditor reported that the report on the Review of the Audit & Governance Committee Effectiveness was still outstanding as the publication of the guidance from the Chartered Institute of Public Finance & Accountancy had been delayed yet again.

41. PROGRESS REPORT - TOWN MEAD DEPOT, WALTHAM ABBEY

The Assistant Director of Neighbourhoods (Technical Services) presented a progress

report on Health & Safety issues at Town Mead Depot in Waltham Abbey.

The Assistant Director acknowledged that, at the last meeting of the Committee, Members had expressed concern at the lack of progress in the implementation of recommendations from an external Fire Risk Assessment at the Town Mead Depot in Waltham Abbey and had asked for an update by a Senior Officer of the Council.

The Assistant Director informed the Committee that Town Mead Depot in Waltham Abbey was a small operational depot which had been in the ownership of the Council since 1974, and was jointly occupied with Waltham Abbey Town Council. Approximately 60% of the Depot was occupied by the Town Council. For a number of years, the site had been earmarked for redevelopment as affordable housing, but it was located in a flood plain and this was not possible. However, one consequence of this was that only essential maintenance had been carried out at the site in recent years. The Internal Audit Team had carried out an audit in September 2016 and identified a number of weaknesses at the site. The Audit Report had made two recommendations to: enter into a formal agreement with the Town Council; and draw up an Action Plan to address the health & safety issues identified.

The Assistant Director stated that, following the Audit, an Officer Working Group was formed to address the issues identified. Meetings were held with the Town Council, who extended their full support and co-operation, whilst the Council had made additional budget available to facilitate essential health and safety works. The Council did not have a dedicated Depot Manager so the Fleet Operations Manager had been helping to address the safety issues, and a number of actions had been carried out since early 2016.

The Assistant Director reported that a Fire Risk Assessment was carried out and recommendations were made in March 2017. The initial delay in implementing the recommendations had arisen from the Council not having a dedicated Manager for its depots, but significant work had now been carried out. Warning Signs had either been installed or were in the process of being done, a Fire Log Book and associated information was being collated, and key personnel were being identified to take the lead in implementing the Fire Evacuation Procedures at the Depot.

The Committee was keen to identify learning points for the future and, when questioned by the Committee, the Assistant Director reiterated that a new Health & Safety Manager with experience of Fire Risk Assessments had been appointed, and Action Plans were being drawn up with reviews after every three months to prevent actions being overlooked in the future. The last inspection of the Depot was on 30 January 2018, and the next inspection was scheduled for the following month. There was liaison with the Clerk at Waltham Abbey Town Council to ensure their staff knew to go to the front of the site when the fire alarm sounded; the staff had been told but it had not yet been formally signed off.

The Assistant Director confirmed that Voluntary Action Epping Forest (VAEF) had vacated their unit at the site but it had not yet been cleared out; Officers were awaiting confirmation from the Council's Estates Team. The building marked 'Fire Store' on the map contained fire extinguishers for use at the site, and the Assistant Director would clarify if the smoke alarms had been fitted in the main office. Monthly site inspections had been instigated and the Action Plan was being monitored. Officers were trying to initiate a monthly meeting of the Managers on site with the Town Council staff to review the management of the site. Monthly fire inspections would be performed in the future, and the Council was looking to employ additional resource for the Depot. It was confirmed that two actions were still outstanding from the Audit Report.

The Chairman commented that it appeared that the Council did nothing after receiving the Fire Risk Assessment report, which meant that the site was not safe and it was allowed to remain this way for at least six months if not nine months. This gave the impression that the Council did not consider the health & safety of staff to be important, which could lead to potential reputational issues.

The Assistant Director agreed that the situation had not been acceptable and offered a full apology to the Committee. There was no excuse, it was an oversight and the Assistant Director took full responsibility for what had happened. However, work had been taking place on site and the Assistant Director believed that the site was now safe as emergency procedures had been put in place. In addition, there were no office staff on site but Officers from CountryCare and the Waltham Abbey Town Council Grounds Maintenance Team who were better informed about Health & Safety matters at a depot. The only outstanding issues were the installation of signage and training for staff, both of which the Assistant Director was confident would be completed within the next month. The Assistant Director intended to work closely with the new Health & Safety Officer to improve the situation at the Depot.

