

# ***Supplementary Committee Agenda***



**Epping Forest  
District Council**

---

## ***Audit and Governance Committee Monday, 4th April, 2011***

**Place:** Council Chamber  
Civic Offices, High Street, Epping

**Time:** 7.30 pm

**Democratic Services:** Gary Woodhall  
Tel: 01992 564470  
Email: gwoodhall@eppingforestdc.gov.uk

---

### **9. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT (Pages 33 - 36)**

(Chief Internal Auditor) Revised version of the Annual Report for the Committee to consider (AGC-029-2010/11).

This page is intentionally left blank

## **1. INTRODUCTION**

- 1.1 This is the fourth Annual Report of Epping Forest District Council's Audit and Governance Committee, covering the municipal year 2010/11.
- 1.2 Membership of the Committee comprises three District Councillors and two independent members. During 2010/11 the Councillors were Andrew Green (Chairman), Antony Watts and Jon Whitehouse; Melanie Peddle (Vice Chairman) and Robert Thompson were the independent members.

## **2. TERMS OF REFERENCE**

- 2.1 The purpose of the Committee is to provide:
  - 2.1.1 independent assurance on the adequacy of the Council's risk management framework and the associated control environment;
  - 2.1.2 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;
  - 2.1.3 oversight of the financial reporting process.
- 2.2 During the year, the Committee assumed responsibility for ensuring effective scrutiny of the Treasury Management Strategy and Policies.
- 2.3 The full terms of reference are set out in Appendix 1.

## **3. MEETINGS**

- 3.1 The Committee met five times during the municipal year.
- 3.2 The Committee is supported by the Director of Finance and ICT and the Chief Internal Auditor, who attend Committee meetings.
- 3.3 The Council's external auditors are invited to attend meetings of the Committee and may, when they consider it appropriate, request a private meeting with the Committee, with other parties excluded.
- 3.3 When it considers it necessary, the Committee requests senior officers to attend its meetings, to aid the Committee's understanding of relevant issues and explain delays in implementing audit recommendations, especially high priority ones.
- 3.4 A Corporate Governance Group, consisting of senior Council officers, chaired by the Chief Executive, meets monthly to consider governance issues across all of the Council's operations. The Committee receive its minutes for information and review. At the Committee's request the Corporate Governance Group now monitors progress in implementation of high priority audit recommendations.

## **4. THE YEAR IN REVIEW**

### **Control Environment and Risk Management Arrangements**

- 4.1 Through the year, the Committee kept under review the effectiveness of the Council's arrangements for risk management, which are also monitored by the Corporate Governance Group. These comprise the Risk Management Strategy, Risk Management Policy Statement, Corporate Risk Register and terms of reference for the Officer Risk Management Group. The Committee believed that these provided appropriate and cohesive arrangements for risk management.
- 4.2 To enable it to seek assurance that the Council followed appropriate Audit Commission recommended best practices, the Committee reviewed executive summaries and recommendations from relevant Audit Commission National Local Government Studies. Topics covered during the year included local government finance in the recession; collaborative procurement across the public sector; managing local strategic partnerships; strategic financial management; and protecting against fraud.
- 4.3 The Committee enquired if the District might suffer any significant disruption during the 2012 Olympic Games. It was advised that the main risk was expected to arise from pressure on transport systems, and the Council was discussing with Essex Police and the Olympic Delivery Authority how to minimise disruption to local travel networks and any consequent risk to delivery of Council services.
- 4.4 The Committee considered a report on an Audit Commission inspection of the Benefits Section and was satisfied that appropriate arrangements had been put in place to monitor implementation of the Audit Commission's recommended changes. The Committee insisted that the recommendation for an improved anti-fraud strategy should be given high priority. A revised anti-fraud strategy was presented to, and approved by, the Committee at its next meeting.
- 4.5 Each year, the Council is required to publish an Annual Governance Statement. The Committee reviewed and approved the Council's statement for 2009/10 for inclusion in the Council's Statutory Statement of Accounts.

### **Effectiveness of the System of Internal Audit**

- 4.6 The Committee approved the Council's Internal Audit Plan for 2010/11, which set out the proposed internal audits for the year. The audit programme took due account of the risks to the Council, as recorded in the Corporate Risk Register. Precedence was given to reviewing significant income streams, asset management, prevention and detection of fraud, and data security.
- 4.7 The Committee received quarterly reports on the performance of the Council's Internal Audit Unit and its findings and recommendations. The Committee considered the reports in the context of the adequacy of the Council's governance arrangements and internal control framework, and monitored

progress in implementation of internal audit recommendations. To enhance monitoring it asked the Corporate Governance Group to undertake a regular management review of implementation progress.

- 4.8 To improve comparability between internal and external audit reporting the Committee agreed revised priority ratings for audit recommendations, supported by revised definitions for each level of audit assurance.

### **Statutory Statements of Account**

- 4.8 As required by its terms of reference, the Committee considered the draft Statements of Account for 2009/10. Key elements of the accounts were explained to the Committee, including property valuation and the Local Government Pension Scheme, and attention was drawn to any unusual transactions. Having received satisfactory answers to its questions, the Committee recommended the Accounts to the Council for adoption.

### **External Audit Reports**

- 4.9 The Council's external auditors (PKF (UK) LLP) presented their annual plan and proposed fees for 2010/11 to the Committee, for approval.
- 4.10 As well as the statutory audit of the financial statements, the external auditors are required to assess the Council's performance in use of resources and achieving value for money, according to Audit Commission criteria. The auditors presented their assessment, which concluded that adequate arrangements were in place to secure value for money for the year ended 31 March 2010. The Committee accepted the report and noted the changes to the Audit Commission's Use of Resources assessment for 2010/11.
- 4.11 At the Committee's February 2011 meeting, the external auditors introduced their audit plan and proposed fees for 2011/12. Their plan identified the significant systems requiring audit review and these have been included in the Council's Internal Audit Plan.

## **5. CONCLUSION**

- 5.1 During the year under review, the Committee considered a range of governance issues and offered guidance on improvements in internal control. Given the current financial climate and the challenges it presents to local government finance, the Committee will need to ensure that emerging risks are identified promptly and action is taken to mitigate their effects, whilst also ensuring that governance and risk management arrangements continue to be effective.

**FURTHER INFORMATION**

Further information on the Audit and Governance Committee can be obtained from the Local Democracy/Committees/Audit and Governance Committee area of the Council's website.

**APPENDIX 1**

A&GC Terms of Reference

