



# **Epping Forest District Council**

## ***AUDIT AND GOVERNANCE COMMITTEE Monday, 30th November, 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, 30th November, 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: J Knapman (Chairman), L Hughes and S Weston.

Independent: A Jarvis (Vice-Chairman) and N Nanayakkara.

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

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#### **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. APOLOGIES FOR ABSENCE**

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

**3. DECLARATIONS OF INTEREST**

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

**4. MINUTES (Pages 5 - 12)**

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 21 September 2015 (as attached).

**5. MATTERS ARISING**

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

**6. AUDIT & GOVERNANCE WORK PROGRAMME 2015/16 (Pages 13 - 14)**

(Director of Governance) To consider the attached Work Programme for 2015/16.

**7. ANNUAL AUDIT LETTER 2014/15 (Pages 15 - 26)**

(External Auditor) To consider the attached report (AGC-010-2015/16).

**8. INTERNAL AUDIT MONITORING REPORT - SEPTEMBER TO NOVEMBER 2015 (Pages 27 - 36)**

(Chief Internal Auditor) To consider the attached report (AGC-011-2015/16).

**9. AUDIT AND STANDARDS COMMITTEE - PROPOSED TERMS OF REFERENCE (Pages 37 - 48)**

(Chief Internal Auditor) To consider the attached report (AGC-012-2015/16).

**10. INTERNAL AUDIT CHARTER 2015 (Pages 49 - 60)**

(Chief Internal Auditor) To consider the attached report (AGC-013-2015/16).

**11. TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS - MID-YEAR REPORT 2015/16 (Pages 61 - 78)**

(Director of Resources) To consider the attached report (AGC-014-2015/16).

**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):

<b>Agenda Item No</b>	<b>Subject</b>	<b>Paragraph Number</b>
Nil	Nil	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.

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## EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

**Committee:** Audit and Governance Committee    **Date:** 21 September 2015

**Place:** Council Chamber, Civic Offices, High Street, Epping    **Time:** 7.00 - 8.25 pm

**Members Present:** J Knapman (Chairman), A Jarvis (Vice-Chairman), N Nanayakkara and S Weston

**Other Councillors:** J Philip

**Apologies:** -

**Officers Present:** R Palmer (Director of Resources), S Marsh (Chief Internal Auditor), S Linsley (Senior Auditor), S Tautz (Webcasting Officer) and G J Woodhall (Senior Democratic Services Officer)

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### 12. 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.

### 13. DECLARATIONS OF INTEREST

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

### 14. MINUTES

#### **Resolved:**

(1) That the minutes of the meeting held on 29 June 2015 be taken as read and signed by the Chairman as a correct record.

### 15. MATTERS ARISING

The Vice-Chairman enquired as to why there was not a report on the review of the Committee's Terms of Reference, as requested at the previous meeting. The Chief Internal Auditor reported that this had been scheduled for the next meeting on 30 November 2015.

### 16. AUDIT & GOVERNANCE WORK PROGRAMME 2015/16

The Director of Resources presented a revised Work Programme for 2015/16 and highlighted the differences from the version within the agenda.

The Director stated that the Quarterly Internal Audit Monitoring Reports had been renamed Internal Audit Progress Reports, the Internal Audit Business Plan (2016/17)

had been renamed the Internal Audit Strategy & Audit Plan 2016/17, and the following new items had been added:

- (i) Review of the Internal Audit Charter – 30 November 2015;
- (ii) Review of the Audit & Governance Committee Terms of Reference – 30 November 2015;
- (iii) Internal Audit Compliance with the Public Sector Internal Audit Standards – 31 March 2016; and
- (iv) Review of the Audit & Governance Committee Effectiveness – currently unallocated.

The Chairman enquired about the number of meetings that the Committee held each municipal year, currently five, and whether this could be reduced to four? The Chief Internal Auditor informed the Committee that Broxbourne Borough Council held three Audit Committee meetings per year in July, November and March, and Harlow District Council held four Audit Committee meetings per municipal year. It was the view of the Chief Internal Auditor that this Council should move to four Audit Committee meetings per year initially, with a view to hold only three meetings per year eventually. The Committee noted that a number of its meetings were quite short in duration, and that a move to four meetings should be considered. The Chief Internal Auditor was requested to submit a report on the feasibility of reducing the number of the Committee's meetings to four per municipal year to the next meeting, scheduled for 30 November 2015.

The Committee queried the timing of the Treasury Management Strategy reports, with the Annual report currently scheduled for September and the Half-Year Report scheduled for the following meeting in November. The Director of Resources stated that it was the nature of the current timetable, and that the Half-Year Report was ready by November; the Annual Report was likely to be considered earlier in the municipal year in future.

**Resolved:**

- (1) That the revised Audit & Governance Work Programme for 2015/16 be noted; and
- (2) That a report be submitted to the next meeting on 30 November 2015 by the Chief Internal Auditor regarding the reduction of the number of meetings per year for the Committee from the current five to four.

**17. INTERNAL AUDIT MONITORING REPORT - APRIL TO SEPTEMBER 2015**

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the period April to September 2015, which provided a summary of the work undertaken by the Internal Audit Service during this time.

The Chief Internal Auditor advised the Committee that seven reports had been issued and finalised since the last meeting, and all had been issued with substantial assurance. The proposed new approach for dealing with the monitoring and reporting of audit recommendations was outlined. The new process was designed to ensure that all audit recommendations were monitored by the Committee and implemented within the agreed timescale rather than just the Priority 1 recommendations as per

the current process. It was expected that the new process would reduce the number of follow up audits that were required.

The Chief Internal Auditor outlined the overall performance to date against the Audit Plan for 2015/16. As of September 2015, 13% of the planned audits had been completed against a target for the year of 90%. The Committee was informed that some audits from the previous year had to be competed at the beginning of this municipal year, and the Service still had a staff vacancy which had not yet been filled. The current productivity of Audit staff was 70% against a target of 72% for the year. This figure was calculated to show the average audit days per member of staff, excluding annual leave, training and the such like. A new performance indicator concerning the implementation of agreed audit recommendations from the 2015/16 Audit Plan within the agreed timescales would be reported on in future, but there were no figures available for this meeting.