The Assistant Director acknowledged that the site had been neglected for a considerable period of time and was earmarked for re-development in the past, hence the lack of routine maintenance work performed on site. There was a possibility that a dedicated Depot Manager might have to be employed at the site to address these issues, but the long term solution would be routine inspections and the timely implementation of any actions required.

The Committee felt that the Neighbourhoods Select Committee should be requested to review the ongoing progress with the implementation of the Action Plan following the Fire Risk Assessment approximately every six months, as the Council needed to make sure that this did not happen again in the future. It was suggested that the Select Committee should investigate all of the Council's Depot sites, but the Chairman felt that the Select Committee should concentrate on this particular site and broaden the scope to health and safety measures at other depot sites if it was felt applicable. The Committee also requested to be informed of the confirmation of further dates for staff training at the Site by Officers. It was noted that this indicated the importance of Internal Audit examining issues other than financial.

The Committee felt strongly that it was unacceptable for the Council to have neglected its duty of care to its employees, and it was not an excuse to neglect health & safety issues on the site whilst deciding its long term future. And although it was acknowledged that an Action Plan for the site had been drawn up and was being implemented following the Audit Report and Fire Risk Assessment, the Committee was acutely concerned that insufficient resources had been allocated to address health & safety issues at this site in the past.

Resolved:

- (1) That the update on the progress made in the implementation of the recommendations of the Fire Risk Assessment for the Council's shared operational depot at Town Mead in Waltham Abbey be noted;
- (2) That the Neighbourhoods Select Committee be requested to undertake regular reviews, at least every six months, of the ongoing progress with the implementation of the Action Plan at the Town Mead Depot following the Fire Risk Assessment in 2017;

- (3) That the confirmation of the dates agreed for further Health & Safety training at the Depot be relayed to the Committee by Officers; and
- (4) That the Committee's grave disappointment regarding insufficient resources being allocated to address health & safety issues at this site in the past be noted.

42. REPORTS OF THE EXTERNAL AUDITOR

The External Auditor presented two reports to the Committee, who was reminded that it had, within its Terms of Reference, the consideration of reports made by the External Auditor.

Audit Plan 2017/18

The External Auditor presented the first report, the Audit Plan for 2017/18, which summarised the significant risks that could impact on the audit and the key outputs from the audit. There were detailed sections setting out the scope of the audit, a risk assessment and the audit timetable.

The External Auditor reported that the Audit Plan summarised the proposed work to be undertaken for the audit of the 2017/18 financial year. It would be designed to respond to significant risks and indicated where the focus of resources would be in providing an opinion on the financial statements and value for money conclusion. There were five significant risks which could impact upon the Audit, these being: Management Override; Revenue Recognition; Property, Plant and Equipment evaluations; Pension Liability assumptions; and Financial Sustainability. The trivial threshold had been set at £40,000 for the audit and there were no planned changes to the Audit Fees for the year. It was highlighted that there was an accelerated timeline for this year's audit.

In response to questions from the Committee, the External Auditor stated that the level of reserves to be maintained by the Council was an issue for the Council to determine as part of its Medium Term Financial Strategy. Due to the accelerated timetable for the closure of the Accounts and completion of the Audit, the External Auditor had brought forward some of its work from the Summer to now, and discussions were ongoing with the Accountancy Team at the Council regarding the measures required to meet the new deadlines. There were no planned changes to the non-audit activities for this year at the current time.

With respect to the trivial threshold that had been set for the Audit, any discrepancies that were less than £40,000 would be recorded but would not get reported to the Committee. The Director of Resources added that any errors found during the Audit would be discussed with the Director and Assistant Director of Resources, and if it was agreed that the figures were wrong then they would be corrected if possible.

