



# Epping Forest District Council

## **AUDIT AND GOVERNANCE COMMITTEE** **Monday, 29th June, 2015**

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping**  
on **Monday, 29th June, 2015**  
at **7.00 pm** .

**Glen Chipp**  
Chief Executive

**Democratic Services  
Officer**

Gary Woodhall  
The Directorate of Governance  
Tel: 01992 564470  
Email: [democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk)

### **Members:**

Councillors: L Hughes, J Knapman, and S Weston.

Independent: A Jarvis and N Nanayakkara.

**PLEASE NOTE THE START TIME OF THIS MEETING**

### **1. WEBCASTING INTRODUCTION**

"I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit."

### **2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN**

(Director of Governance) Under Article 11.7 of the Constitution, the Chairman and Vice-Chairman of the Committee shall be appointed at the first meeting of the municipal year for a term of one year.

Both Councillors and Co-Opted Members serving on the Committee are eligible for appointment to either role; however, if the Chairman is a Councillor then the Vice-Chairman must be a Co-Opted Member, and vice versa.

The Chairman and Vice-Chairman from the previous municipal year are eligible for re-appointment.

**3. APOLOGIES FOR ABSENCE**

(Director of Governance) To be announced at the meeting.

**4. DECLARATIONS OF INTEREST**

(Director of Governance) To declare interests in any item on this agenda.

**5. MINUTES**

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 30 March 2015 (previously circulated).

**6. MATTERS ARISING**

(Director of Governance) To consider any matters arising from the previous meeting.

**7. AUDIT & GOVERNANCE WORK PROGRAMME 2015/16 (Pages 5 - 6)**

(Director of Governance) To consider the Committee's Work Programme for 2015/16, as attached.

**8. INTERNAL AUDIT MONITORING REPORT - JANUARY TO MARCH 2015 (Pages 7 - 30)**

(Chief Internal Auditor) To consider the attached report (AGC-001-2015/16).

**9. INTERNAL AUDIT ANNUAL REPORT 2014/15 AND REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT (Pages 31 - 44)**

(Chief Internal Auditor) To consider the attached report (AGC-002-2015/16).

**10. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2014/15 (Pages 45 - 52)**

(Chief Internal Auditor) To consider the attached report (AGC-003-2015/16).

**11. ANNUAL GOVERNANCE STATEMENT 2014/15 (Pages 53 - 60)**

(Chief Internal Auditor) To consider the attached report (AGC-004-2015/16).

**12. ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the

permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (Non-Executive Bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks notice of non-urgent items is required.

**13. EXCLUSION OF PUBLIC AND PRESS**

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	None	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement:

Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

- (1) all business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest;
- (2) at the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press; and
- (3) any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers:

Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not

include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

## **Audit & Governance Committee Work Programme**

**2015/16**

### **29 June 2015**

- Internal Audit Annual Report.
- Review of the Effectiveness of Internal Audit.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Q4 Internal Audit Monitoring Report.

### **21 September 2015**

- Treasury Management Annual Outturn Report.
  - Statutory Statement of Accounts.
  - Q1 Internal Audit Monitoring Report.
  - Appointment of Co-Opted Member – Report on Recruitment.
- ❖ Annual Governance Report 2014/15.

### **30 November 2015**

- Treasury Management Mid-Year Report.
  - Q2 Internal Audit Monitoring Report.
  - Review of Business Continuity Plan for Internal Audit.
- ❖ Annual Audit Letter 2014/15.

### **1 February 2016**

- Treasury Management Investment & Strategy Statements.
  - Q3 Internal Audit Monitoring Report.
- ❖ Grant Claims Audit Report 2014/15.

### **31 March 2016**

- Effectiveness of Risk Management.
  - Internal Audit Business Plan.
- ❖ Planning Letter 2016/17.
- ❖ Audit Plan 2015/16.

### **Key**

- EFDC Officer Report.
- ❖ External Auditor Report.

*N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 31 March 2016 meeting in the Conference Room.*

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## **Report to the Audit and Governance Committee**



**Report reference:** **AGC-001-2015/16**

**Epping Forest  
District Council**

**Date of meeting:** **29 June 2015**

**Portfolio:** Governance and Development Management

**Subject:** Internal Audit Monitoring Report January - March 2015

**Responsible Officer:** Brian Bassington (01992 564446).

**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

(1) The Committee is requested to note the following issues arising from the Internal Audit Team's fourth quarter monitoring report for 2014/15:

- (a) The reports issued between January and March 2015 and significant findings therein (Appendix 1);
- (b) The Outstanding Priority 1 Actions Status Report (Appendix 2);
- (c) The Limited Assurance Audits follow up status report (Appendix 3); and
- (d) The 2014/15 Audit Plan status report (Appendix 4).

### **Executive Summary:**

This report provides a summary of the work undertaken by the Internal Audit Unit between January and March 2015, and details the overall performance to date against the Audit Plan for 2014/15. The report also contains a status report on previous priority 1 audit recommendations which continues to be monitored by the Corporate Governance Group.

### **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

### **Other Options for Action:**

No other options.

### **Report:**

#### Work carried out in the Period

1. The audit reports issued in the fourth quarter are listed in paragraph 2 below.

#### Reports Issued

2. The following audit reports were issued in the quarter:

- (a) Full Assurance:

- Council Tax;
  - Business Rates;
  - Payroll; and
  - Main Accounting and Financial Ledger.
- (b) Substantial Assurance:
- Overtime Claims;
  - Committee Allowances and Subsistence Claims;
  - ICT Access Controls;
  - Treasury Management;
  - Risk Management;
  - Insurance (fraud);
  - Budgetary Control;
  - Creditors;
  - Housing Rents; and
  - Cash Receipting and Income Control.
- (c) Limited Assurance:
- Sundry Debtors.
- (d) No Assurance:
- None.
- (e) At Draft Report Stage:
- Housing Benefits; and
  - Council Tax Reduction.

#### Limited Assurance Reports

3. In respect of the limited assurance report for Sundry Debtors, Management Board (15 October 2014, minute 103 refers) agreed the recommendation from the Corporate Debt Working Group that overdue debts under £500 should no longer be referred to legal as it is not a cost effective use of legal resources.

4. The audit identified not all officers involved in debt recovery have been advised of this principle, and the audit did not find evidence of any systems or processes in place to monitor and pursue debts under £500 (following the automated process of issuing three reminder letters).

5. The Corporate Debt Working Group's review is ongoing, and further recommendations will be submitted to Management Board. Agreed recommendations should be communicated to officers responsible for debt recovery to ensure the process is implemented effectively.

#### Follow Up of Previous Priority 1 Recommendations

6. Attached at Appendix 2 is a schedule of outstanding priority 1 recommendations to ensure follow up both by Internal Audit and Service Management. These recommendations are monitored on a monthly basis by the Corporate Governance Group.

#### Follow Up of Previous Limited Assurance Audits

7. Attached at Appendix 3 is a schedule of previous limited assurance audits to ensure follow up both by Internal Audit and Service Management.

#### Audit Plan 2014/15



8. The status of the 2014/15 Audit Plan is set out at Appendix 4.

### Performance Management

9. The Internal Audit Team has local performance indicator targets to meet in 2014/15, as set out below:

	Actual 2011/12 For year	Actual 2012/13 For year	Actual 2013/14 For year	Target 2014/15 For year	Actual 2013/14 Quarter 4	Actual 2014/15 Quarter 4
% Planned audits completed	82%	85%	88%	90%	77%	94%
% chargeable "fee" staff time	71%	69%	74%	75%	68%	75%
Average cost per audit day	£213	£243	£225	£245	£247	£229
% User satisfaction	89%	N/A	N/A	90%	N/A	100%

10. The indicators are calculated as follows:

(a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan.

(b) % Chargeable fee time - a calculation is made each quarter based on reports produced from Internal Audit's time recording system.

(c) Average cost per audit day - the calculation is based on the costs for each quarter taken from the budget monitoring reports, divided by the number of fee earning days extracted from the time recording system.