The Chief Internal Auditor reminded the Committee that the Council had made a commitment to integrate internal audit services with Broxbourne Borough Council and Harlow District Council, with the same Chief Internal Auditor across all three Councils. The Internal Audit Service was in the process of implementing the same audit methodology, document templates and electronic working papers as Broxbourne and Harlow, and this would be closely monitored to ensure that there was no detrimental impact upon audit services within Epping Forest.

The Chief Internal Auditor reported that the Corporate Fraud Team now consisted of a Senior Fraud Investigator and two Fraud Investigators, with a vacancy for a third. Since April 2015, the achievements of the team included:

- Reclaiming £88,000 under the Proceeds of Crime Act from a fraud involving the Right to Buy scheme;
- Recovering seven Council properties through issues with the tenancies;
- Stopping eight further Right to Buy applications;
- Stopping one housing application; and
- Preparing five criminal prosecutions relating to Right to Buy applications and sub-letting.

The Committee was requested to note the progress made against the Internal Audit Plan for 2015/16 and approve the new approach for monitoring and reporting audit recommendations.

In respect of the overdue Audit recommendation regarding Planning Fees, the Chief Internal Auditor reported that the new reconciliation process was being implemented, as detailed in the Appendix, and then monthly reconciliations would be performed in the future.

**Resolved:**

- (1) That the progress made against the Internal Audit Plan for 2015/16 be noted;
- (2) That the progress made by the Corporate Fraud Team be noted; and
- (3) That the new methodology for the monitoring and reporting of Audit report recommendations be approved and implemented.

**18. ANNUAL GOVERNANCE STATEMENT 2014/15**

The Chief Internal Auditor presented a report on the Annual Governance Statement for 2014/15.

The Committee was reminded that it had agreed the Annual Governance Statement at its last meeting in June 2015; however, following a review by the External Auditors, it had been agreed to enlarge the Proposed Actions table from two actions to four, to include two further control weaknesses identified in 2014/15. These were Contract Standing Orders and Sundry Debtors. No other changes had been made other than that previously requested by the Committee. The Committee was requested to approve the revised Statement, so that it could be published as part of the Statutory Statement of Accounts.

The Committee requested more information on the “...*robust whistle blowing policy*...” at a future meeting, and agreed the revised Annual Governance Statement for 2014/15.

**Resolved:**

- (1) That the revised Annual Governance Statement for 2014/15 be approved; and
- (2) That further information on the Council’s ‘Whistle Blowing’ Policy be provided to the Committee at a future meeting.

**19. ANNUAL OUTTURN REPORT ON THE TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2014/15**

The Director of Resources presented the annual outturn report for the Council’s Treasury Management Function and Prudential Indicators in 2014/15.

The Director reported that there had been no breaches of policy throughout the year, and that none of the Prudential Indicators had been breached either. The Council had continued to finance its capital programme through the use of internal resources. At the end of the municipal year, both capital receipts and the Major Repairs Reserve had higher balances than anticipated, and therefore the Council had adequate resources to finance its Capital Programme in the medium term. The Council had borrowed £185.5million to fund the Housing Revenue Account self-financing payment, which had resulted in the Council becoming a debt authority.

When questioned by the Committee, the Director stated that the contract with Arlingclose would be re-tendered in four years time when the current contract expired. It was highlighted that there were only two main companies in the market which offered these services to local authorities – Arlingclose and Capita. There were regular meetings with Arlingclose where suggestions were made about the Council’s investments; the Council was currently looking at some diversification for their portfolio of investments. The Principal Accountant responsible for the Treasury Management Strategy also supervised two Directorates and regularly attended courses run by Arlingclose.

When questioned about the Council’s capital programme, the Director was confident that the Council had sufficient capital reserves, especially as the Epping Forest Shopping Park project was expected to produce significant revenue streams. The current estimate of the cost to construct the Park was £30million. It was acknowledged that some capital investment might have to be made in the Leisure Centres as part of the new Leisure Management Contract procurement process, but the Council would look to gain a revenue return from any capital expenditure.



The Chairman commented that the Treasury Management Strategy appeared risk adverse and a prudent approach was being taken by Officers. It was noted from analysing the Council's capital investments that the projected 5% return from the Shopping Park would be much better than the current 1% return from the Council's cash deposits.

**Resolved:**

- (1) That the Annual Outturn Report on Treasury Management and the Prudential Indicators for 2014/15, and the management of the risks therein, be noted.

**20. AUDIT OF ACCOUNTS - ANNUAL GOVERNANCE REPORT 2014/15**

The External Auditor presented the Annual Governance Report for 2014/15, the purpose of which was to advise the Committee of the significant findings arising from the audit of the Council's financial statements and arrangements to secure economy, efficiency and effectiveness in the use of resources.

The External Auditor advised the Committee that one material misstatement had been identified, which related to incorrect data input into the Asset Management System. As a result of this misstatement, which concerned a historical cost depreciation adjustment, the balance on the Revaluation Reserve had been overstated by £6.554million with a corresponding understatement on the Capital Adjustment Account. It had been agreed to adjust for the error to ensure that both Statements were correctly stated. There had been one unadjusted audit difference identified, relating to the provision made by the Council for Non-Domestic Rates appeals, which would increase the draft surplus on the provision of services in the Comprehensive Income and Expenditure Statement by £88,000 to £15.863million. There was also a further misstatement of £877,000 in respect of Affordable Housing on the Balance Sheet, which should have been reported in the Comprehensive Income and Expenditure Statement.

The External Auditor highlighted the addendum report on the supplementary agenda, in respect of the valuation of the four Leisure Centres owned by the Council. As the figures for the original valuation of the Centres could not be verified, the Council had instructed an external Valuer to carry out a new valuation. The original valuation for the four Centres was £27.162million as at 31 March 2015; however, it was found that the useful remaining lives of three of the centres had been overstated, and the revised valuation had been calculated at £12.335million. This represented a reduction of £14.827million, which had also resulted in a corresponding reduction in the value of the Council's Balance Sheet. Accounting requirements also necessitated that £12.690million of this reduction be charged to the Revaluation Reserve, with the remaining £2.137million charged to the Comprehensive Income and Expenditure Statement.

