

## **EPHING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Audit and Governance Committee      **Date:** Monday, 4 April 2011

**Place:** Council Chamber, Civic Offices, High Street, Epping      **Time:** 7.30 - 8.40 pm

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

**Other Councillors:** -

**Apologies:** -

**Officers Present:** R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), P Maddock (Assistant Director (Accountancy)), G J Woodhall (Democratic Services Officer) and A Hendry (Democratic Services Officer)

**Also in attendance:** R Bint, L Clampin and N Jenner (External Auditors)

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### **59. WEBCASTING INTRODUCTION**

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

### **60. DECLARATIONS OF INTEREST**

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

### **61. MINUTES**

**Resolved:**

(1) That the minutes of the meeting held on 14 February 2011 be taken as read and signed by the Chairman as a correct record.

### **62. MATTERS ARISING**

There were no matters arising from the previous meeting for the Committee to consider.

### **63. CORPORATE GOVERNANCE GROUP**

The Committee considered the minutes from the meeting of the Corporate Governance Group, held on 23 February 2011.

The Committee noted that a reminder for all Councillors to register as Data Controllers had been placed in the Council Bulletin recently, and that the risk was to the individual Councillor in not registering, rather than the Council. The Director of Finance & ICT stated that the issue could be discussed further by the Corporate

Governance Group, including the request to include the Data Controller registration form in the New Members' Induction Pack.

In relation to the Unencrypted Disk of Correspondence (minute 92(c) refers), the Committee noted that the disk had arrived at its destination and therefore no data loss had actually occurred. The situation had occurred through a mistake by one individual, who had not complied with the Council's policies for sending encrypted data. All Directors had been reminded of the Council's policies at a subsequent Management Board meeting.

The External Auditor advised the Committee that the letter regarding the former Chief Executive's contract (minute 87(b) refers) had been drafted and circulated for individuals to review and comment. It had been recommended that the Audit and Governance Committee should consider the final draft of the Letter at a future meeting.

The Committee queried why the minutes from the meeting of the Corporate Governance Group held on 16 March 2011 had not been available for consideration at this meeting. The Democratic Services Officer apologised for the oversight but had been on sick leave when the agenda was compiled and therefore could not answer the question. The Committee requested that, in future, such minutes be made available via a supplementary agenda following publication.

**Resolved:**

- (1) That the minutes of the meeting of the Corporate Governance Group, held on 23 February 2011, be noted;
- (2) That the issue of Councillors registering as Data Controllers be further discussed by the Corporate Governance Group, including the provision of the registration forms within the New Member Induction Pack; and
- (3) That minutes of Corporate Governance Group meetings which become available after the publication of the Committee's agenda be included as a supplementary agenda for consideration by the Committee.

**64. EFFECTIVENESS OF RISK MANAGEMENT**

The Director of Finance & ICT presented a report regarding the effectiveness of the Council's arrangements for Risk Management.

The Director reported that the terms of reference for this Committee included the consideration of the Council's arrangements for Risk Management and whether these arrangements were effective. Each Directorate had a nominated Champion for Risk Management, who was also a member of the Risk Management Group. All Directorates were required to have a Risk Management section in their Business Plans and to have Risk Management as a standing item at their management team meetings. The primary identification of corporate risks was undertaken by the Risk Management Group, who submitted the amended Corporate Risk Register to the Corporate Governance Group, before it was considered by the Finance & Performance Management Cabinet Committee prior to its approval each quarter by the Cabinet.

The Director added that Internal Audit had completed, but had not yet reported to this Committee, an audit covering Risk Management and Insurance where their conclusion was a score of "Substantial Assurance". External Audit had reported

within the last Annual Governance Report that the organisation managed its risks and maintained a sound system of internal control. The Committee requested the Chief Internal Auditor to include a more detailed summary of the Risk Management and Insurance Audit as part of the quarterly Internal Audit Monitoring Report than would normally be the case for an audit report with substantial assurance.

The Director highlighted that the postholder with the responsibility for any risk in the Corporate Risk Register was listed in the Action Plan, along with the responsible Director and Portfolio Holder. Risk Management would be included in the Personal Development Review and objectives for individuals tasked with managing risks, such as the Risk Champions. The Committee queried whether operational staff were aware of the importance of Risk Management and suggested that a survey be undertaken amongst staff to ascertain this. The Chief Internal Auditor agreed that this could be investigated further as part of the Staff Survey being organised; fifty would be a reasonable sample of staff across the Council.