(d) % User Satisfaction – A customer survey is given to the relevant Assistant Director or Manager at the end of each audit.

### **Resource Implications:**

Within the report.

### **Legal and Governance Implications:**

Within the report.

### **Safer, Cleaner and Greener Implications:**

No specific implications.

### **Consultation Undertaken:**

Corporate Governance Group.

### **Background Papers:**

Audit files and working papers.

**Risk Management:**

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this monitoring report will assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

# Due Regard Record

This page shows which groups of people are affected by the subject of this report. It sets out how they are affected and how any unlawful discrimination they experience can be eliminated. It also includes information about how access to the service(s) subject to this report can be improved for the different groups of people; and how they can be assisted to understand each other better as a result of the subject of this report. S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
1/5/15 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.

## **EFDC - Definition of Levels of Assurance**

### **Assurance levels:**

The level of assurance to be applied will be based on the auditor's assessment of the extent to which system objectives are met, with the agreement of the Chief Internal Auditor. As a guide, the following triggers will be used, taking into account the level of risk of error, loss, fraud or damage to reputation.

<b>Level</b>	<b>Evaluation opinion</b>	<b>Priority Triggers</b>
<b>Full assurance</b>	There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied.	Priority 3s or no audit recommendations.
<b>Substantial assurance</b>	There is a sound system of control designed to achieve system objectives, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance, which are placing some system objectives at risk.	Priority 2s and one Priority 1 (if assessed as a low risk).
<b>Limited assurance</b>	There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in the application of control in a number of areas, and / or evidence of significant non-compliance, which are placing some system objectives at risk.	Between 1 and four 1s and (usually) several Priority 2s.
<b>No assurance</b>	The system of control is weak, and / or there is evidence of significant non-compliance, which exposes the system to the risk of significant error or unauthorised activity.	Five or more Priority 1s.

### **Priority Ratings**

Each audit finding will generate an audit recommendation. These recommendations will be prioritised in accordance with the following criteria:

**Priority 1** – Observations refer to issues that are fundamental to the system of internal control. We believe that these issues have caused or will cause a system objective not to be met and therefore require management action as a matter of urgency to avoid risk of major error, loss, fraud or damage to reputation. Failure to apply a Financial Regulation or Contract standing Order will normally be in this category.

**Priority 2** – Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. System objectives are unlikely to be breached as a consequence of these issues, although Internal audit suggested improvement to system design and / or more effective operation of controls would minimise the risk of system failure in this area.

**Priority 3** – Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

**SUMMARY OF AUDITS COMPLETED DURING QUARTER 4  
January - March 2015**

Appendix 1

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Council Tax	Resources Directorate	<p><b>Full Assurance</b> The section has well established procedures for ensuring that the Council Tax database is complete and accurate and the liability is correct. Income and refunds are accurately recorded and are reconciled regularly to the general ledger. Effective recovery and enforcement action ensures that income is maximised.</p>	<p>Only one priority 3 recommendation in relation to independent review of the weekly VOA reconciliations has been raised.</p>
Business Rates	Resources Directorate	<p><b>Full Assurance</b> The section has well established procedures for ensuring that the NNDR database is complete and accurate and the liability is correct. Income and refunds are accurately recorded and are reconciled regularly to the general ledger. Effective recovery and enforcement action ensures that income is maximised.</p>	<p>One priority 3 recommendation has been raised in relation to the authorisation of the continued entitlement to reliefs.</p>
Payroll	Resources Directorate	<p><b>Full Assurance</b> The systems and controls in place in relation to payroll are operating effectively.</p>	<p>The payroll system holds a complete and accurate record of staff employed by the Authority and is regularly reconciled to the establishment list within HR.</p> <p>Salary payments and deductions are correctly calculated. Testing showed that deductions from pay are legitimate and accurate, and are all supported by relevant documentation authorised by the relevant employee.</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Main Accounting and Financial Ledger	Resources Directorate	<p><b>Full Assurance</b> The systems and controls surrounding the processing of data on the General Ledger are operating satisfactorily. Journals are posted onto the General Ledger in a timely manner. Rejected journals are investigated, corrected and reposted immediately. E-financials systems access is restricted to appropriate officers.</p>	One journal had inadvertently not been authorised. However, as this appeared to be an isolated incident, no recommendation has been raised in relation to this.
Overtime Claims	Resources Directorate	<p><b>Substantial Assurance</b> Overtime payments are claimed in accordance with the Staff Handbook. The majority of claims are submitted in a timely manner and certified by an authorised signatory.</p>	One priority two recommendation has been made for a supervisory check of the calculation of a sample of overtime payments before they are processed to ensure the correct payments are made.
Committee Allowances and Subsistence Claims	Resources Directorate	<p><b>Substantial Assurance</b> Committee Allowances and Subsistence payments are claimed in accordance with the Staff Handbook and Subsistence Payments Policy. The majority of claims are submitted in a timely manner, certified by an authorised signatory and, where applicable, supported by relevant documentation.</p>	One minor point that was found with a subsistence payment and this was raised with the Officer concerned. There are no Officer attendance sheets for meetings held with outside bodies. However no recommendation has been raised in relation to this as attendance is noted on the minutes of meetings.
ICT Access Controls	Resources Directorate	<p><b>Substantial Assurance</b> The system in place for controlling access to the Councils data network is operating effectively.</p>	The implementation of the recommendations arising from the audit will enhance existing controls, improve security and reduce the risks of fraudulent access to data.

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Treasury Management	Resources Directorate	<p><b>Substantial Assurance</b> The systems and controls surrounding treasury management are operating effectively.</p>	The manual should be updated to ensure that all staff are aware of their responsibilities and the Contingency Arrangements for Natwest Bank and the Council are checked for any updates.
Risk management	Resources Directorate	<p><b>Substantial Assurance</b> Risk management is championed at both directorate level and at a corporate level and the process is proactive in identifying risk and is efficient in ensuring the risk register remains current.</p>	Following the findings from the previous audit in 2013/14, Risk Management is now included as part of the 'Bite-size' Finance training course. This is to raise general awareness of risk management and ensure that risk management is fully embedded within the Authority at all levels.
Insurance (fraud)	Resources Directorate	<p><b>Substantial Assurance</b> The systems and controls in place in relation to Insurance are operating effectively.</p>	A sample of claims (20%) were checked for fraudulent content and no issues were highlighted.
Budgetary Control	Resources Directorate	<p><b>Substantial Assurance</b> The systems and controls in place in relation to budget setting, monitoring and reporting are operating effectively.</p>	The Councils key objectives should be approved prior to approval of the budget in February each year. Budget matters are a standing item on Directorate team meeting agendas, although the depth of review and level of discussion of budgets appears to vary between Directorates.
Creditors	Resources Directorate	<p><b>Substantial Assurance</b> The systems and controls surrounding the ordering, receipting and payment of goods and services are generally operating effectively, although a few instances of non-compliance were identified.</p>	There was an isolated incidence of an order and invoice having been authorised by the same officer and of an invoice not having been certified for payment. It was also found that Marketplace orders had not been raised for some expenditure,

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
			and that some goods are not receipted on Marketplace.
Housing Rents	Communities Directorate	<p><b>Substantial Assurance</b> The controls surrounding the system for housing rent collection and rent arrears management are operating satisfactorily. This audit highlighted priority has been given to ensure the previous audit recommendations were implemented.</p>	Recommendations have been made to implement effective processes for recovery of former tenant arrears and a consistent approach should be followed. Monthly income reconciliations should be independently checked for completion by a senior officer.
Cash Receipting and Income Control	Resources Directorate	<p><b>Substantial Assurance</b> The systems and controls surrounding cash receipting and income control are operating effectively.</p>	Income from all sources is completely and accurately recorded through the cash receipting system by cashiers, and independently reconciled by the income control section. Cash is held securely. There is a good separation of duties between cash receipting and income control functions.
Sundry Debtors	Resources Directorate	<p><b>Limited Assurance</b> Effective action is not always taken to pursue non-payment of debts. It is noted the review by the Corporate Debt Working Group is ongoing and further recommendations will be made to Management Board.</p>	<p>Chief Officers should be reminded they are responsible for taking ownership and collecting debts they have originated, as per Financial Regulations.</p> <p>Resources should be allocated to enable the effective implementation of the debt recovery process covering all income streams. Training needs should also be considered.</p>