Subject to the adjustments outlined above, the External Auditors expected to issue an unqualified true and fair opinion on the Financial Statements for the year ended 31 March 2015. The External Auditor thanked staff from the Council for their co-operation and assistance during the audit.

The External Auditor reported that the Council's key financial systems were considered generally adequate as a basis for preparing the financial statements, with no significant deficiencies identified in the Council's internal controls during the course of the audit. The Annual Governance Statement was not considered misleading and complied with the necessary guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). It was also intended to issue

an unqualified value for money conclusion as it was felt that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year.

The Committee expressed grave concern over the adjustment for the valuation of the Council's Leisure Centres. It was explained that this situation had arisen due to the working papers for the original valuation not being available to support the figures in the Accounts; the Officer who had performed the original valuations was now on long term sick leave. The Committee was reassured that it was a technical accounting issue and it would not affect the daily provision of services from these Centres or the Council's usable reserves. In reality, it would not affect the Council until the assets were disposed of, although it did have an effect on the Council's Balance Sheet and financial position. The Director of Resources added that there was an ongoing maintenance programme in place and the Council had not experienced a reduction in use or shortfall in income from the Leisure Centres. The valuations for the Leisure Centres had now been rectified to the satisfaction of the External Auditors. The Chairman commented that working papers should be readily available to the External Auditors.

The Committee noted the under-valuation of the Leisure Centres in the Accounts, which had been rectified by the use of external Valuers. The Committee also felt that external Valuers should continue to be used for future valuations of the Leisure Centres to reduce the risk to the Council. The External Auditor confirmed that this would also remove the risk of working papers not being available. The Committee also felt that the internal controls on working papers produced by the Council's in-house Valuers should also be investigated to avoid a repetition of this situation in the future.

In relation to the misstatement for Affordable Housing, the External Auditor added that it involved the receipt of Section 106 monies. The Council had still received the relevant monies, but it had been listed in the wrong place in the accounts; again, it was a technical accounting issue. The Director of Resources added that there was an Officer Group - consisting of Officers from Housing, Legal and Accountancy – which kept all Section 106 Agreements under review, which reported directly to the Council's Management Board. The Committee felt that it would be more open and transparent to both Members and residents if this Officer Group reported to the Governance Select Committee.

In response to further questions from the Committee, The External Auditor explained that the Code of Audit Practice for Local Government specified the evaluation methodology to be used for the valuation of particular assets; Depreciated Replacement Cost would be an acceptable method to use in certain circumstances. The valuations for the Council's Social Housing stock was performed by the District Valuer, and the External Auditors undertook other work to test the valuations. The Bad Debts provision within the Accounts was an estimate; the External Auditor would examine the Council's methodology and test it to determine if it was materially accurate.

The Chairman thanked the External Auditors for their report and stated that he would be pleased to sign the draft Representation Letter.

**Resolved:**

- (1) That the Annual Governance Report for 2014/15 presented by the External Auditor be noted;

- (2) That the initial under-valuation of the Leisure Centres, and the subsequent rectification by the use of external Valuers, be noted;
- (3) That, in order to reduce risk, future valuations of the Leisure Centres be undertaken by external Valuers;
- (4) That the internal controls on working papers produced by the Council's Estates and Valuation Team be reviewed;
- (5) That the Officer Working Group reviewing Section 106 Agreements be requested to submit regular monitoring reports to the Governance Select Committee; and
- (6) That the draft Representation Letter be signed by the Chairman of the Committee and the Director of Resources.

## **21. STATUTORY STATEMENT OF ACCOUNTS 2014/15**

The Director of Resources presented a report on the Statutory Statement of Accounts for 2014/15.

The Director reminded the Committee that one of its key roles was the scrutiny of the Annual Statutory Statement of Accounts, prior to its consideration by the Council on 29 September 2015. There had been no significant changes in accounting policies and practices during 2014/15; the format and the disclosure notes for the Accounts were very similar to those for 2013/14.

With regard to Decisions Requiring a Major Element of Judgement, the Director highlighted that the Council's liability to the Pension Fund had increased by £12.1million to £69.9million. This had arisen from the £13.4million increase in the value of the Scheme's assets being outweighed by an increase of £25.5million in the projected liabilities, due to falling yields in the corporate bond market. Another area highlighted to the Committee was the reduction in value of the Council's Leisure Centres recorded in the Accounts. This had been discussed during the previous item on the External Auditor's report on the Audit of the Accounts, and the necessary changes to the Statutory Statement had been issued as a Supplementary Agenda for the meeting. The third area detailed by the Director was the provision for Business Rates appeals. The Council had made a provision of £3.26million for appeals against the valuations set by the Valuation Office Agency for non-domestic properties. As previously reported, the number of appeals had been increasing in recent years and the Council had engaged external rating experts to assist with the analysis of outstanding appeals. It had become apparent that the District Valuer had used an incorrect methodology for the initial valuation of surgeries and medical premises.

The Director reported that there had been no transactions which had required separate disclosure as Exceptional Items, and no material weaknesses in internal control had been reported by the Internal or External Auditors. The two significant adjustments resulting from the Audit had been already been debated by the Committee under the previous item, but the Director reminded all present that these were: the £6.5million overstatement in the Revaluation Reserve and corresponding understatement in the Capital Adjustment Account arising from a data input error to the Asset Management System; and the misstatement of £877,000 in respect of Affordable Housing on the Balance Sheet, which should have been reported in the Comprehensive Income and Expenditure Statement.

There were some concerns expressed about further incorrect valuations highlighted in the report, but the Director reassured the Committee that these valuations had been undertaken by the District Valuer for Non-Domestic Rates, and formed part of an continuing issue with Business Rate appeals and the subsequent reduction in rateable values.

