

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** Monday, 14 February 2011

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

Members Present: Councillors A Green (Chairman), Mrs M Peddle (Vice-Chairman), R Thompson and J M Whitehouse

Other Councillors: Councillors Mrs D Collins, Mrs C Pond, D Stallan, Ms S Stavrou, Ms S Watson and C Whitbread

Apologies: -

Officers Present: D Macnab (Acting Chief Executive), I Willett (Assistant to the Chief Executive), R Palmer (Director of Finance and ICT), J Preston (Director of Planning and Economic Development), B Bassington (Chief Internal Auditor), J Twinn (Assistant Director (Benefits)), R Wilson (Assistant Director (Operations)), B Moldon (Principal Accountant), P Sewell (Democratic Services Assistant) and G J Woodhall (Democratic Services Officer)

Also in attendance: R Bint and L Clampin (External Auditors)

45. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

46. DECLARATIONS OF INTEREST

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

47. MINUTES

RESOLVED:

(1) That the minutes of the meeting held on 15 November 2010 be taken as read and signed by the Chairman as a correct record.

48. MATTERS ARISING

The Democratic Services Officer reminded the Committee that, prior to the start of the next meeting, it would hold a private briefing with the External Auditor at 7.00pm, and the Chief Internal Auditor at 7.15pm. Consequently, the next meeting was scheduled to start at 7.30pm.

49. CORPORATE GOVERNANCE GROUP - 8 DECEMBER 2010

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 8 December 2010. The Committee's attention

was drawn to the topics of discussion and actions arising from the meeting.

RESOLVED:

(1) That the minutes of the meeting of the Corporate Governance Group held on 8 December 2010 be noted.

50. CORPORATE GOVERNANCE GROUP - 26 JANUARY 2011

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 26 January 2011. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

In respect of minute 80, Re-Use of Public Sector Information, the Assistant to the Chief Executive explained that the Re-Use of Public Sector Information Regulations 2005 had established a minimum set of rules governing the re-use and the practical means of facilitating re-use of existing documents held by UK public sector bodies. Public sector information was considered a valuable information resource that could be used by the private sector to develop value added products and services. An additional benefit would be to improve the flow of information from the public sector to the citizen.

RESOLVED:

(1) That the minutes of the meeting of the Corporate Governance Group held on 26 January 2011 be noted.

51. BENEFITS SERVICE - ANTI-FRAUD STRATEGY & INVESTIGATION TEAM UPDATE

The Assistant Director (Benefits) presented a report regarding the Anti-Fraud Strategy for the Benefits Division and an update on the performance of the Investigation Team.

The Committee was reminded that the Audit Commission had carried out an inspection of the Authority's Benefit Service in January 2010 on behalf of the Department of Work and Pensions. The Inspection Report was issued in May 2010 and presented to the Audit and Governance Committee on 21 June 2010. Following the inspection, a Post Inspection Action Plan had been drawn up to address the recommendations in the report. One of the listed actions was to produce an Anti-Fraud Strategy for the Benefits Division, and the Committee had previously requested that the Strategy be presented for agreement when complete.

The Assistant Director also provided an update on the performance of the Investigation Team, following comments by the Audit Commission that the Council could investigate more fraudulent benefit applications. There was currently one vacancy within the Investigation Team as the Investigation & Interventions Manager had left in November 2010. The Senior Investigation & Prosecution Officer was currently acting up but the number of investigations undertaken by the Council had improved since all the Investigation Officer posts had been filled. So far in 2010/11, 206 investigations had been completed and it was expected that the target of 300 completed investigations for the year would be achieved.

The Assistant Director added that the Government was planning to implement Universal Credits and create a single Fraud Department from existing staff within Councils, the Department of Work & Pensions and other organisations. There were

no details currently available, however the expected implementation date was April 2013. The Audit Commission was also being disbanded so further inspections would be carried out by the Department of Work & Pensions; it was not currently known whether a follow-up review of the Benefits Division would take place.

In response to queries from the Members present, the Assistant Director stated that the external recruitment freeze could lead to less prosecutions being instigated as the Council would be more likely to only proceed with the bigger frauds. The Assistant Director was a little disappointed with the figures quoted in the report for the performance of the Investigation Team, but reiterated the vacancies that the team had suffered from in the past had affected its performance before 2010. The Director of Finance & ICT reminded the Committee that any vacant posts could still be advertised internally, and that there was still uncertainty over the future of fraud investigation pending confirmation by the Government of Universal Credits.