**INTERNAL AUDIT  
OUTSTANDING PRIORITY 1 ACTIONS – STATUS AS AT 16 April 2015**

<b>Report Title</b>	<b>Agreed Action</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Director's Assurance</b>	<b>Status</b>	<b>Completion Date / Comments</b>
<b>Planning Fees</b>	Development Control management to liaise with ICT to establish reports from M3 that are easily reconcilable and if required Cashiers to ensure referencing in the right format to reconcile. Reconciliation to be brought up to date and then completed monthly to establish control within the process.	<b>Assistant Director Development Control</b>	March 2015	Planning staff are bringing the reconciliation up to date with the assistance of Accountancy staff and will ensure that reconciliation will be carried out in a timely manner. Recent audit input has resulted in a simpler reconciliation which will reduce the work required.		
<b>Facilities Management</b>	Where similar items of work are required, repeat orders should not be submitted without consideration of the total sum of expenditure during previous years with reference to Contract Standing Orders.  Overall expenditure with individual suppliers should be reviewed and (if required) a retrospective waiver of Contract Standing Orders should be obtained from the Portfolio Holder. (CSO C2 (10). This was also	Facilities Manager.	1.12.14	FM will involve the Essex Procurement Hub for all relevant purchases. The commitment accounting system will be further developed to more clearly highlight companies nearing the contract standing order thresholds. Reports will also be generated from the Market Place system and these will all be monitored by the FM manager on a regular basis.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	<p>recommended following a previous audit (February 2010).</p> <p>Facilities Management should consult the Essex Procurement Hub for advice regarding tender specifications and to ensure the best potential suppliers are selected on the basis of the quality of work and best price. (CSO C3(3))</p>					
<b>Facilities Management</b>	<p>All Marketplace orders should include comprehensive details of goods and services. Employment details such as the nature and period of work should be provided.</p> <p>The employment of an additional member of staff could be considered more cost effective than using a contractor.</p>	Facilities Manager	1.12.14	<p>Of these orders 2 were for emergency works following the water leak in the then Planning Directorate, and there was a requirement to use of electrician at short notice and with a knowledge of the building and the 3rd was for an electrician, at the end of the financial year, with a good knowledge of the building who could work alone, to complete the replacement of lighting, LED, in the Conder Building. A request for an additional electrician will be made in due course. This will ultimately result in revenue savings as well as addressing the issues identified above.</p>		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
<b>Facilities Management</b>	<p>Procurement services will be utilised to provide a Marketplace reports of the value of orders raised (by supplier) to the Facilities Manager on a monthly basis.</p> <p>Facilities Management should also consider the use of reports of actual expenditure by supplier from Accountancy.</p>	Facilities Manager	1.12.14	Agreed. Results from the reports generated from the commitment accounting, marketplace and accountancy systems will be collated and monitored regularly to prevent any future departure from CSO.		
<b>Facilities Management</b>	<p>Written quotations should be obtained in accordance with Financial Regulations and Contract Standing Orders.</p> <p>The Marketplace order descriptions should provide more information than 'as per quotation'.</p>	Facilities Manager	1.12.14	The required number of quotes will be obtained and full details entered onto Marketplace.		
<b>Corporate Procurement</b>	<p>A realistic estimate of expenditure (consider previous years expenditure) and the length of employment should be considered at the start of the procurement process and one purchase order should be raised to cover the whole process if possible.</p> <p>Officers should agree</p>	All Directors	31.3.15	As discussed at the 28 <sup>th</sup> January CGG, work is underway to address these findings.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	<p>rates with agencies where possible, in order that agency rates and exit fees are reasonable.</p> <p>Expenditure should be monitored in compliance with CSOs.</p>					
<b>Corporate Procurement</b>	<p>Documentary evidence should be retained to demonstrate Officers have taken appropriate steps to obtain competitive prices for goods, works and services.</p> <p>If suppliers are used regularly (due to best price, quality, or specialist service), a contract or service agreement should be considered as an alternative to obtaining quotes/waivering standing orders on an annual basis. It also demonstrates value for money if charges are negotiated. Such arrangements must adhere to Contract Standing Orders and the procurement strategy.</p>	All Directors	31.3.15	As above.		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
<b>Corporate Procurement</b>	<p>The aggregate sum of expenditure to each supplier over four years should be monitored regularly, to ensure the correct quotation method is followed. Where Officers have exceeded the value thresholds within CSO's, they must report to the Portfolio Holder and seek a retrospective waiver of the standing order (CSOs C2(9,10).</p> <p>The procurement section will provide monthly Marketplace reports to Directors, to enable monitoring of supplier expenditure for each Directorate.</p>	All Directors	31.3.15	<p>The Procurement Manager is working with audit to produce reports to provide Managers with total expenditure to each supplier. Accountancy are testing a new report which will be run at the end of the financial year to provide a full years data for management.</p>		
<b>Housing Repairs Service</b>	<p>The issues surrounding the interface should be resolved as soon as possible</p>	Housing Repairs Manager	31.3.15	<p>The work on the interface is working fine on the test system. The interface go-live dates are:</p> <p>The People (property status, warning codes, RTB, Sold and AAL) coming across nightly from the 23/2/15</p> <p>The new SORs to go live, 9/3/15, which will include all the completion information.</p> <p>The reason for the gap is to</p>		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
				arrange some training on how to use the codes for the staff and operatives of the HRS.		
<b>Creditors</b>	The system of adding the suffix 'RD' to redrawn payments should be reviewed to ensure that duplicate payments cannot be inadvertently made.	Assistant Director (Accountancy)	30/06/15	The use of RD will be reviewed to see whether a different approach is possible.		
<b>Housing Rents</b>	<p>Arrears recovery processes should be reviewed to ensure former tenant arrears are pursued in a timely manner.</p> <p>Irrecoverable arrears (e.g. where the former tenant cannot be traced) should be written off, with the option of writing back the debt should the tenant be traced.</p> <p>Former tenant arrears</p>	Area Housing Manager (South)	1.9.2015			

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	<p>under £500 (currently on hold) should be reviewed as a priority to address the risk of increasing arrears.</p> <p>The monthly report of debts with Legal should be reviewed to ensure arrears are monitored regularly by Housing Management and Legal.</p>					
<b>Sundry Debts</b>	<p>Chief Officers should be reminded they are responsible for taking ownership and collecting debts they have originated, as per Financial Regulations.</p> <p>Resources should be allocated to enable the effective implementation of the debt recovery process covering all income streams. Training needs should also be considered.</p> <p>The Corporate Debt Working Group's review is ongoing, and further recommendations will be submitted to Management Board in February 2015. Agreed recommendations should</p>	All Directors	1.9.15			

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	be communicated to officers responsible for debt recovery to ensure the process is implemented effectively.					
<b>Sundry Debts</b>	Resources should be provided to ensure appropriate action is taken to maximise recovery of outstanding debts in Governance, Neighbourhoods and Communities Directorates.	All Directors	1.9.15			



