

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee:	Audit & Governance Committee	Date:	Monday, 28 November 2022
Place:	Council Chamber - Civic Offices	Time:	7.00 - 8.05 pm
Members Present:	Councillors P Bolton (Chairman), B Vaz, S Heap and M Owen		
Co-Opted Member Present	Mr A Jarvis		
Other Councillors:	Councillor J Philip		
Other Councillors (Virtual):	Councillor A Lion		
Apologies:	Councillor T Matthews		
Officers Present:	L Kirman (Democratic Services Officer), S Marsh (Chief Internal Auditor), M Crowe (Corporate Fraud Team Manager), S Linsley (Senior Auditor), A Small (Section 151 Officer), C Hartgrove (Interim Chief Financial Officer) and S Mitchell (PR Website Editor)		
Officers Present (Virtually):	V Messenger (Democratic Services Officer)		

26. 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.

27. DECLARATIONS OF INTEREST

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

28. MINUTES

Resolved:

That the minutes of the meeting held on 29 September 2022 be taken as read and signed by the Chairman as a correct record.

29. MATTERS ARISING

There were no matters arising from the minutes of the previous meetings which warranted further discussion.

30. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME**Resolved:**

The Committee noted its Work Programme for 2022/23.

31. ISA 260 COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The Strategic Director Corporate and Section 151 Officer, A Small, advised the Committee that the Draft ISO 260 report was the written conclusion of the Auditors findings for the 2020/21 accounts. Whilst there were no major issues to report, there was a national issue in relation to the treatment of infrastructure assets, it was anticipated that there would only be minor amendments before the report was finalised.

Mo Ramzan, Deloitte, provided further detail on the report. He advised the Committee the report had been issued as a draft progress position and the audit was substantially complete. He confirmed that formal guidance was expected in relation of infrastructure assets and this would be applied to the financial statements. The Value for Money (VfM) work was completed and there were no matters to report. It was anticipated that an unqualified and unmodified audit opinion, with no significant matters to highlight would be given. A final report would be issued and presented to the Committee in due course.

The Committee were advised that information relating to the subsidiary auditor would be included in a future report.

Resolved:

The Committee noted the draft report on the audit for the year ended 31 March 2021.

32. TREASURY MANAGEMENT MID-YEAR UPDATE 2022/23

Interim Chief Financial Officer, C Hartgrove, presented the report, he highlighted the mid year position for the period April to September 2022:

- The level of borrowing had marginally decreased by £0.7 million, from £269.0 million to £268.3 million, compared to the same position for 2021/22.
- There was a decrease in investments of £2.3 million, from £18.7 million to £16.4 million, with a wider spread of investments, compared to the same position for 2021/22.
- Commercial property investments achieved a total net income of £4.2m, compared to £3.768 million for the corresponding period in 2021/22. Income streams at North Weald Airfield had benefited due to the return of the Saturday Market following the disruption caused by the pandemic.
- There had been compliance with the Treasury Management indicators, except for a technical breach associated with the 50% upper limit of the maturity of loans between 15 and 20 years, which was at 58%. The Committee was advised that this was a legacy from the HRA self-financing exercise and would be addressed in the forthcoming Treasury Management Strategy for 20223/24.

The Committee queried the Council's cashflow position, asked about the £54m of short-term borrowing that would expire within 120 days and challenged the efficacy of the interest rate indicator. C Hartgrove advised the income and outgoings could be in the region of millions of pounds on a daily basis, most of the short term borrowing would need to be refinanced and options for long term borrowing could be considered. The indicator was based on investments and borrowing that the Council currently had and all the borrowing was on fixed rate, exposure to investment risk

low, but the indicator would be reviewed as part of the Treasury Management Strategy.