The Committee felt that the Strategy was good, but that it should be more generalised; for example, the target for the minimum number of investigations per year should be set in the Annual Business Plan. Any inability to fill posts within the Investigation team would expose the Council to a greater risk of fraud, and it was suggested that the Corporate Governance Group should monitor the situation to manage the risk. Some comparison figures for the performance of the Investigation Team would have been useful whilst risk management within the Benefits Division needed to be considered more carefully in the future as well.

RESOLVED:

- (1) That the Anti-Fraud Strategy for the Benefits Division be agreed, subject to the removal of specific targets to the Annual Business Plan; and
- (2) That the progress on the performance of the Investigation Team be noted.

52. STANDARDS FOR ENGLAND - DIRECTION IN RESPECT OF NAZEING PARISH COUNCIL

The Assistant to the Chief Executive presented a progress report on the implementation of a Direction issued by Standards for England concerning Nazeing Parish Council.

The Assistant to the Chief Executive reported that Standards for England had directed that training be undertaken by Nazeing Parish Councillors following a series of complaints about conduct at meetings. A two phase programme was agreed with the Parish Council concentrating on meeting procedure, followed by aspects of internal relations within the Council. Two training sessions had been held in Nazeing but not all members of the Parish Council had attended; the contracted Trainer had expressed doubts about the future of the programme and the likelihood of achieving the objectives of the Direction. The Council's Standard Committee had considered the issue and felt that further training should be postponed pending the receipt of a report from the Trainer regarding their experiences after the first two sessions. The total cost so far had been less than £1,000 and the Parish Council had expressed concern over the possibility of the Training being stopped, although it would be feasible for the Parish Council to pay for the training to continue.

The Assistant to the Chief Executive added that no formal risk assessment had been undertaken. There would be no reputational risk to the District Council if the training was ceased, only possibly to the Parish Council following publication of the Trainer's report.

RESOLVED:

- (1) That the current situation regarding the implementation of a Direction issued by Standards for England to Nazeing Parish Council be noted.

53. AUDIT COMMISSION - NATIONAL LOCAL GOVERNMENT STUDIES

The Chairman presented a report upon the national local government studies that had been recently published by the Audit Commission, and which were relevant to the Council's areas of service provision. These arrangements for the reporting of local government studies issued by the Commission had been agreed by the Committee at its meeting on 24 September 2009. Since the last meeting of the Committee, the Audit Commission had published the national report "*Protecting the Public Purse 2010: Fighting Fraud Against Local Government and Local Taxpayers.*" This report contained a checklist for those responsible for governance, which was highlighted to the Committee.

The Chief Internal Auditor added that the report had been considered by the Corporate Governance Group, who were satisfied that most of the recommendations within the report had already been implemented by the Council. Audits recently undertaken of Procurement and ICT procurement had not identified any significant problems, and the Council could tick most of the boxes on the questionnaire, including a zero tolerance approach to fraud. It was acknowledged that there were potential issues arising from the Housing Officer (Fraud) post being frozen under the Council's current external recruitment policy, but possible fraudulent lettings were being reviewed. It was highlighted that a lot of effort was undertaken by Officers to ensure that Single Person Discounts for Council Tax were correctly issued.

RESOLVED:

- (1) That the National Report "*Protecting the Public Purse 2010: Fighting Fraud Against Local Government and Local Taxpayers*" published by the Audit Commission be noted as relevant to an area of the Council's service provision; and
- (2) That implementation of the majority of the recommendations within the report by the Council be noted.

54. REPORTS OF THE EXTERNAL AUDITOR

The External Auditor presented a number of reports for the Committee to consider.

Annual Audit Letter 2009/10

The first report presented by the External Auditor was the Annual Audit Letter for 2009/10, which summarised the key issues arising from their work during the year. The detailed findings from the audit work had already been reported to the Committee and there were no additional recommendations in the report. A report would be made to a future meeting of the Committee regarding the issues around the protracted departure of a Senior Officer from the Council. The Council was making similar progress to other Councils with its conversion of the financial statements to meet the International Financial Reporting Standards; the restated Balance Sheet was currently being inspected by the External Auditor.