**INTERNAL AUDIT  
FOLLOW UP OF LIMITED ASSURANCE AUDITS AS AT 17 April 2015**

**Appendix 3**

Report Title	Directorate	Date Issued	Agreed Actions by priority	Agreed Actions Outstanding	Time of Follow Up	Outstanding Issues / Comments	
<b>Page 25</b>	<b>Facilities Management</b>	Resources Directorate	14.10.14	P1. 4 P2. 2 P3. 0	P1. 4 P2. 2 P3. 0	Q4 2014/15	<p>Value for money should be demonstrated to evidence economic and effective use of public money.</p> <p>The procurement of works, goods and services should be in accordance with the thresholds within Contract Standing Orders. The Authority's Procurement section should be consulted at the start of each contract to ensure compliance with Council policy.</p> <p>Overall expenditure by each supplier will be monitored in future. Management implemented a system 1<sup>st</sup> April 2014 to enable the section to monitor committed expenditure. The Procurement section will also provide quarterly reports of expenditure by supplier on request.</p>
	<b>Corporate Procurement</b>	Resources Directorate	18.11.14	P1. 3 P2. 3 P3. 0	P1. 3 P2. 3 P3. 0	Q3 2014/15	<p>Good practice areas were identified, however there are various policies and procedures in place which should be considered to ensure the correct procurement method is undertaken. Officers are generally aware of and understand CSO's and procurement guidance, however adequate expenditure monitoring processes are not in place. The implementation of the recommendations arising from this audit will ensure expenditure complies with Council policy and demonstrates the Council obtains value for money from it's purchasing arrangements.</p>
	<b>Sundry Debts</b>	Resources Directorate	17.4.15	P1.2 P2.2 P3.0	P1.2 P2.2 P3.0	Q4 2015/16	<p>This audit has raised concerns surrounding the implementation of recommendations of the Corporate Debt Working Group. The audit did</p>

						<p>not evidence monitoring of debts under £500 in response to the recommendation agreed by Management Board. A strategy for managing these debts is under review by the Group, as they will no longer be referred to Legal Services. However, Chief Officers should be reminded they are responsible for debts that they have originated, consideration should be given to identify how debts will be monitored for all income streams and who will be allocated the responsibility of pursuing debts. The implementation of the audit recommendations, and the additional recommendations made by the Group will ensure adequate resources are identified and improved recovery action processes are implemented.</p>
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## AUDIT PLAN 2014/15

Key		Risk Identifier		
AC		Audit Commission		
FFS		Fundamental Finance System		
R no.		Risk No. in Corporate Register		
R		Reputation of Council		
Audit area	Audit type	Days allocated	Completed	Risk Identifier
<b>Resources</b>				
<b>Accountancy</b>				
Bank Reconciliation	system/follow up	15	Completed	FFS
Sundry Debtors	system/follow up	15	Completed	FFS
Creditors	system/follow up	15	Completed	FFS
Treasury Management	system/follow up	10	Completed	FFS/R4
Budgetary Control (capital and revenue)	system/follow up	10	Completed	FFS
Insurance (Fraud)	Fraud	5	Completed	FFS
Main Accounting and Financial Ledger	system/follow up	15	Completed	FFS
Risk Management	system/follow up	5	Completed	FFS
Provision for 'top up' testing	systems	30	Completed	FFS
<b>Benefits</b>				
Housing Benefits	system/follow up	15	In Progress	FFS
Council Tax Reduction	system/follow up	15	In Progress	FFS
<b>Revenues</b>				
Council Tax	system/follow up	20	Completed	FFS/R4/AC
Business Rates	system/follow up	20	Completed	FFS/R4
Cash receipting and Income control	system/follow up	15	Completed	FFS
<b>Human Resources</b>				
Payroll	System/follow up	20	Completed	FFS
Recruitment and Selection	verification	10	Carried Fwd	R
Management of Sickness absence	verification	10	Completed	R
Overtime and Committee Allowances	verification	10	Completed	R
Travelling & Subsistence Claims	verification	10	Completed	R

Car Mileage claims	verification	10	Completed	R
Reprographics	System	10	Completed	
<b>ICT and Facilities Management</b>				
ICT Procurement	ICT	10	Carried Fwd	AC/R6
Access controls	ICT	10	Completed	R6
Facilities Management Contracts	system	10	Completed	AC
<b>TOTAL</b>		<b>315</b>		
<b>Governance</b>				
<b>Governance and Performance Mgmt.</b>				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
Equality Analysis	verification	10	Carried Fwd	R
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
<b>Legal</b>				
Debt recovery	Follow up	10	Carried Fwd	R4
<b>Development Management</b>				
Planning Fees	System	20	Completed	R4
<b>TOTAL</b>		<b>75</b>		
<b>Neighbourhoods</b>				
<b>Neighbourhood Services</b>				
North Weald airfield	establishment	15	Completed	R4
<b>Technical Services</b>				
Waste Management and Recycling	system	20	Carried Fwd	R
Car Parking Contract	system	10	Completed	R4
Fleet Operations income	system	5	Completed	R4
<b>Forward Planning &amp; Economic Devel.</b>				
Commercial Property portfolio	Follow up	10	Completed	R2
<b>TOTAL</b>		<b>60</b>		
<b>Communities</b>				
<b>Housing Property</b>				

Housing Repairs Service	system	20	Completed	R
Council Housebuilding Programme	system	15	Carried Fwd	AC
Housing Contracts	follow up	5	Carried Fwd	AC
<b>Housing Operations</b>				
Housing Rent Collection and Arrears	system/follow up	20	Completed	FFS/R4
Norway House/Rental Assistance Loans	Estab/system	10	Completed	R4
<b>Private Sector Housing &amp; Comm. Support</b>				
Right to Buy	system	10	Completed	AC
Private Sector Housing - Grants	system	15	Completed	AC
<b>TOTAL</b>		<b>95</b>		
<b>FRAUD PREVENTION &amp; DETECTION</b>				
Contracts	fraud	15	Carried Fwd	AC
Procurement	fraud	15	Completed	AC
Council Tax Discounts	fraud	15	Carried Fwd	AC
National Fraud Initiative (NFI)	fraud	20	Completed	AC
Data matching and analysis (IDEA software)	fraud	25	Completed	AC
<b>TOTAL</b>		<b>90</b>		
<b>CORPORATE</b>				
Corporate Procurement	system/follow up	15	Completed	AC
Corporate Asset Register	system	5	Completed	FFS
Priority 1 Audit recommendations	follow up	10	Completed	R
Governance Statement	management review	5	Completed	R
<b>TOTAL</b>		<b>35</b>		
<b>TOTAL DAYS ALLOCATED</b>				
		<b>670</b>		
Contingency/Minor investigations		<b>40</b>	Completed	
Corporate/Service Advice		<b>65</b>	Completed	
<b>TOTAL</b>		<b>775</b>		

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-002-2014/15**  
**Date of meeting: 29 June 2015**

**Portfolio: Governance and Development Management**

**Subject: Review of the Effectiveness of the System of Internal Audit**

**Responsible Officer: Brian Bassington (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) The Committee is requested to note the following report for 2014/15 and the assurance level given:
- (a) The 2014/15 Audit Plan status report as at 31 March 2015 (Appendix 2);
  - (b) To note the review of the effectiveness of the system of internal audit, undertaken by the Corporate Governance Group for 2014/15, in the context of the Council's Governance Statement; and
  - (c) To scrutinise the review and consider the effectiveness of the system of internal audit in 2014/15.

### **Executive Summary:**

This report is presented in support of the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment, provides a summary of the work undertaken by the Internal Audit Unit between April 2014 and March 2015 and details the overall performance against the Audit Plan for 2014/15.

The Accounts and Audit Regulations include a requirement for the Authority to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance.

This report summarises the review undertaken for 2014/15 by the Corporate Governance Group, to assist the Committee in assessing the effectiveness of the system of internal audit on behalf of the Authority.

### **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

To provide the Committee with the opportunity to scrutinise the review of effectiveness.

### **Other Options for Action:**

No other options.

## **Report:**

### Introduction

1. The Internal Audit Annual Report for 2014/15 is based on the Public Sector Internal Audit Standards (PSIAS) which came into force as from 1 April 2013. The work referred to in this report was carried out as part of the agreed Audit Plan for the period from 1 April 2014 to 31 March 2015.

2. The purpose of the report is to support the Internal Audit opinion on the adequacy of Epping Forest District Council's (EFDC) internal control environment as a contribution to the proper, economic, efficient, and effective use of resources. This report provides part of the evidence that underpins the Corporate Governance Statement published in the Council's Statutory Statement of Accounts, in line with the requirements of the Accounts and Audit Regulations 2011.