The Committee noted that a course on Risk Management was offered as part of the Corporate Training programme, and all new Members of the Audit & Governance Committee were trained before their first meeting. Portfolio Holders were made aware of the Corporate Risks through considering the Corporate Risk Register each quarter. The Committee felt that further information on the Risk Management methodology employed by the Risk Management Group and Corporate Governance Group should be provided in future reports.

**Resolved:**

- (1) That the Council's arrangements for Risk Management be considered effective;
- (2) That a detailed summary of the full audit report upon Risk Management and Insurance be included as part of the quarterly Internal Audit Monitoring report at the next scheduled meeting of the Committee;
- (3) That the possibility of conducting a staff survey to ascertain the importance of Risk Management amongst operational staff be investigated; and
- (4) That further information be provided in future reports concerning the procedure employed to consider Risk Management issues by the Risk Management Group and Corporate Governance Group.

**65. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Assistant Director (Accountancy) presented an update report upon the Council's adoption of the International Financial Reporting Standards.

The Committee noted that work had begun during December 2010 to restate the accounts for 2009/10, with the External Auditors reviewing the work in February 2011. The Guidance Note for Practitioners issued by the Chartered Institute of Public Finance & Accountancy had been received, somewhat later than expected, but there were no major variations from what had been expected. The External Auditor reported that some technical issues and errors had been discovered in the work performed so far by the Council.

The Assistant Director summarised the main issues involved:

- The Council was in discussions with CIPFA regarding the treatment of the Housing Stock in the Asset Register System.

- Some projects had been delayed by the restatement work undertaken. There were no real risks to the Council from this, except the delay of possible benefits from their implementation.
- Some of the policies for the Statutory Statement of Accounts would need to be reviewed for the implementation of International Financial Reporting Standards, with additional guidance provided in the explanatory notes.
- Training for Members in the new financial statements would need to be organised, possibly at the next meeting of the Committee scheduled for 23 June 2011.

**Resolved:**

(1) That progress with the transition from UK Generally Accepted Accounting Principles (UK-GAAP) to International Financial Reporting Standards (IFRS) for the presentation of the Council's financial statements be noted.

**66. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT**

The Chief Internal Auditor presented the Audit & Governance Committee's Annual Report for 2010/11.

The Committee's Terms of Reference required an annual report to be submitted to the Council each year, and this was the fourth such report to be completed. It was suggested that any substantive changes to the report be agreed with the Chairman and Vice-Chairman prior to the submission of the report to Council in May.

The Committee noted that a revised version had been circulated, which was more concise than the original. The Committee highlighted some minor typographical errors that the Chief Internal Auditor undertook to correct.

**Resolved:**

(1) That, subject to the correction of some typographical errors, the draft Annual Report for the Audit and Governance Committee for 2010/11 be approved for submission to the Annual Council Meeting.

**67. DRAFT AUDIT PLAN 2011/12**

The Chief Internal Auditor presented a report concerning the draft Internal Audit Plan for 2011/12.

The Chief Internal Auditor reminded the Audit and Governance Committee that it was responsible for the approval of the annual Internal Audit plan, following consideration by the Finance and Performance Management Cabinet Committee. Following consultation with the Service Directors, the Corporate Governance Group and the External Auditors (PKF), the Internal Audit Plan for 2011/12 was presented to the Finance and Performance Management Cabinet Committee on 21st March; no specific issues were raised. The External Auditor stated that the plan had covered the areas expected and was integrated with the External Audit Plan for 2011/12. The only suggestion was to possibly perform additional audit work in the Benefits section, following the Audit Commission Inspection report.

In response to questions from the Committee, the Chief Internal Auditor stated that coverage of the Benefits department, including an audit of the Benefits Anti-Fraud Strategy, would be covered as part of the Plan for 2011/12. There was funding available to engage external audit resources if required next year, and the planned

audit of the Depot would include the Repairs Management contract. The requirements of the new Bribery Act 2010 would be examined and probably included as part of the Gifts & Hospitality audit. Finally, it was not currently considered beneficial to run a shared Audit office with Uttlesford and Harlow District Councils, however some individual audits could be performed using audit staff from these two Councils.

**Resolved:**

- (1) That the draft Internal Audit Plan for 2011/112 be approved.

**68. ANY OTHER BUSINESS**

The Committee thanked Councillor Green for his leadership as Chairman and contribution to the Committee's work during the previous two years.

The Chairman thanked all the Officers, Members, Independent Members and External Auditors for their assistance and efforts during his two years as Chairman of the Committee.

**CHAIRMAN**