**Resolved:**

(1) That the Statutory Statement of Accounts for 2014/15 be recommended to the Council for adoption.

**22. ANY OTHER BUSINESS**

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

**23. EXCLUSION OF PUBLIC AND PRESS**

The Committee noted that there was no business which required the exclusion of the public and press from the meeting.

**CHAIRMAN**

## **Audit & Governance Committee Work Programme 2015/16** **(revised September 2015)**

### **29 June 2015**

- Internal Audit Annual Report 2014/15.
- Review of the Effectiveness of Internal Audit.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Internal Audit Progress Report.

### **21 September 2015**

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Internal Audit Progress Report.

- ❖ Annual Governance Report 2014/15.

### **30 November 2015**

- Treasury Management Mid-Year Report.
- Internal Audit Progress Report.
- Review of the Internal Audit Charter
- Review of the Audit and Governance Committee Terms of Reference.
- Schedule of Meetings for 2016/17.

- ❖ Annual Audit Letter 2014/15.

### **1 February 2016**

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.

- ❖ Grant Claims Audit Report 2014/15.

### **31 March 2016**

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2016/17.
- Internal Audit Compliance with the Public Sector Internal Audit Standards

- ❖ Planning Letter 2016/17.

- ❖ Audit Plan 2015/16.

### **Unallocated Items**

- Review of the Audit and Governance Committee Effectiveness.
- Information Regarding the Whistle Blowing Policy.

### **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.*

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



**Epping Forest  
District Council**

***Report Reference: AGC-010-2015/16***

***Date of meeting: 30 November 2015***

**Portfolio: Finance**

**Subject: Annual Audit Letter 2014/15**

**Responsible Officer: Bob Palmer (01992 564279)**

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

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

- (1) To consider and note the External Auditor's Annual Audit Letter.**

### **Executive Summary:**

This Committee has within its Terms of Reference the considering of reports made by the external auditor. The Annual Audit Letter summarises the key issues arising from BDO's work during the year.

### **Reasons for Proposed Decisions:**

To comply with the Committee's Terms of Reference and ensure proper consideration of the Annual Audit Letter.

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

There are no other options for action.

### **Report:**

1. The Annual Audit Letter (AAL) confirms that the Financial Statements gave a true and fair view of the Council's financial affairs. It also confirms that the Annual Governance Statement contained in the Financial Statements was not misleading or inconsistent with other information.
2. The external auditors were able to satisfy themselves that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This enabled them to issue an unqualified value for money conclusion.
3. The AAL confirms that the auditors have not had to exercise their statutory powers and that they have no matters to report. An audit certificate to close the audit for the year ended 31 March 2015 was issued on 30 September 2015.

### **Resource Implications:**

None.

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

There are no legal implications or Human Rights Act issues arising from the

recommendations in this report.

**Safer, Cleaner, Greener Implications:**

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

**Consultation Undertaken:**

None.

**Background Papers:**

Statutory Statement of Accounts and associated reports made to the Audit and Governance Committee and Full Council.

**Risk Management:**

Action plans have been agreed to address areas of risk identified during the audit.



# 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.

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Date / Name	Summary of equality analysis
12/11/15  Director of Resources	The report is a summary of the work conducted in the year by the external auditor and has no equality implications.

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# EPPING FOREST DISTRICT COUNCIL

Annual Audit Letter 2014/15

21 October 2015

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# EXECUTIVE SUMMARY

## Background

This Annual Audit Letter summarises the key issues arising from the work that we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified to key external stakeholders and members of the public.

## Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

the Council's financial statements  
whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission, whether we have exercised our statutory powers under the Audit Commission Act 1998 in any matter, and our grant claims and returns certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

BDO LLP  
21 October 2015

## FINANCIAL STATEMENTS

1

We issued an unqualified true and fair opinion on the financial statements on 30 September 2015.

One material misstatement was identified and corrected during the audit relating to incorrect data input into the Asset Management System. As a result of this misstatement, the balance on the Revaluation Reserve was overstated by £6.6 million and the balance on the Capital Adjustment Account understated by the same amount.

There are two unadjusted differences identified by our audit which would increase the surplus on the provision of services by £1 million to £14.6 million.

## USE OF RESOURCES

2

We issued an unqualified value for money conclusion on 30 September 2015.

## OTHER MATTERS (REPORT BY EXCEPTION)

3

We have not exercised our statutory powers and have no matters to report.

We issued the audit certificate to close the audit for the year ended 31 March 2015 on 30 September 2015.

## GRANT CLAIMS AND RETURNS CERTIFICATION

4

Our review of grant claims and returns is in progress and the results will be reported upon completion of this work.

# FINANCIAL STATEMENTS

1

OPINION

We issued an unqualified true and fair opinion on the financial statements on 30 September 2015.

## Financial performance

The Council reported a surplus on the provision of services of £13.6 million.

After adjusting for items in the Movement in Reserves Statement, the Council reported a deficit on the General Fund of £0.3 million before transfers to earmarked revenue reserves of £0.3 million, resulting in a net decrease to the General Fund balance of £0.6 million. The HRA reported a deficit of £0.4 million after transferring £2.0 million to earmarked revenue reserves.

## Financial statements

The draft Statement of Accounts was prepared and provided to us for audit on 30 June 2015. A comprehensive file of audit working papers was also provided.

A material misstatement was identified and corrected during the audit relating to incorrect data input into the Asset Management System. As a result of this misstatement, the balance on the Revaluation Reserve was overstated by £6.6million and the balance on the Capital Adjustment Account understated by the same amount.

There are two unadjusted differences identified by our audit which increase the surplus on the provision of services by £1 million to £14.6 million, mainly relating to the incorrect treatment of grant income, which was recognised as a credit on the balance sheet rather than as income in the comprehensive income and expenditure statement.

We consider that these misstatements did not have a material impact on our opinion on the financial statements.