Grant Claims & Returns Certification 2016/17

The second report presented by the External Auditor was the Grant Claims and Returns Certification Report, which set out the key findings from the External Auditor's certification work.

The External Auditor highlighted that the total value of the Claim for 2016/17 had been £35.3million. There were no large errors in relation to the Claim, but three small errors had been found, none of which had exceeded £100 or required amendment. The Claim was certified before the Government deadline of 30 November, with the matters identified reported by letter to the Department of Work & Pensions.

The Director of Resources highlighted that the Council's Claim had not required amendment this year, and this illustrated the value of the Council's Benefit Assessors undertaking regular training.

Resolved:

- (1) That the following reports from the External Auditor be noted:
 - (a) the Audit Plan for the audit of the 2017/18 financial year; and
 - (b) the Grant Claims & Returns Certification for the year ended 31 March 2017.

43. INTERNAL AUDIT CHARTER

The Chief Internal Auditor presented a report on the revised Internal Audit Charter.

The Chief Internal Auditor reminded the Committee that the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee's Practical Guidance for Local Authorities and Police 2013 edition stated that the Audit and Governance Committee (the Committee) should have a role in reviewing and approving the Internal Audit Charter, which set out the purpose, authority and responsibility of the Internal Audit function. In addition, the Committee had a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit service.

The Chief Internal Auditor reported that during the review, the most significant changes to the Charter were that it was now more explicit on the mission and principles of the Internal Audit function, and ensured the role of Internal Audit included risk management and governance, as well as internal controls. The safeguards required in order to maintain impartiality and independence, should the Chief Internal Auditor take on additional responsibilities, were also outlined. The Internal Audit Charter had been revised with these minor amendments to ensure it remained current, fit for purpose and aligned to the Public Sector Internal Audit Standards.

The Committee welcomed the revised Internal Audit Charter, but felt that the performance indicators should have been listed in Section 13 of the Charter – Periodic Assessment. The Chief Internal Auditor apologised for not having included them in the Charter, but they had been listed in the Internal Audit Strategy approved by the Committee in 2017. They would be included in the Internal Audit Monitoring Report for the next meeting of the Committee.

Resolved:

- (1) That the revised Internal Audit Charter be approved.

44. INTERNAL AUDIT MONITORING REPORT - NOVEMBER 2017 TO FEBRUARY 2018

The Senior Internal Auditor presented the Internal Audit Monitoring report for the period November 2017 to February 2018.

The Senior Internal Auditor emphasised that good progress was being made against the Audit Plan for 2017/18, but it was requested for two scheduled audits to be

deferred to 2018/19. Firstly, Complaints, as the current system for managing Complaints was being reviewed during 2018/19, and secondly, Equality Impact Assessments, to allow time for recent revisions to be fully implemented. The Committee was requested to approve the deferral of these two Audits from 2017/18 to 2018/19.

The Senior Internal Auditor advised the Committee that two reports had been issued since the previous meeting, both of which had been given substantial assurance: Fleet Operations Income; and Community Safety – Joint Working. The Audit Recommendation Tracker currently contained 4 recommendations which had passed their due date; one high priority and one medium priority recommendation regarding Health & Safety – Townmead Depot, and two low priority recommendations concerning External Data Transfers.

The Senior Internal Auditor reported that, since November 2017, the Corporate Fraud Team had continued their proactive approach in tackling Right-To-Buy fraud, worked closely with the Communities Directorate to prevent Tenancy fraud, as well as undertaking a number of internal investigations. The Team had been preparing for a Crown Court trial which involved a number of charges relating to social housing fraud, including the suspected fraudulent obtaining of a Home Ownership Grant. However, the defendant had pleaded guilty so there was no longer a need for a full trial.

The Senior Internal Auditor stated that, as part of the National Fraud Initiative, the annual Council Tax/Electoral Register data matching exercise was completed in December 2017 and a review of data matches by the Council Tax section was in progress, with Internal Audit providing training and guidance to Officers as necessary. Previous exercises have found many matches are not fraudulent and there was usually a simple explanation for matches; no significant frauds had been identified to date.