Resolved:

The Committee noted and recommended the Treasury Management Mid-Year Update 2022/23

33. PROPOSED CHANGE IN MINIMUM REVENUE PROVISION (MRP) POLICY

The Interim Chief Financial Officer, C Hartgrove, explained that the Minimum Revenue Provision (MRP) was a statutory requirement for councils to make a charge to its General Fund to provide for the repayment of past capital debt and other credit liabilities. The proposal was to change the method of calculation of MRP from 'Asset Life Straight Line' method to the 'Asset Life Annuity' method. This was fully compliant with statutory guidance and would change from equal instalment over the life of the asset to a repayment profile based on how the benefits of the asset were consumed over its useful life. This change would result in a lower revenue charge to the General Fund in the short and medium term.

The Committee challenged the change of approach, questioned the assurance of funds being set aside for this purpose, and raised concerns in relation to the future rates and forecasts for annuities which could create a future issue. C Hartgrove advised that there was a budget for MRP and as part of the year end accounting process a journal for the transfer to the capital finance reserve was covered by the annual audit. The annuity rates were updated twice daily by the PWLB and this would be reflected and updated in calculations, and a full provision would be made over time, with annual adjustments if required. Andrew Small confirmed that adequate provision was being made and that the auditors would raise as an issue to the Committee if there were any concerns.

It was noted that Cllr Owen did not support the change.

Resolved:

The Committee noted and recommended to full Council the change to the Minimum Revenue Account (MRP) Policy with effect from 2023/24.

34. RISK MANAGEMENT

The Strategic Director Corporate and Section 151 Officer, A. Small, introduced the risk report and highlighted that non-compliance with Health & Safety Regulations had been added to the risk register as new regulations had come into force. Work to comply with The Building Safety Act 2022 and Fire Safety Act 2021 had commenced and this should reduce the risk rating. The risk associated with Cyber security had also increased.

The Committee received confirmation that the new regulations applied to buildings for the Council's own use and community use.

Resolved:

The Committee reviewed and endorsed the risk register.

35. INTERNAL AUDIT PROGRESS REPORT

The Senior Auditor, S Linsley, presented the Internal Audit Monitoring Report and updated the Committee on the work completed by internal audit since the previous meeting. The 'feeder systems and reconciliations' audit had received limited assurance; the associated recommendations were being progressed. There were seven overdue items on the recommendation tracker, all of which were medium priority.

S Linsley introduced the Whistleblowing Policy and highlighted the minor revisions to the policy for safeguarding reporting and changes in contact details of staff. She advised the Committee that had been some minor changes around types of fraud in the updated Anti-Fraud and Corruption Strategy. A review of the current Internal Audit Charter had confirmed it was fit for purpose and fully compliant with the Public Sector Internal Audit Standards (PSIAS) and no changes were proposed.

The Code of Corporate Governance was a statement of the systems by which the Council directs and controls the exercise of its functions and how it relates to the local community. The review has confirmed the Code was still up to date, in line with good practice and fit for purpose. Minor changes had been made to remove references to Covid-19 as the Council had moved out of the reactive phase of the pandemic into recovery.

An update on the work of the corporate fraud team and progress made against the issues identified in the Annual Governance Statement were detailed in the report.

The Committee sought assurance on that all data would be transferred to the cloud, whilst technical detail could not be provided A Small advised that this would be built into project structure and processes.

Resolved:

The Committee:

- noted the summary of the work of Internal Audit and the Corporate Fraud Team for the period September to November 2022
- noted the revised Whistleblowing policy
- approved and referred the revised Anti-Fraud and Corruption Strategy to full Council for approval
- approved the revised Internal Audit Charter, and
- approved the Code of Corporate Governance

36. ANY OTHER BUSINESS

No other business was raised for consideration by the Committee.

37. EXCLUSION OF PUBLIC AND PRESS**RESOLVED:**

That, in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the item of business set out below as it would involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12(A) of the Act indicated and the exemption is considered to outweigh the potential public interest in disclosing the information:

<u>Agenda Item No</u>	<u>Subject</u>	<u>Exempt Information Paragraph Number</u>
13	Internal Audit Report -Cyber Security	3

38. INTERNAL AUDIT REPORT - CYBER SECURITY SUMMARY

Resolved:

The Committee noted the report.

CHAIRMAN