## Significant judgements and estimates

We reviewed the valuations of the Council's leisure centres which were performed by the Council's internal valuer and identified a significant increase in the value of these assets. We requested the internal valuer's working papers to support the valuation but these could not be located.

We requested that the Council revisit the valuation of the leisure centres and provide supporting working papers. The Council subsequently engaged an external valuer to provide the necessary information. This resulted in a valuation significantly lower than that originally recognised. We performed further work to satisfy ourselves that the revised valuation was materially correct and made a recommendation regarding the retention of working papers.

## Annual Governance Statement

We are satisfied that the Annual Governance Statement is not misleading or inconsistent with other information we were aware of from our audit and complies with Delivering Good Governance in Local Government (CIPFA / SOLACE).

## Narrative reporting

Local authorities are required to include an explanatory foreword in the Statement of Accounts to provide an explanation of the financial position and to assist in the interpretation of the financial statements.

CIPFA is considering how local authorities can develop its narrative reporting requirements, such as including management commentary or strategic reporting, but has postponed this review until the legislative requirements for the sector are resolved. However, CIPFA's consultation on 'Telling the Story' will propose introducing reconciliation from the reported outturn in the financial statements to the Council's management accounts.

# USE OF RESOURCES

2

## CONCLUSION

We issued an unqualified value for money conclusion on 30 September 2015.

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Financial resilience

We reviewed the assumptions made in the latest version of the Council's medium term financial strategy (MTFS), which covers the five year period 2015/16 to 2019/20, and considered the level of savings the Council is required to make during the period covered by the strategy.

The MTFS shows that the Council expects to be able to maintain a level of general fund (excluding earmarked) reserves which exceeds the member approved level of 25% of the Council's net budget requirement (NBR). At the start of the MTFS, reserves are forecast to be 73% of NBR, falling to 66% at the end of the MTFS period.

The Council is forecasting that savings of £1.0m are required over the next five years. The Council has yet to determine how these savings will be achieved, although the Council has historically met its savings targets. Should these savings not be achieved, the Council has adequate reserves over the life of the MTFS to address the resulting budget gap.

Changes announced by central government following the election regarding the capping of social housing rent is likely to have a significant impact on the ability of the Council to deliver the HRA business plan as it currently stands. The Council is currently considering the impact of this on its investment plans for council dwellings and its effect on the proposed repayments of borrowing entered into following the move to HRA self-financing.

## Challenging economy, efficiency, effectiveness

We considered the Council's arrangements for improving efficiency and productivity. We have reviewed the Council's operations during the year for evidence which demonstrates that it is taking action to prioritise its resources.

The Council has produced a "Value for Money" strategy, which sets out its corporate arrangements for delivering value for money services which meet the needs of residents and service users. This describes the concept of value for money and describes how the Council aims to achieve it. It is available to all officers.

The Council has continued to develop annual budgets which reflect the priorities outlined in its Corporate Plan. The existing Corporate Plan came to an end in March 2015 and a new Corporate Plan, covering the period 2015 - 2020 has recently been approved by members.

Key performance indicators were developed at the beginning of 2014/15 and progress against these has been reported to the Finance and Performance Management Cabinet Committee on a quarterly basis, allowing members to identify areas where performance may require improvement and providing the opportunity to challenge officers where necessary.

During 2014/15, the Council entered discussions regarding a local non-domestic rates pool with nine other authorities in Essex and the pooling arrangement came into force on 1 April 2015. The Council expects to gain approximately £136k from this arrangement, although the impact of non-domestic rate appeals submitted prior to the 31 March 2015 deadline may have an impact on this amount.

# OTHER MATTERS

3

REPORT BY EXCEPTION

We have no other matters to report.

## Whole of Government Accounts

Auditors are required to review Whole of Government Account (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.

The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.

## Use of statutory powers

We have not exercised our statutory powers and have no matters to report.

## Audit certificate

We issued the audit certificate to close the audit for the year ended 31 March 2015 on 30 September 2015.

# GRANT CLAIMS AND CERTIFICATION

4

## CERTIFICATION WORK

Our review of grant claims and returns is in progress and the results will be reported upon completion of this work.

### Housing benefit subsidy claim

Public Sector Audit Appointments Ltd has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

Our audit of the 2013/14 housing benefits subsidy claim found a number of errors in relation to the following:

- **Non-HRA rent rebates ineligible meal costs:** We identified one case where ineligible meal costs had been incorrectly included in the calculation of eligible rent.
- **Rent rebates private pension income:** We identified three cases where benefit had been underpaid because private pension income had not been correctly calculated.
- **Rent Allowances ineligible support charges:** We identified three cases where the benefit award had been incorrectly calculated due to a support charge being deducted from the weekly eligible rent in error.
- **Rent allowances misclassification of benefit expenditure:** We identified two cases where non-HRA rent rebate expenditure had been incorrectly classified as rent allowance.
- **Rent allowances incorrect classification of regulated tenancies:** We identified eleven cases where benefit expenditure relating to deregulated tenancies has been incorrectly classified as that relating to regulated tenancies.

Our work on the 2014/15 housing benefits subsidy claim is currently in progress and will be completed ahead of the submission deadline of 30 November 2015.

### Other claims and returns

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by the Audit Commission or Public Sector Audit Appointments Ltd, and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Department for Communities and Local Government, for the pooled housing capital receipts return (which has a deadline for submission of 30 November 2015). Our work on this return is currently in progress.



# APPENDIX

## Reports issued

We issued the following reports in respect of the 2014/15 financial year.

REPORT	DATE
Planning letter	March 2014
Grant Claims and Returns Certification Report (2013/14)	February 2015
Audit Plan	March 2015
Final Audit Report	September 2015
Annual Audit Letter	October 2015

## Fees update

We reported our original fee proposals in our Audit Plan issued in March 2015. Our fees to date and any variance to the original proposal are shown below.