### Opinion

3. The work of Internal Audit continues to improve awareness of governance requirements and to promote improvement in systems. Although overall full assurance cannot be given as risks cannot be totally minimised, the opinion given in this report provides a reasonable level of assurance that there are no significant weaknesses in the Council's control environment, as the audits carried out during 2014/15 concluded that systems were generally operating satisfactorily and appropriate follow up action has been taken where required to reduce risk of error or fraud.

4. No material errors were identified from Internal Audit work carried out on the Council's major financial systems during 2014/15. Reviews of the Council's overall systems of internal control identified some weaknesses in internal controls which were referred to in reports to the Audit and Governance Committee, and in the Council's Governance Statement.

### External Audit

5. The Authority's External Auditor has a statutory responsibility to express an independent opinion on EFDC's accounts, performance management and the financial aspects of corporate governance. The External Auditors (BDO) were appointed by the Audit Commission, who have to be confident in the processes and procedures at EFDC to produce the accounts by the statutory deadline each year, as well as being able to place reliance on the work of Internal Audit. Internal and External Audit work closely together to avoid duplication of audit effort and to ensure that the Council receives comprehensive audit coverage.

### The Role of Internal Audit

6. Internal Audit is provided in the context of the Council's statutory responsibility to make arrangements for the proper administration of its financial affairs. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

7. The main elements of the work are to:

- (a) audit and report on the core financial controls throughout the Authority;
- (b) provide advice during the development of new systems;
- (c) provide advice on financial, contractual and IT controls, including Financial



Regulations and Contract Standing Orders;

- (d)) review computer and network security;
- (e)) investigate suspected fraud, corruption, bribery and other irregularities;
- (f)) monitor the Anti-fraud strategy and participate in the National Fraud Initiative;
- (g)) keep Management Board and the Corporate Governance Group informed of key issues;
- (h)) liaise with the Audit Commission and their appointed External Auditors; and
- (i)) report to the Audit and Governance Committee on key issues arising from audits and on the performance of the Audit team.

#### Performance against the Audit Plan

8. Whilst the majority of planned audits, including all of the key audits of financial systems, were completed by 31 March 2015 nine audits have been carried forward into the 2015/16 plan due to changing circumstances within the Council such as the new waste management contract and a comprehensive review of debt management within the Council.

9. During the year, 35 reports were issued to Management with the following assurance levels:

<b>Assurance Level</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
Full Assurance	4	4	1
Substantial Assurance	26	30	29
Limited Assurance	5	2	2
No Assurance	0	0	0

10. The recommendations made within the audit reports are given a priority rating of 1 to 3, with priority 1 being the highest. The priority 1 recommendations are monitored by the Corporate Governance Group to ensure that action is taken and these actions are reported quarterly to the Audit and Governance Committee. The recommendations are included in detail as appendices to the four quarterly reports to the Audit and Governance Committee.

<b>Priority Level</b>	<b>Number Issued 2014/15</b>	<b>Number Issued 2013/14</b>	<b>Number Issued 2012/13</b>
Priority 1 - High	18	12	6
Priority 2 - Medium	44	41	31
Priority 3 - Low	24	12	12

#### Additional Support Provided

11. To assist non-financially trained managers' understanding of finance and governance issues, advice is regularly given by the Audit team and a training course is provided by an external supplier supported by the Director of Resources and the Chief Internal Auditor.

12. The level of assurance on the Council's systems of internal control that can be given by

the Chief Internal Auditor takes into account:

- All audit work completed during 2014/15;
- Follow up actions from previous years audits;
- Management's response to findings and recommendations;
- The resources available to deliver the audit plan;
- The certification of Service Directors in their assurance statements;
- Internal Audit performance in 2014/15;
- The reliance placed on the work of Internal Audit by the External Auditor; and
- Relevant information in Audit Commission and National Fraud Authority reports, such as Protecting the Public Purse and Fighting Fraud Locally.

13. Taking all of the available information into account, in particular the audit work completed, it is considered by the Chief Internal Auditor that the Council has in place a satisfactory framework of internal control, which provides reasonable assurance regarding the efficient and effective achievement of its objectives in 2014/15.

### Performance Management

14. The Internal Audit Team has local performance indicator targets to meet in 2014/15, as set out below:

	<i>Actual 2011/12</i>	<i>Actual 2012/13</i>	<i>Actual 2013/14</i>	<i>Target 2014/15</i>	<i>Actual 2014/15</i>
<i>% Planned audits completed</i>	82%	85%	88%	90%	94%
<i>% chargeable "fee" staff time</i>	71%	69%	74%	72%	73%
<i>Average cost per audit day</i>	£213	£243	£225	£245	£218
<i>% User satisfaction</i>	89%	See note below	See note below	85%	98%

15. The indicators are calculated as follows:

(a) % Planned audits completed - a cumulative calculation is made based on the approved plan as amended for additional work (e.g. investigations) during the year.

(b) % Chargeable fee time - a calculation is made based on reports produced from Internal Audit's time recording system.

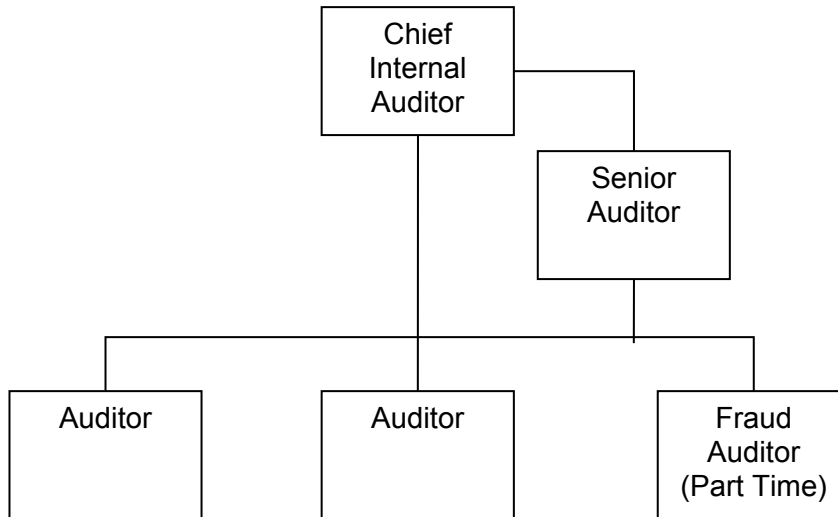
(c) Average cost per audit day - the calculation is based on the costs in the cost centre monitoring report divided by the number of fee earning days extracted from the time recording system.

(d) User satisfaction has been based on a customer survey form which was replaced by an electronic form for use from April 2013. The rate of return did not improve with the new simplified form so Management were reminded of the importance of performance indicators and the need to complete and return the survey forms in a timely manner.

16. These indicators are monitored by the Corporate Governance Group and the Audit and Governance Committee.

## The Audit Team

17. The Team currently has an establishment of 4.4 full time equivalent (fte) Internal Auditors.
18. The establishment throughout 2014/15 is set out below:



## Review of the Effectiveness of Internal Audit

19. Regulation 6 of the Accounts and Audit Regulations 2011 requires the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. In EFDC the system of internal audit consists of the work of the Internal Audit Team, although supervisory processes in all Directorates provide a control and risk management function that could be defined as contributing to the system of audit. For this purpose, however, the work of the Internal Audit Team is seen as the focus of the review of effectiveness.

20. The Council is required to carry out an annual review of the effectiveness of its system of internal audit, as part of a wider review of the effectiveness of the system of governance. It is the responsibility of the Authority to undertake the review, and not the External Auditor. The Audit and Governance Committee is the most appropriate body to oversee the review of the system of Internal Audit, as it is independent of the management of the Authority.