The Senior Internal Auditor reminded the Committee that staff within the Shared Service were represented on a number of business groups and project teams in addition to less formal meetings, to provide advice and guidance, including:

- the General Data Protection Regulation Working Party;
- Programme & Project Management / Corporate & Business Planning;
- Personal Data (Payroll/HR);
- the Corporate Debt Working Party; and
- the Risk Management Group.

Finally, the Senior Internal Auditor informed the Committee that the Council's Code of Corporate Governance had undergone its annual review, and it was considered that no changes were required to the Code as it still reflected current practice. Consequently, the Committee was requested to approve the reviewed Code.

The Director of Resources explained that a new corporate debt management system was being implemented, whereby a central debt collection unit would use the information from all of the Council's sundry debt systems. The Debtor would only be contacted by one person and only one solution for all of their debts to the Council would be agreed.

When enquired further about the progress of the Audit Plan, the Chief Internal Auditor responded that a number of the outstanding audits had been progressed, and some extra resource had been brought in. The work on the General Data Protection Regulation was the top priority at the moment with a non-movable deadline of 25 May 2018 and had taken more time than expected, plus there had been some staff

sickness as well. Any audits not completed this year would be completed early during 2018/19.

Some members of the Committee were sceptical about the reasons for requesting two audits to be deferred until 2018/19, and suggested that the contingency allocation should be used to progress these audits. However, the Chief Internal Auditor reiterated that the Internal Audit Team would struggle to complete these Audits using the contingency allocation, and highlighted that these two audits were not considered particularly high risk. The Director of Resources added that the Complaints procedure had been revised and there had been a report prepared on this for the next meeting of the Overview & Scrutiny Committee.

Resolved:

- (1) That the progress made against the Internal Audit Plan for 2017/18 be noted;
- (2) That the summary of work performed by Internal Audit and the Corporate Fraud Team for the period November 2017 to February 2018 be noted;
- (3) That the proposal to defer the following two audits from the 2017/18 Audit Plan to 2018/19 be agreed:
 - (a) Complaints; and
 - (b) Equality Impact Assessments; and
- (4) That, following a review, the Council's Code of Corporate Governance be approved.

45. TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19

The Director of Resources presented a report on the Treasury Management Strategy Statement for 2018/19.

The Director reminded the Committee that the annual Treasury Management Strategy Statement report was a requirement of the CIPFA Code of Practice on Treasury Management, and covered the treasury activity for the financial year 2018/19. The risks associated with Treasury Management were highlighted within the report along with how these risks were being managed. The most significant change from the previous Strategy was an increase in the minimum credit rating for counterparties from BBB+ to A-.

In response to queries from the Committee, the Director of Resources stated that the Capital Programme reflected the items that the Council was currently progressing and the figures were expected to improve during the next year as a number of schemes came forward. The operational limit of £250million for the Council's borrowings had been set by the Council itself; this could be amended to £500million or to a level that was a lot less than the current limit. However, the Council generally looked at the planned expenditure, the borrowing required for this expenditure and then added some contingency to permit the Council to take advantage of any unforeseen opportunities that might arise. The aim was always for the Council to remain prudent.

The Director of Resources acknowledged that the proposed change in ratings for approved counter-parties would remove some banks from the list of financial

institutions that the Council could invest with; however, with a balance in the reserves of £30million, this was not expected to cause the Council any real difficulty.

Resolved:

(1) That the Treasury Management Strategy Statement for 2018/19 represented a continuation of the prudent approach, which had been a consistent theme of the Council's Treasury Management function for a number of years, be noted;

(2) That the arrangements for dealing with the risks associated with its Treasury Management activity, as outlined in the Council's proposed Treasury Management Strategy Statement for 2018/19, be considered adequate; and

Recommended:

(3) That the proposed Treasury Management Strategy Statement for 2018/19 be recommended to the Council for approval and adoption.

46. ANY OTHER BUSINESS

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

47. 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