AUDIT AREA	PROPOSED FEES £	FEES UPDATE £
Code audit fee	86,229	86,229
Certification of housing benefit subsidy claim	24,710	<sup>(1)</sup> 24,710
<b>Total fees for audit services</b>	<b>110,939</b>	<b>110,939</b>
Audit related services - Pooled housing capital receipts return	TBC	<sup>(1)</sup> 2,000
<b>Non audit services fees</b>	£nil	£nil

*Note 1 - Our work on the assurance reviews of the grant claims and other returns for 2014/15 is in progress and we will report the findings from this work and the final fees separately.*

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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



**Epping Forest  
District Council**

**Report reference:** AGC-011-2015/16  
**Date of meeting:** 30 November 2015

**Portfolio:** Governance and Development Management

**Subject:** Internal Audit Monitoring Report - September to November 2015

**Responsible Officer:** Sarah Marsh (01992 564446).

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

---

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

(1) The Committee notes the progress being made against the 2015/16 Internal Audit plan and by the Corporate Fraud Team.

### **Executive Summary:**

This report provides a summary of the work undertaken by Internal Audit between September and November 2015, progress against the 2015/16 Internal Audit plan and a summary of the work undertaken by the Corporate Fraud Team.

### **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:**

#### 2015/16 Internal Audit Plan

1. Work has continued on the 2015/16 Audit Plan as detailed in Appendix 1. The timings for each audit have been agreed with the relevant Assistant Directors to ensure a steady flow of reports throughout the year.
2. As the Internal Audit function currently has an auditor vacancy, a total of ten audits have been outsourced to Mazars, an outsource provider of Internal Audit services. All of these audits have been scoped and timings for these are being agreed with the relevant Assistant Directors.

#### Internal Audit Reports

3. The following four reports have been issued as final reports since the Committee received its last update in September 2015:

- *Bed & Breakfast Accommodation for Homeless Persons: (Limited assurance)* – At the request of management, the review of bed & breakfast accommodation for homeless persons was

carried out separately from Norway House (homeless person's hostel), which was reported at the last meeting. The main focus of this audit was to review the contracts in place for providing bed & breakfast accommodation and the processes in relation to monitoring and collecting bed & breakfast arrears. At the time of the audit (September 2015) the contracts had not been extended to cover the year to 31 March 2016, although this has since been carried out. The audit identified a weakness in relation to the systems for monitoring and collecting bed & breakfast arrears, which has now been addressed.

- **Members Allowances: (Substantial assurance)** – This audit reviewed the controls surrounding the payment and publication of Members Allowances and expenses. The systems were found to be sound and Members Allowances are published annually in accordance with legislation. A non-material error in the Members Allowances spreadsheet was identified and corrected during the audit.
- **Local Land Charges: (Substantial assurance)** – The focus of this audit centred on the systems and controls around the Local Land Charges Register. The processes around registering charges and completing search requests are robust. We found that fees are consistently applied in accordance with the published rates; however income reconciliations are not being carried out.
- **Grounds Maintenance: (Substantial assurance)** – The audit reviewed the systems and processes for the Grounds Maintenance service delivery throughout the district. The service was found to be operating well with processes in place for inspections of maintenance work completed. Fees and charges are reviewed annually and there are robust Health & Safety processes to safeguard operators.

#### Recommendation Tracker

4. The Audit and Governance Committee receives details of all overdue recommendations, plus any priority one recommendations from final reports, regardless of whether they are overdue or not.
5. There have been two priority one recommendations raised so far during 2015/16, both of which have been implemented. These relate to the contracts for the provision of bed & breakfast accommodation and the monitoring of bed & breakfast arrears.
6. The current tracker contains two recommendations (both priority ones) which are passed their due date. (Appendix 2). The reconciliation of the development control fees is in progress and resources are being concentrated on bringing these up to date. There were difficulties in recruiting a suitable person to the post within Human Resources earlier in the year so the process will be carried out again shortly.

<b>Recommendation type</b>	<b>Number (as at 2 November 2015)</b>
Priority one not passed its due date	0
Priority one passed its due date	2
Priority two passed its due date	0
Priority three passed its due date	0

#### Internal Audit Performance Management

7. The Internal Audit function has local performance indicator targets to meet in 2015/16 based on targets set in 2014/15. A new one on recommendations implemented is proposed in line with the new tracker process.

Description	Target 2015/16	Actual as at November 15
% planned audits completed	90%	n/a- reported annually
Productivity of staff	72%	75%
Implementation of agreed audit recommendations from 15/16 plan	Within agreed timescales	n/a

#### Other Internal Audit Activities

#### Project Groups

8. There is Internal Audit representation on a number of project groups in order to provide advice and challenge on internal controls, risk management and governance arrangements. This includes:

- Risk Management Group (which includes Business Continuity Planning) – The Chief Internal Auditor is supporting the Emergency Planning Officer in updating service business continuity plans and advising on good practice seen elsewhere.
- Contract Standing Orders Working Party – The Group has substantially completed its review of the Councils Contract Standing Orders and is in the process of drafting new Procurement Rules. Internal Audit is advising on the financial evaluations to be carried out as part of the selection of contractors.
- Personal Data Working Group – The Group is reviewing the way in which the Council manages employee's personal data. Internal Audit has advised on the both the pilot sickness absence and the monthly Certificate of Service e-forms.
- Corporate Debt Working Group – The Group has reviewed debt recovery processes across the Council and a number of recommendations have been made in relation to managing debts, the use of enforcement agents, write offs and to encourage regular monitoring within Services to improve debt recovery. Progress will be reported at Management Board and the Group will continue to meet quarterly. Internal Audit will ensure compliance as part of the next audit, planned for the last quarter of 2015/16.
- E-invoicing Group – The Council is in the process of implementing e-invoicing and Internal Audit attends meetings and provides advice as necessary.

#### Internal Audit Shared Service: Borough of Broxbourne, Harlow and Epping Forest District Councils

9. As a reminder, Epping Forest District Council's Chief Internal Auditor retired at the end of May and the Head of Internal Audit for the Shared Service between Broxbourne and Harlow Councils took on this role from the 1 June 2015. Epping Forest District Council currently shares the cost of the Chief Internal Auditor with their time split equally across all three Councils. A meeting with the leads from each Council is due to be held to consider the longer term options for the Shared Service.