21. The review should demonstrate that the Internal Audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the Public Sector Internal Audit Standards (PSIAS);
- (c) effective, efficient and continuously improving; and
- (d) adding value and assisting the Authority in meeting its objectives.

22. The objective of these measures is to ensure that the performance and effectiveness of the Internal Audit service improves over time, in terms of both the achievement of targets

and the quality of service provided to the user.

23. Along with compliance with the Standards, the review is to agree the effectiveness of the service. The outcome of the review is independent confirmation that the opinion in the annual report of the Chief Internal Auditor may be relied upon as a key source of evidence in the Governance Statement.

24. The Council's External Auditors, BDO LLP conduct a thorough review of the quality of Internal Audit's work on financial systems for 2013/14, in assessing the extent of reliance that can be placed on the work, in the context of their audit of the Council's Statutory Accounts.

25. The Annual Audit Letter 2013/14, issued by BDO in October 2014 stated that:

- an unqualified true and fair opinion on the financial statements was issued on 30 September 2014;
- the Council had implemented proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complied with Delivering Good Governance in Local Government (CIPFA / SOLACE).

26. The Council's Corporate Governance Group has undertaken the review of the Council's Internal Audit Service in 2014/15 utilising the following main sources of evidence:

- The annual report and opinion of the Chief Internal Auditor;
- A review of the Internal Audit Service against Public Sector Internal Audit Standards;
- A review of Internal Audit monitoring reports for 2014/15;
- Any comments from the Chief Executive following consideration of individual audit report summaries;
- The role of the Corporate Governance Group monitoring the work of Internal Audit and any significant internal control issues raised in their reports;
- Consideration of significant corporate control issues highlighted in audit reports, discussed within the Management Board;
- Performance by Internal Audit against local performance indicators;
- The Internal Audit section of the Governance Directorate Business Plan and work plans for 2014/15; and
- Assessment by the Audit Commission appointed auditors.

### Summary of Findings

27. The Internal Audit Section can demonstrate that it has a good understanding of the functions of the Council and has achieved the Council's objective to identify improvements to its control systems. The performance of the Unit has remained close to its key targets and while the actual audits achieved (94%) exceeded the target (90%) for completion of the audit plan. The Council's External Auditors found no inconsistencies in the work of Internal Audit when conducting their formal review of the Team's work as part of their review of the 2013/14 accounts.

28. The Internal Audit Section now fully meets the Public Sector Internal Audit Standards introduced in April 2013 in that the quality assurance and improvement programme and Internal Audit Charter required by the standards were adopted by the Audit and Governance Committee at the meeting held on 25 September 2014. The standards require an internal annual review of compliance with the standards and external assessments must be conducted at least once every five years. The external assessments are part of discussions within the Essex Audit Group as to

the way forward in providing assistance between Essex authorities.

29. The work of the Audit and Governance Committee, with independent membership, makes an important contribution to the independent review of internal and external audit processes, as part of the Council's arrangements for securing further improvements in its systems of governance, including internal control. The Annual Report of the Audit and Governance Committee for 2014/15 demonstrated the range of issues addressed during the year.

30. In the opinion of the officers attending the Audit and Governance Committee, the continued support given by Members, in particular by insisting on timely and positive responses to audit recommendations, is invaluable in reinforcing the message of sound governance.

31. Having considered these issues, the Corporate Governance Group is satisfied that the Authority's system of Internal Audit was effective during 2014/15.

**Resource Implications:**

Within the report.

**Legal and Governance Implications:**

Within the report.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group.

**Background Papers:**

Audit files and working papers.

**Risk Management:**

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this report assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

# Due Regard Record

This page shows which groups of people are affected by the subject of this report. It sets out how they are affected and how any unlawful discrimination they experience can be eliminated. It also includes information about how access to the service(s) subject to this report can be improved for the different groups of people; and how they can be assisted to understand each other better as a result of the subject of this report. S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
1/5/15 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.

### Priority Ratings

Each audit finding will generate an audit recommendation. These recommendations will be prioritised in accordance with the following criteria:

**Priority 1** – Observations refer to issues that are fundamental to the system of internal control. We believe that these issues have caused or will cause a system objective not to be met and therefore require management action as a matter of urgency to avoid risk of major error, loss, fraud or damage to reputation. Failure to apply a Financial Regulation or Contract standing Order will normally be in this category.

**Priority 2** – Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. System objectives are unlikely to be breached as a consequence of these issues, although Internal audit suggested improvement to system design and / or more effective operation of controls would minimise the risk of system failure in this area.

**Priority 3** – Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

### Assurance levels:

The level of assurance to be applied will be based on the auditor's assessment of the extent to which system objectives are met, with the agreement of the Chief Internal Auditor. As a guide, the following triggers will be used, taking into account the level of risk of error, loss, fraud or damage to reputation.

### Overall assignment rating

### Level of assurance and definition Trigger (number of individual audit recommendations)

#### 1 Full Assurance –

There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied.

**Priority 3's or no audit recommendations.**

#### 2 Substantial Assurance –

There is a sound system of control designed to achieve system objectives, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance, which are placing some system objectives at risk.

**Priority 2's and 1 Priority 1 (if assessed as a low risk).**

#### 3 Limited Assurance –

There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in the application of control in a number of areas, and / or evidence of significant non-compliance, which are placing some system objectives at risk.

**Between 1 and four 1's and (usually) several Priority 2's.**

**4 No Assurance –**

The system of control is weak, and / or there is evidence of significant non-compliance, which exposes the system to the risk of significant error or unauthorised activity.

**Five or more Priority 1's.**

**Approved by the Audit and Governance Committee 15<sup>th</sup> November 2010**



## AUDIT PLAN 2014/15

Key		Risk Identifier		
AC		Audit Commission		
FFS		Fundamental Finance System		
R no.		Risk No. in Corporate Register		
R		Reputation of Council		
Audit area	Audit type	Days allocated	Completed	Risk Identifier
<b>Resources</b>				
<b>Accountancy</b>				
Bank Reconciliation	system/follow up	15	Completed	FFS
Sundry Debtors	system/follow up	15	Completed	FFS
Creditors	system/follow up	15	Completed	FFS
Treasury Management	system/follow up	10	Completed	FFS/R4
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Main Accounting and Financial Ledger	system/follow up	15	Completed	FFS
Risk Management	system/follow up	5	Completed	FFS
Provision for 'top up' testing	systems	30	Completed	FFS
<b>Benefits</b>				
Housing Benefits	system/follow up	15	Completed	FFS
Council Tax Reduction	system/follow up	15	Completed	FFS
<b>Revenues</b>				
Council Tax	system/follow up	20	Completed	FFS/R4/AC
Business Rates	system/follow up	20	Completed	FFS/R4
Cash receipting and Income control	system/follow up	15	Completed	FFS
<b>Human Resources</b>				
Payroll	System/follow up	20	Completed	FFS
Recruitment and Selection	verification	10	Carried Fwd	R
Management of Sickness absence	verification	10	Completed	R
Overtime and Committee Allowances	verification	10	Completed	R
Travelling & Subsistence Claims	verification	10	Completed	R
Car Mileage claims	verification	10	Completed	R
Reprographics	System	10	Completed	
<b>ICT and Facilities Management</b>				
ICT Procurement	ICT	10	Carried Fwd	AC/R6
Access controls	ICT	10	Completed	R6
Facilities Management Contracts	system	10	Completed	AC
<b>TOTAL</b>		<b>315</b>		
<b>Governance</b>				
<b>Governance and Performance Mgmt.</b>				
Key and Local Performance Indicators	verification	15	Completed	R