Audit Fee Outturn Summary for 2009/10

The second report presented by the External Auditor was the Audit Fee Outturn Summary for 2009/10, which detailed the final costs of the audit. The total Audit Fee was £149,290, which had resulted in a variance of £4,000 against the original estimate of £145,290. The Certification of Claims and Returns Fee was £69,994, which had resulted in a variance of £8,893 against the original estimate of £61,101.

Grant Claim Certification for the year ended 31 March 2010

The third report presented by the External Auditor was the Grant Claim Certification for the year ended 31 March 2010. It was reported that two claims were qualified, these being the Housing and Council Tax Benefit Subsidy, and the Housing Revenue Account Base Data Return for 2011/12. Both these claims were qualified last year and for similar reasons, although the number of amendments arising from these claims were reducing. The External Auditor was satisfied with the response of the Council to the agreed Action Plan, and stated that it was common for Councils to have their Housing and Council Tax Subsidy Claims qualified. It was a very complex area of work, and it could be an issue of the Government guidance not being particularly clear rather than errors committed by the Council. A fee of £69,994 had been charged for the auditing of Grant Claims up to 31 March 2010, which was an increase of £8,128 in comparison with 2008/09.

Annual Audit Plan 2010/11

The final report presented by the External Auditor was the Annual Audit Plan for 2010/11, which provided an update on the 2010/11 Fee Letter issued in April 2010, and an update on the External Auditor's risk assessment of the Council. The significant audit risks that had been identified for the Council were: implementation of a new property management system; the valuation of, and accounting for, the Council's housing stock (including garages); and the introduction of International Financial Reporting Standards. In addition, for the auditing of all financial statements on or after 15 December 2010, the clarified International Standards on Auditing (UK and Ireland) would be applied, which would increase the number of requirements to be met when performing an audit. One consequence could be that an additional meeting of the Committee would be requested to report any further weaknesses identified in the Council's control environment. It was reported that the revised audit fee for 2010/11 was still £149,700 as previously reported in June 2010. Finally, a Value for Money conclusion would be issued for the Council, based upon the Audit Commission's revised criteria and any matters arising from the 2009/10 audit.

RESOLVED:

- (1) That the Annual Audit Letter 2009/10 be noted;
- (2) That the Audit Fee Outturn Summary for 2009/10 be noted;
- (3) That the Grant Claim Certification for the year ended 31 March 2010 be noted; and
- (4) That the Annual Audit Plan for 2010/11 be noted.

55. TREASURY MANAGEMENT STRATEGY STATEMENT & INVESTMENT STRATEGY 2011/12 - 2013/14

The Principal Accountant presented a report upon the Treasury Management

Strategy Statement and Investment Strategy for the period 2011/12 to 2013/14. The Strategy had been prepared with advice from the Council's Treasury Management consultants, Arlingclose.

The Principal Accountant stated that the Council was required to approve the Treasury Management Strategy and Prudential Indicators, as well as a statement on the Minimum Revenue Provision (MRP) before the start of each financial year. A number of changes had been made to the Strategy, which had been considered by the Cabinet on 31 January 2011, and the Committee now had an opportunity to offer any further comments before it was considered at the Council meeting on 22 February 2011.

The main risk arising from the Council's capital activity for the year would be the impact of the reducing level of usable capital receipts over the next three years. The Capital Programme agreed at the Cabinet on 31 January 2011 included a £3million reduction in planned expenditure, and the Council was not currently planning to borrow money to fund the revised Capital Programme.

There were three main risks associated with Treasury activity: the risk of a counterparty going into liquidation; the risk that insufficient cash would be available to meet the Council's short-term needs; and the risk of fluctuations in interest rates. To counter these risks, a number of amendments had been proposed to the Council's counterparty lists and credit ratings, the Council retained a number of instant access accounts, and the Council's Treasury Advisors were of the view that interest rates were unlikely to change significantly in the short to medium term.

Housing Finance Reform was still being considered by the Government and no details had been announced. The proposals of the previous Government had involved the Council being allocated a debt of approximately £200million, which financial modelling had indicated that the Housing Revenue Account had the capacity to repay as well as accumulating substantial balances in the long term.

The Committee noted the proposed Treasury Management Strategy Statement and Investment Strategy for the period 2011/12 to 2013/14, and had no further comments to make to the Council, except that the arrangements outlined for dealing with the risks associated with Treasury Management activity were considered adequate.