10. A second joint team meeting with auditors from all three Councils was held in November where common working practices were further consolidated and the Team started thinking about Audit Plans for 2016/17. Regular dialogue between all the auditors continues, especially where similar audits are taking place at the other Authorities.

11. In the meantime, relationships initiated by Internal Audit through the shared service have continued to benefit all three Councils:

- Human Resources departments in Broxbourne and Harlow are liaising with Epping Forest on possible joint training arrangements.
- Epping Forest and Harlow are sharing insights from ongoing reviews of their respective customer service strategies.

#### Corporate Fraud Team

12. The Corporate Fraud Team has made significant progress since the last report with all officers now being more settled in their new roles. As well as the implementation of new procedures for the reporting of fraud within the Council, a set of administrative / operational procedures has been written and implemented, bringing a uniform approach to the way in which all referrals of corporate fraud are received, managed and investigated.

13. The team has already provided paid training on conducting Interviews under Caution to another Local Authority and is currently providing advice to Harlow Council on their approach to combatting housing fraud. One officer is due to give a presentation on Right to Buy fraud to a meeting of The London Borough's Fraud Investigators Group in November.

14. The team continues to investigate all Right to Buy applications, the numbers of which have increased over the last 2-3 months due to a combination of higher discounts and shorter eligibility criteria. A further four applications have been stopped due to reasons such as suspicion of money laundering etc., resulting in potential maximum savings of £311,600 (based on the maximum discount of £77,900).

15. Two more housing fraud prosecutions have been authorised and are currently with Legal Services awaiting the issue of summonses. Two convictions for benefit fraud were obtained by the team during October (these cases having been retained for action following the transfer of the benefit investigation team to the DWP).

#### **Resource Implications:**

Within the report.

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

None.

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

None.

#### **Consultation Undertaken:**

Corporate Governance Group.

#### **Background Papers:**

2015/16 Audit and Resource Plan.

#### **Risk Management:**

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into

the Annual Governance Statement.

# 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.

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Date/Name	Summary of equality analysis
30/11/15 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.



## Appendix 1 - Audit Plan Monitoring 2015-16 November 2015

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
<b>Quarter 1 and 2</b>										
Business Plans	Resources	10	Final report	n	n	n	Substantial	0	0	2
Reprographics	Resources	10	Final report	n	n	n	Substantial	0	1	0
Management of Sickness Absence	Resources	10	Final report	n	n	n	Substantial	0	2	0
Key and Local Performance Indicators	Governance	15	Final report	n	n	n	Substantial	0	1	0
Norway House (hostel)	Communities	10	Final report	n	n	n	Substantial	0	1	0
Homeless Prevention (Bed and Breakfast)	Communities	10	Final report	n	n	n	Limited	2	2	0
Members Allowances	Governance	10	Final report	n	n	n	Substantial	0	1	0
Local Land Charges	Governance	10	Final report	n	n	n	Substantial	0	1	0
Grounds Maintenance	Neighbourhoods	10	Final report	n	n	n	Substantial	0	4	1
Local Plan	Neighbourhoods	10	In progress	n						
Council Housebuilding Programme (c/f from 14/15 Plan)	Communities	15	In progress	n						
Corporate Partnerships	Corporate	10	In progress	n						
Business Rates	Key Financial Control	20	In progress	n						
Commercial Property	Neighbourhoods	10	Scoping							
Licensing	Neighbourhoods	10	Scoping							
Right To Buy	Communities	10	Scoping							
Private Sector Housing Grants	Communities	15	Scoping							
Planning Fees	Governance	20	Scoping							
Data Protection Act (External Data Transfers)	Governance	10	Scoping							
Debt Recovery within Legal Services (c/f from 14/15 Plan)	Governance	10	Scoping							
Corporate Asset Register	Resources	5	Scoping							
Budgetary Control	Resources	10	Scoping							
Sundry Debtors	Key Financial Control	15	Scoping							
<b>Quarter 3</b>										
Housing Benefits and Council Tax Support	Key Financial Control	20	Scoping							
Grants to Voluntary Organisations	Communities	10	Scoping							
Economic Development	Neighbourhoods	10	Scoping							
Langston Road Development (new audit)	Neighbourhoods	10	Scoping							
Depot Health and Safety (new audit)	Neighbourhoods	10								
Car Parking Contract	Neighbourhoods	10								
Facilities Management Contracts	Resources	10								
Corporate Procurement	Resources	15								
Access Controls	ICT	10								

**Appendix 1 - Audit Plan Monitoring 2015-16**  
**November 2015**

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Priority 1 Recs	Priority 2 Recs	Priority 3 Recs
<b>Quarter 4</b>										
Payroll (incl mileage claims, overtime and committee allowances)	Key Financial Control	20								
Bank Reconciliations (incl cash receipting & income control)	Key Financial Control	15								
Creditors (incl travel and subsistence claims)	Key Financial Control	15								
Council Tax	Key Financial Control	20								
General Ledger	Key Financial Control	15								
Treasury Management	Key Financial Control	10								
Housing Rents	Key Financial Control	20								
Waste Management and Recycling (c/f from 14/15 Plan)	Neighbourhoods	20								
North Weald Airfield	Neighbourhoods	15								
Gifts and Hospitality	Governance	10								
Equalities (c/f from 14/15 Plan)	Governance	10	Scoping							
ICT Asset Management (was ICT Procurement)	ICT	10								
Email, Internet and Telephone Usage	ICT	10								
Housing Repairs Service	Communities	20								
Rental Assistance Loans	Communities	10								
Risk Management	Resources	10								
Recruitment and Selection (c/f from 14/15 Plan)	Resources	10								
<b>Totals</b>	<b>Totals</b>	<b>610</b>		<b>13</b>	<b>9</b>	<b>9</b>		<b>2</b>	<b>13</b>	<b>3</b>