Business Plans	verification	10	Completed	R
Equality Analysis	verification	10	Carried Fwd	R
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
<b>Legal</b>				
Debt recovery	Follow up	10	Carried Fwd	R4
<b>Development Management</b>				
Planning Fees	System	20	Completed	R4
<b>TOTAL</b>		<b>75</b>		
<b>Neighbourhoods</b>				
<b>Neighbourhood Services</b>				
North Weald airfield	establishment	15	Completed	R4
<b>Technical Services</b>				
Waste Management and Recycling	system	20	Carried Fwd	R
Car Parking Contract	system	10	Completed	R4
Fleet Operations income	system	5	Completed	R4
<b>Forward Planning &amp; Economic Devel.</b>				
Commercial Property portfolio	Follow up	10	Completed	R2
<b>TOTAL</b>		<b>60</b>		
<b>Communities</b>				
<b>Housing Property</b>				
Housing Repairs Service	system	20	Completed	R
Council Housebuilding Programme	system	15	Carried Fwd	AC
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<b>Private Sector Housing &amp; Comm. Support</b>				
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<b>TOTAL</b>		<b>95</b>		
<b>FRAUD PREVENTION &amp; DETECTION</b>				
Contracts	fraud	15	Carried Fwd	AC
Procurement	fraud	15	Completed	AC
Council Tax Discounts	fraud	15	Carried Fwd	AC
National Fraud Initiative (NFI)	fraud	20	Completed	AC
Data matching and analysis (IDEA software)	fraud	25	Completed	AC
<b>TOTAL</b>		<b>90</b>		
<b>CORPORATE</b>				

Corporate Procurement	system/follow up	15	Completed	AC
Corporate Asset Register	system	5	Completed	FFS
Priority 1 Audit recommendations	follow up	10	Completed	R
Governance Statement	management review	5	Completed	R
<b>TOTAL</b>		<b>35</b>		
<b>TOTAL DAYS ALLOCATED</b>		<b>670</b>		
Contingency/Minor investigations		<b>40</b>	Completed	
Corporate/Service Advice		<b>65</b>	Completed	
<b>TOTAL</b>		<b>775</b>		

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## ***Report to the Audit and Governance Committee***



**Report reference:** **AGC-003-2015/16**  
**Date of meeting:** **29 June 2015**

**Epping Forest  
District Council**

**Portfolio:** Governance and Development Management

**Subject:** Audit and Governance Committee Annual Report for 2014/15.

**Responsible Officer:** Brian Bassington (01992 564446).

**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

- (1) That the attached draft Annual Report for the Audit and Governance Committee for 2014/15 be considered; and
- (2) That the Chairman and Vice-Chairman be authorised to agree the final draft in the event of any changes proposed at the meeting.

### **Executive Summary:**

The Committee is invited to comment on the draft. Officers will then make the necessary amendments to the report. It is suggested that any substantive changes are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

### **Reasons for Proposed Decision:**

This report is produced in accordance with the Terms of Reference for the Committee, which require an annual report to be submitted to Council each year.

### **Other Options for Action:**

None.

### **Report:**

1. This report is produced in accordance with the Terms of Reference for the Committee, which require an annual report to be submitted to Council each year.
2. The Committee is invited to comment on the draft. Officers will then make the necessary amendments to the report. It is suggested that any substantive changes are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

### **Resource Implications:**

These have been included in the individual reports to the Committee throughout the year.

**Legal and Governance Implications:**

These have been included in the individual reports to the Committee throughout the year.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group, Anthony Jarvis.

**Background Papers:**

Minutes of Audit and Governance Committee.

**Risk Management:**

If the adequacy of the arrangements for Risk Management were not considered and reported regularly a significant weakness in the overall governance arrangements could occur and remain undetected.

# Due Regard Record

This page shows which groups of people are affected by the subject of this report. It sets out how they are affected and how any unlawful discrimination they experience can be eliminated. It also includes information about how access to the service(s) subject to this report can be improved for the different groups of people; and how they can be assisted to understand each other better as a result of the subject of this report. S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
1/5/15 Chief Internal Auditor	The report is a summary of the work reviewed in the year by the Audit and Governance Committee and has no equality implications.

**EPPING FOREST DISTRICT COUNCIL**

**ANNUAL REPORT**

**OF THE**

**AUDIT AND GOVERNANCE COMMITTEE**

**2014/15**



## **1. INTRODUCTION**

- 1.1 This Annual Report of Epping Forest District Council's Audit and Governance Committee covers the municipal year 2014/15.
- 1.2 Membership of the Committee comprises three District Councillors and two co-opted independent members.
- 1.3 At the beginning of 2014/15 Committee membership comprised Councillors Antony Watts (Chairman), Sharon Weston and Paul Keska; and co-opted members Robert Thompson (Vice Chairman) and Anthony Jarvis.
- 1.4 When his term of office expired Mr Thompson submitted his resignation and the recruitment process for his replacement commenced. At the end of the year the recruitment had not been completed.
- 1.5 At the 25<sup>th</sup> September 2014 meeting the Director of Resources thanked Mr Thompson for his efforts over the past five years and acknowledged the benefit to the Committee that his contributions had made. The Chairman added his own thanks and emphasised the contributions that Mr Thompson had made to the debates on Risk Management.

## **2. TERMS OF REFERENCE**

- 2.1 In summary, the purpose of the Committee is to provide assurance that:
  - 2.1.1 governance arrangements are adequate and operating effectively in practice; and
  - 2.1.2 where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.
- 2.2 Full details of the Committee's roles and functions are set out in the terms of reference in Appendix 1.

## **3. MEETINGS**

- 3.1 The Committee met five times during the year, as scheduled.
- 3.2 The Committee was supported by the Director of Governance and the Chief Internal Auditor, who attended the Committee meetings.
- 3.3 The Council's external auditors (BDO) 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.
- 3.4 A Corporate Governance Group (CGG), consisting of senior Council officers, chaired by the Chief Executive, meets regularly to consider governance issues across all of the Council's operations. This includes monitoring progress in implementation of high priority audit recommendations. The Committee reviews the CGG minutes, to ensure effective overview of governance arrangements and to maintain awareness of topics discussed and any actions required.

- 3.5 When it considers 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.

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

##### **4.1 Effectiveness of governance and risk management arrangements**

- 4.1.1 Each year the Committee reviews the effectiveness of the Council's arrangements for risk management. At its March 2015 the Director of Governance presented a report on this topic and, after receiving satisfactory answers to a number of questions **the Committee agreed that the arrangements for Risk Management within the Council be considered effective.**
- 4.1.2 **The Committee approve the Annual Governance Statement ("AGS")** which is included in the Council's Annual report and Statement of Accounts. At its June 2014 meeting the Committee reviewed the AGS for the year 2013/14 and approved the statement.
- 4.1.3 At the November meeting the Committee was asked by the Council to comment on the review of the Council's current structure of Scrutiny Panels, which included details of possible options for the future structure, being undertaken by a Task & Finish Panel during 2014/15. This report had been provided for the Audit & Governance Committee to comment on the proposals which had a potential impact upon it. **The Committee discussed the report and requested that a further report on the future structure of the Council's Scrutiny Panels be submitted** to the next meeting scheduled for February 2015.  
The Committee received the further report and agreed that **the Committee support the recommendations of the Task and Finish Panel for the establishment of a new overview and scrutiny framework** based on a structure of four 'select committees' and that any action with regard to the combination of the Audit and Governance Committee and the Standards Committee be deferred but, if necessary, a further Task and Finish Panel be established in future to consider such combination in light of new legislative audit requirements.
- 4.2 **Effectiveness of Internal Audit**
- 4.2.1 At its April 2014 meeting the Committee approved the draft Internal Audit Plan for 2014/15. At the June 2014 meeting, having considered a report on the Corporate Governance Group's review of the matter, **the Committee confirmed its satisfaction with the effectiveness of the system for internal audit.**
- 4.2.2 **The Committee receives quarterly reports from the Chief Internal Auditor** on reviews undertaken by the internal audit team. These detail any internal control weaknesses identified and recommendations to correct them. Where a weakness is significant the recommendation may be assigned high priority (Priority 1). The timely implementation of Priority 1 recommendations is overseen by the Corporate Governance Group and monitored by the Committee.