RESOLVED:

- (1) That the Council's proposed Treasury Management Strategy Statement and Investment Strategy for the period 2011/12 to 2013/14 be noted; and
- (2) That the arrangements for dealing with the risks associated with Treasury Management activity, as outlined in the Council's proposed Treasury Management Strategy Statement and Investment Strategy, be considered adequate.

56. INTERNAL AUDIT MONITORING REPORT - OCTOBER TO DECEMBER 2010

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the third quarter of 2010/11, along with the current Audit Plan Status Report for 2010/11.

The Chief Internal Auditor advised the Committee of the audit reports that had been issued during the third quarter:

- (a) Substantial Assurance:
 - Sundry Debtors;

- Licensing Enforcement;
 - Bed & Breakfast Contract;
 - External Funding;
 - Key & Local Performance Indicators; and
 - Homelessness Prevention Unit;
- (b) Limited Assurance:
- Norway House;
 - Planning Fees; and
 - Freedom of Information; and
- (c) At draft report stage:
- Bank Reconciliation;
 - Creditors;
 - Treasury Management;
 - Budgetary Control;
 - General Ledger;
 - Cash Receipting System;
 - ICT Procurement;
 - Housing Rents and Arrears;
 - Management of Sickness Absence; and
 - Asset Management.

A summary of the recommendations for the limited assurance audit reports issued for Norway House, Planning Fees and Freedom of Information, along with the comments of the relevant Directors, had been appended to the report. The Audit Plan included six financial and three ICT audits to be carried out the Council's Audit Contractor Deloitte and Touche. Six of these audits were currently at the draft report stage, whilst the other three reports were being subjected to the contractor's quality control process.

The Committee's attention was drawn to the Priority 1 Actions Status report, and the Limited Assurance Audit Follow Up Status report. It was also noted that the Action Plan arising from the Annual Governance Statement had been appended to allow the Committee to monitor progress against the targets.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's Local Performance Indicators for 2010/11.

• % Planned Audits Completed	Target 90%	Actual 69%;
• % Chargeable Staff Time	Target 72%	Actual 71%;
• Average Cost per Audit Day	Target £320	Actual £302; and
• % User Satisfaction	Target 85%	Actual 80%.

No User Satisfaction forms had been returned during the first quarter. Officers who had not returned their survey forms were now reminded and forms were being returned. All of the Local Performance Indicators for the Internal Audit Unit were on target for the year to date.

The Chief Internal Auditor added that the three areas issued with Limited Assurance audit reports during the quarter had been reviewed and the recommendations from the reports were being implemented. The Committee was reassured that Deloitte was fulfilling the terms of their contract with the Council, but that their reports went through three separate levels of Quality Assurance before being finally released to

the Council. The Chief Internal Auditor was provided with copies of the draft reports so that any recommendations could be progressed in the meantime.

The Committee was concerned with the Priority One Actions Status Report, as the number of actions contained within the list seemed to be increasing. It was felt that progress with the outstanding actions should be more actively monitored and that the Corporate Governance Group would be the most appropriate body to perform this role. The Chief Internal Auditor explained that, on occasion, the status of actions remained as 'in progress' until they were reviewed by Internal Audit and confirmed as implemented. The Committee felt that the responsible Officer should be tasked with meeting the implementation date, and that all outstanding actions marked as in progress should be analysed to ascertain those awaiting review by Internal Audit. The Chief Internal Auditor explained that there was currently no central register kept of the Freedom of Information requests received by the Council.

RESOLVED:

(1) That the following issues arising from the Internal Audit Monitoring Report for the third quarter of 2010/11 be noted:

(a) the Audit reports issued between October and December 2010 and significant findings therein;

(b) the Priority 1 Actions Status Report;

(c) the Limited Assurance Audit Follow-Up Status Report; and

(d) the Audit Plan Status Report 2010/11;

(2) That the Committee's satisfaction with the effectiveness of the work of Internal Audit during the third quarter of 2010/11 be confirmed;

(3) That the monitoring of the outstanding actions on the Priority 1 Actions Status report be undertaken by the Corporate Governance Group to ensure that more actions were implemented by their target date; and

(4) That the Priority 1 Actions Status Report be reviewed for those actions already implemented and awaiting review.

57. ANY OTHER URGENT BUSINESS

There was no other urgent business for the Committee to consider.

58. EXCLUSION OF PUBLIC AND PRESS

There was no reason to exclude the public and press from the meeting.

CHAIRMAN