

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 3 April 2014

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.30 - 8.35 pm

Members Present: A Watts, R Thompson, Ms H Kane, A Jarvis and L Leonard

Other

Councillors: C Whitbread, Ms S Stavrou, D Stallan and G Waller

Apologies: -

Officers Present: R Palmer (Director of Resources), G Chipp (Chief Executive), B Bassington (Chief Internal Auditor), S Mitchell (PR Website Editor) and G J Woodhall (Democratic Services Officer)

56. 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.

57. DECLARATIONS OF INTEREST

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

58. MINUTES

Resolved:

(1) That the minutes of the meeting held on 6 February 2014 be taken as read and signed by the Chairman as a correct record.

59. MATTERS ARISING

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

60. AUDIT AND GOVERNANCE WORK PROGRAMME - 2013/14

The Committee noted its work programme for the current year.

61. REPORTS FROM THE EXTERNAL AUDITOR

The External Auditor presented two reports to the Committee, the first being the Audit Plan for 2013/14 which summarised the significant risks with an impact on the audit

and the key outputs from the Audit, and the second was the Planning Letter for 2014/15 which detailed the proposed fee and audit arrangements.

In respect of the Audit Plan for the 2013/14 financial year, the External Auditor reported that the Audit Plan summarised the proposed work to be undertaken for the audit of the 2013/14 financial year. It would be designed to respond to significant risks and indicate where the focus of resources would be in providing an opinion on the financial statements and value for money conclusion. There were two significant risks presumed by the Auditing Standards, these being: Management Override; and Revenue Recognition. The Plan set out the proposed fee for the Audit as £85,329 plus VAT, with a further fee of £28,100 for the certification of claims and returns. However, the Audit Commission had recently announced that the fee for the certification work would reduce by 12%. The Audit Commission also announced a further rebate across all local audit bodies; this equated to 13.7% against the 2012/13 audit fee or £11,690 for this Council.

The External Auditor informed the Committee of the expected key outputs from the audit:

- a report on any significant deficiencies in internal controls arising from the interim audit in May 2014;
- a final report to those charged with governance in September 2014;
- the opinion on the financial statements and a value for money conclusion by 30 September 2014;
- an assurance statement on the Whole of Government Accounts by 3 October 2014;
- a summary of findings from the audit in the Annual Audit Letter in October 2014; and
- the results of the Grant Claims and Returns certification work in January 2015.

The Committee noted that the proposed audit fee had remained unchanged from the previous year, and welcomed the rebates and reductions announced by the Audit Commission.

With regard to the Planning Letter for 2014/15, the External Auditor reported on the proposed fees and programme of work for the 2014/15 financial year. The proposed core audit fee would remain at £85,329, whilst the proposed Certification Fee would also reduce from the £26,800 indicated in the Letter to £24,710. The focus of the planned work would again be on the audit of the financial statements, the value for money conclusion and the Whole of Government Accounts return.

The planned outputs for 2014/15 were as follows:

- a detailed Audit Plan in January 2015;
- a report on any significant deficiencies in internal controls arising from the interim audit in May 2015;
- the final report to those charged with governance in September 2015;
- the opinion on the financial statements and the value for money conclusion in September 2015;
- the Assurance Statement on the Whole of Government accounts and report to the National Audit Office in October 2015;
- the Annual Audit Letter in October 2015; and
- the Grant Claims and Returns Certification report in December 2015.

Resolved:

- (1) That the following reports from the External Auditor be noted:

- (a) the Audit Plan for 2013/14; and
- (b) the Planning Letter for 2014/15.

62. DRAFT INTERNAL AUDIT PLAN 2014/15

The Chief Internal Auditor presented a report on the draft Internal Audit Plan for 2014/15.

The Chief Internal Auditor reported that the draft Audit Plan for 2014/15 included all of the fundamental financial systems, to provide assurance to Management and Members that there were controls in place for good financial management. Also included were any high risk financial areas identified by the Corporate Risk Register, a contingency provision for investigations and other unplanned work during the year, and time allocated to fraud prevention and detection. Progress against the Plan would be monitored by the Committee on a quarterly basis, and any proposed amendments would be subject to the Committee's approval.

The Chief Internal Auditor advised the Committee that, following consultation with Service Directors, the Corporate Governance Group and the External Auditors, the draft Audit Plan had been presented to the Finance and Performance Management Cabinet Committee on 20 March 2014, but no specific issues were raised.

In response to questions from the Members present, the Chief Internal Auditor stressed that regular meetings had continued to be held with the Chief Internal Auditors from Uttlesford District, Broxbourne Borough and Harlow District Councils, and the discussions had included joint working practices, sharing best practice, sharing expertise, and sharing audit findings and recommendations. Auditors had been 'borrowed' from Uttlesford and in return this Council had provided Uttlesford with Information Technology auditing skills.

The Council did have a corporate Whistleblowing Policy, which the Chief Internal Auditor acknowledged could be advertised more widely both internally and externally. There was a fraud awareness module on the Council's i-Train system available to Spending Control Officers, and it was hoped to increase the access to this for all staff before too long. The policy was also given a mention during the bite-size financial training sessions for staff. The Council also had two Housing Fraud Investigators on the establishment, and the methods of reporting Housing Fraud were advertised in the Tenant magazines.