4.2.3 The Committee received internal audit reports at its meetings in June 2014, September 2014, November 2014 and February 2015. **The Committee noted that the number of internal audit reviews giving cause for material concern continued to be encouragingly low through the year.**

#### 4.3 **Statement of Accounts**

4.3.1 At its September 2014 meeting, as required by its terms of reference, **the Committee reviewed the Council's draft Statement of Accounts for 2013/14.** The draft accounts were accompanied by the Director of Resource's detailed report explaining relevant matters. Having considered the draft accounts and accompanying report **the Committee recommended the draft Statutory Statement of Accounts 2013/14 for adoption by the Council.**

#### 4.4 **Treasury Management**

4.4.1 In accordance with its terms of reference, **the Committee reviewed the Council's Treasury Management Strategy and considered progress reports on the treasury management function** and performance against prudential indicators. The Committee received the annual outturn report for 2013/14 at its September 2014 meeting and a mid-year report for 2014/15 at the meeting in November 2014. A report on the Council's Treasury Management Strategy Statement and its investment strategy for 2015/16 to 2017/18 was presented to the February 2015 committee meeting. It was minuted that **the Committee's endorsement of the Treasury Management Strategy Statement and Investment Strategy be reported to the Council.**

#### 4.5 **Relationship with External Auditors**

4.5.1 During the year the Committee received a number of reports from the external auditors (BDO) who attended the June, September, November and March meetings:

Annual Governance Report 2013/14

Annual Audit Letter 2013/14

Audit Plan 2014/15

Planning Letter 2015/16

Grant Claims & Returns of Certification 2013/14

In reviewing these with BDO **the Committee considered the audit risks noted by the external auditors** that could impact on the preparation of the Council's annual Statement of Accounts. There were four recommendations for future action, all of which had been accepted by Officers. For the second recommendation in the 2013/14 Action Plan, the External Auditor stated that they would expect refresher training to be undertaken by Staff to cover those areas where differences had been found in the treatment of rent liability, eligible rent and tax credits. The Director of Governance undertook to report back to the committee whether the training had been undertaken.

4.5.2 **The Committee believed that the relationship between BDO and the Council was effective.**

## **5. CONCLUSION**

- 5.1 The Committee believes that it has fully and properly met its terms of reference during the municipal year 2014/15.**
- 5.2 During the year the Committee considered a range of governance, risk and audit issues and offered guidance on improvements in internal control. The number of internal audits that identified areas for concern had remained low, which the Committee believes is evidence of sustained improvement in the Council's internal control environment.**
- 5.3 The Committee's work is to ensure that the control environment, governance and risk management arrangements remain robust.**

### **Background 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 web site.

## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:** **AGC-004-2015/16**

**Date of meeting:** **29 June 2015**

**Portfolio:** Governance and Development Management

**Subject:** Annual Governance Statement 2014/15

**Responsible Officer:** Brian Bassington (01992 564446).

**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

(1) The Committee is requested to consider, comment upon and approve the draft Governance Statement for 2014/15.

### **Executive Summary:**

The Council's Statutory Statement of Accounts have been prepared in accordance with the Accounts and Audit Regulations 2011. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

### **Reasons for Proposed Decision:**

To provide the Committee with the opportunity to scrutinise the draft Governance Statement.

### **Other Options for Action:**

No other options.

### **Report:**

1. In accordance with good practice the governance statement should include the following information:

- (a) an acknowledgement of responsibility for ensuring there is a sound system of governance;
- (b) an indication of the level of assurance that the systems and processes that comprise the authority's governance can provide;
- (c) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
- (d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
- (e) an outline of the actions taken, or proposed, to deal with significant

governance Issues.

2. The production of an AGS enables the Authority to use the review process positively and proactively to deliver assurance about governance arrangements within the Authority to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Authority's Local Code of Governance, and supports an intention and commitment to provide good governance.

3. The Annual Governance Statement is the product of an annual review by the Authority, of the effectiveness of the Council's governance arrangements. This includes an assessment of the effectiveness of its internal control arrangements. The AGS is published with the Statement of Accounts.

4. The AGS is derived partly from detailed reviews by all Service Directors of the effectiveness of the governance arrangements operating within their Directorate, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.

5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2014/15 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2014/15.

**Resource Implications:**

From existing resources.

**Legal and Governance Implications:**

No specific implications.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group and Service Directors.

**Background Papers:**

Public Sector Internal Audit Standards (PSIAS); CIPFA Internal Audit Code of Practice, CIPFA Code of practice on Managing the Risk of Fraud and Corruption, Audit reports and files.

**Risk Management:**

The preparation of the Annual Governance Statement is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems.

# Due Regard Record

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<b>Date / Name</b>	<b>Summary of equality analysis</b>
1/5/15 Chief Internal Auditor	The report is a review of the Governance arrangements within the Council and has no equality implications.



# EPPING FOREST DISTRICT COUNCIL

## Annual Governance Statement 2014-15

### 1. Scope of responsibility

Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at [www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk). This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011, in relation to the publication of a Statement on Internal Control.

### 2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

- (i) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- (iii) promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) developing the capacity and capability of Members and officers to be effective.
- (vi) engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council’s Governance Framework (which includes the system of internal control) for the year ending 31st March 2015 and up to the date of approval of this Statement and the Statement of Accounts.

<b>The Governance Framework</b>	
	The key elements of the Council’s governance arrangements for 2014/15 were:
1	A corporate plan covering 2011-2015, setting out the Council’s priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> <li>2.1 sets out the Council’s decision-making framework;</li> <li>2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer);</li> <li>2.3 includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and</li> <li>2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.</li> </ul>
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee.
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer and The Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
11	

12	A Medium Term Financial Strategy which informs service planning and budget setting,
13	A compliments and complaints procedure
14	A risk-based approach to internal audit, emphasising the need for sound control and good value
15	A robust whistle blowing policy and process, refreshed in 2014-15, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti money laundering policies.
	Contribution to the delivery of the Sustainable Community Strategy for the District through active participation on One Epping Forest, formerly the Local Strategic Partnership, and the alignment of the Key Themes of the Corporate Plan 2011/15 with the Community Strategy.

### 3. Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below.

Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;

Documentary evidence of processes, procedures and standards:

The development throughout 2014/15 of a framework to support counter fraud and corruption and processes and procedures to enable action to prevent, detect and investigate fraud, which will culminate in the creation of a Corporate Fraud Investigation Team as from 1<sup>st</sup> April 2015.

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, particularly in the key financial systems;

The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years;

Significant governance Issues from 2014/15.

In the Annual Governance Statement for 2013/14 we reported two significant governance issues relating to ICT Procurement and Car Parking Income. The ICT Procurement issue had been resolved by the time that statement was published while the Car Parking Income was partly resolved but further work was required.

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, we have identified areas for improvement which are set out in the table below, together with the steps to be taken to address them. The second issue below was also reported in the External Auditors (BDO) Annual Audit Letter 2013/14.

No.	Issue	Management response
1	<p><b>Car Parking Income</b>            In 2013/14 it was reported in the Annual Governance Statement that as part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. During 2014/15 this problem was resolved but following the contracting out of cash collection by NEPP a similar problem was identified in the information provided by the cash collection contractor.</p>	<p><b>Action to be taken</b>            This issue was addressed by management and by the internal audit sections of the Councils which are members of the NEPP following a meeting with the cash collection contractor. The introduction of new ticket machines will greatly improve the monitoring of the pay and display income received. The installation of these new machines is scheduled to start early in 2015/16</p>
2	<p><b>Housing rent reconciliations</b>            A Limited Assurance audit report was issued for Housing Rent Collection and Arrears, due to the Rental Income reconciliation and Council Stock reconciliation had not been completed for 2013/14.</p>	<p>Staff from both the Communities and Resources Directorates had worked together to resolve the issue; the Council Stock reconciliation had been completed by the time the final report was issued, and the Rental Income reconciliation had been completed by 7 August 2014. Rental Income reconciliations are now carried out on a monthly basis.</p>

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

Glen Chipp  
 Chief Executive

Signed .....

Councillor Chris Whitbread  
 Leader of the Council