The Committee felt the report should also stress that individual Directorate Risk Registers were examined when compiling the Audit Plan. The Chief Internal Auditor stated that there were a number of reasons as to why an area should be investigated: implementation of new systems; new procedures; new staff. The Chairman requested that a list be provided to the members of the Committee after the meeting of what additional work would be undertaken by the Internal Audit Unit if they had an additional member of staff, to which the Chief Internal Auditor acquiesced.

Resolved:

- (1) That the Internal Audit Plan for 2014/15 be approved.

63. REVIEW OF THE EFFECTIVENESS OF THE ARRANGEMENTS FOR RISK MANAGEMENT

The Director of Resources presented a report on the effectiveness of the arrangements for Risk Management within the Council.

The Director reminded the Committee that its terms of reference included the consideration of the effectiveness of the Council's Risk Management arrangements. This contrasted with the role of the Finance & Performance Management Cabinet Committee to advise and make recommendations to the Cabinet on Risk Management and Insurance issues. The internal arrangements for Risk Management had not changed during the year. Each Directorate had a nominated 'Champion' for Risk Management who represented their Directorate at meetings of the Risk Management Group. All Directorates were required to have a section on Risk Management in their Business Plans and have a standing item regarding Risk Management on the agenda of their management team meetings. This was to ensure that Directorate Risk Registers and action plans were regularly monitored.

The Director stated that, at the corporate level, the Risk Management Group met quarterly to discuss issues and recommend alterations for the Corporate Risk Register to the Corporate Governance Group. The Corporate Governance Group considered the proposed changes from the Risk Management Group and undertook a separate review of the Corporate Risk Register to ensure that there were not any further risks for inclusion. Recommendations for updating the Corporate Risk Register were then considered by the Finance & Performance Management Cabinet Committee and approved by the Cabinet.

The Director reported that a major restructure of the Corporate Risk Register was undertaken in 2013/14, which resulted in the following key changes: use of a smaller four x four matrix; a stronger focus on key strategic risks; the removal of tolerated risks; and a new system of colour coding. Previously, the Corporate Risk Register had consisted of 26 risks; 16 above the tolerance line and 10 below. The new Corporate Risk Register had reduced these individual risks to six strategic risks, to which a further two new risks were added to give a total of eight key strategic risks. Five of these strategic risks were in the red area of the new matrix and were subject to monthly monitoring by the Management Board, whilst the other three were in the amber area and scheduled for quarterly monitoring.

The Director highlighted that the report had outlined the eight strategic risks in more detail and the key points from the subsequent reviews by the Finance & Performance Management Cabinet Committee. To aid Members in their discussion, both the old style and new style Corporate Risk Registers had been attached to illustrate the changes in format. The internal audit of Risk Management for 2013/14 had been recently completed and the report had concluded with a score of 'Substantial Assurance'.

The Vice-Chairman enquired about Risk 2, Strategic Sites, as it appeared to have a degree of imprecision, which could increase the risk associated with it. The Director acknowledged that Risk 2 had a wide definition as the Council possessed a number of strategic sites across the District, each of which had a number of different possibilities. The composition and scoring for this risk could be reconsidered at the next meeting of the Finance and Performance Management Cabinet Committee.

The Committee felt that the new structure of the Corporate Risk Register underplayed some significant service risks, such as the Waste Management Contract currently being re-let, and perhaps the inclusion of some service level risks could be

considered in future or the Committee could examine some of the higher level risks from the Directorates. The Director stressed that the Corporate Risk Register had been considered and approved by two Officer Groups and the Finance & Performance Management Cabinet Committee, and that ultimate responsibility for the inclusion of risks on the Register rested with the Cabinet Committee.

The Committee had misgivings about the lack of evidence provided for the scoring of the strategic risks and suggested that the Directorate Risk Registers be made available to the Committee to examine annually if only strategic risks were to be included on the Register in future. In addition, there had been no evidence presented for the consolidation process of the risks at a corporate level, as the previous structure had showed the main service risks as well. The Committee expressed a desire to see evidence for the process being carried out and how the scores were arrived at, to give the Committee some assurance about the effectiveness of the arrangements for Risk Management. The Chairman proposed that an agenda and set of minutes from one of the review meetings be circulated to the members of the Committee to validate the process that was followed.

Resolved:

(1) That the review of the effectiveness of the arrangements for Risk Management be deferred until evidence of the process followed had been presented to and examined by the members of the Committee.

64. ANY OTHER BUSINESS

The Committee noted there was no other urgent business for their consideration.

The Chairman reported that a Task & Finish Panel had been set up to examine the structure of the Overview and Scrutiny Standing Panels, and the Chairman would be involved in this process. In addition, the Overview & Scrutiny Committee had agreed that scrutiny of the Local Plan process would be given a high priority during 2014/15 by both the Planning Services Scrutiny Panel and the main Overview & Scrutiny Committee.

Finally, the Chairman took the opportunity to thank all the Officers and Members involved with the Audit & Governance Committee, as well as the External Auditors, for their support throughout the municipal year.

CHAIRMAN