**Abbreviations**

Incl = including

c/f = carried forward

## Appendix 2 Internal Audit Recommendation Tracker (Overdue)

Last updated: 17 November 2015

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer / Assistant Director	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
<b>Previous Priority One Recommendations 2014/15</b>									
<b>Planning Fees</b> Report No. 713 July 2014	4.1	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.	1	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.	Assistant Director (Development Manager)	March 2015	31/12/15	Aug 15: ICT and Accountancy are providing assistance with the reconciliations. A report from M3 has been developed and the reconciliation for June 2015 has been completed. The reconciliations for April and May 2015 are still to be completed  Nov 15: Progress is being made on the reconciliations and efforts are being concentrated on bringing the 2015/16 reconciliations up to date.	Overdue
<b>Corporate Procurement</b> Report No. 725 February 2015	1	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.  Officers should agree rates with agencies where possible, in order that agency rates and exit fees are reasonable. Expenditure should be monitored in compliance with CSOs.	1	As discussed at the 28 <sup>th</sup> January CGG, work is underway to address these findings.	All Assistant Directors	31/3/15	31/3/16	Aug 15: The recruitment process is just starting for a person within HR who's work will include looking at existing agency worker framework agreements for a range of roles that the Council.  Nov 15: The section completed the recruitment process but did not find a suitable candidate so will begin the process again shortly.	Overdue

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



***Report reference:***                    ***AGC-012-2015/16***  
***Date of meeting:***                    ***30 November 2015***

**Epping Forest  
District Council**

**Portfolio:**                    **Governance**

**Subject:**                    **Audit and Standards Committee – Proposed Terms of Reference**

**Responsible Officer:**                    **Sarah Marsh**                    **(01992 564446).**

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

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

- (1)     The proposal to merge the Audit and Governance Committee with the Standards Committee be approved in principle;**
- (2)     Comment on the proposed Terms of Reference for the Audit and Standards Committee;**
- (3)     Consider the committee's role with regards to Treasury Management and the assurances it requires in this area;**
- (4)     The views of the Standards Committee be sought on the matter: and**
- (5)     The Constitution Working Group be asked to consider details of required constitutional amendments and report to the Council accordingly.**

### **Executive Summary:**

Many local authorities have combined their Audit and Standards committees, especially as the workload of the Standards Committee has dwindled over recent years since the introduction of the Localism Act 2011. The proposal is to combine the Standards Committee with Audit and Governance and have a combined Terms of Reference that follows good practice from the Chartered Institute of Public Finance and Accountancy.

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

Members will be aware of the complete review of the Council's Constitution currently being undertaken by the Constitution Working Group. Now is a good time to undertake a fundamental review of the Audit and Governance Committee especially with the appointment of a new committee Chair and Chief Internal Auditor.

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

Current arrangements with having a separate Audit and Governance Committee and Standards Committee could continue.

## **Report:**

### Merging Audit and Standards Committee

1. The main role of the Standards Committee is to promote and maintain high standards of conduct by members. Matters around member conduct at committee level are relatively light and three meetings in the last year have been cancelled.

2. The Council's Audit and Governance Committee is responsible for providing independent assurance of the adequacy of the Council's risk management framework and provides independent scrutiny of the authority's financial and non-financial performance. The Committee approves the financial statements and Annual Governance Statement and enhances public trust and confidence in the governance of the authority.

3. A number of other councils have combined audit and standards committees successfully, including Broxbourne and Harlow Councils, the main drivers for this being:

- Low complaint activity especially as the Monitoring Officer has delegated authority to seek to resolve a complaint informally where a formal investigation is not merited; and
- Similarities and synergies – both Committees deal with governance, probity and transparency of processes.

4. There is by law an independent person appointed by the Council who advises on standards issues but is not permitted to be a member of the committee. This requirement has been incorporated into the proposed Terms of Reference which states *'the Council is required to appoint at least one Independent person to advise on Standards relating to complaints who shall be invited to meetings in a non-voting capacity'*.

5. There is no requirement to have independent members although the Council can appoint independent members to committees and the current Audit and Governance Committee has two independent members, and this arrangement should continue as it is line with good practice. It should be noted that Harlow District Council does not have any independent members on their Audit and Standards Committee but Broxbourne Council has an independent Chair.

6. It is important the new committee considers Standards issues at each meeting so it is proposed to have standards as a standing item on its agenda

### Proposed Terms of Reference

7. The newly merged Audit and Standards Committee would have the objective of making a positive contribution to the Council's governance and control environment. The proposed terms of reference articulates the Committee's wide remit including advising and reviewing the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance. The Committee also has an important role in ensuring public money is spent wisely and providing assurance to the public that the council is complying with the law, has an effective control framework in place and provides quality services in line with corporate priorities.

8. The proposed Terms of Reference for the Audit and Standards Committee (Appendix A) draws on experience of merging the Audit and Standards Committee at Broxbourne and Harlow Councils and is based on model Terms of Reference for local authorities as detailed in the Chartered institute of Public Finance and Accountancy publication: Audit Committees -

9. The Audit and Governance Committee's current role regarding Treasury Management has been kept in but this committee should consider whether this would be better sitting with the Resource Select Committee.

10. Presently this committee receives three Treasury Management reports a year: an outturn report in September, a mid-term report in November and in February the Treasury Management Investment and Strategy Statements. If the Resource Select Committee received the latter report instead then it could be considered at the same time as the Resource Select Committee's portfolio budget review in February ahead of the Council approving the following year's budget.

11. This would then remove the need for the Audit Committee to meet in February, and reduce the number of meetings for the Audit and Standards committee from five to four a year. The Audit Committee need to assess what assurances they require regarding Treasury Management, as they do already when considering how they gain assurances over the council's governance, risk management and control frameworks.

12. Final approval for the merger of the Audit and Standards Committee will need to be sought from Council following formal consultation with the Standards Committee (and if required from the Resource Select Committee). Early indications from the Standards Committee indicate such a merger would be beneficial for the reasons outlined above.

13. The Constitution Working Group would be asked to review the proposed new merged Articles and report to Council accordingly.

#### **Resource Implications:**

There are no significant direct financial implications as the independent members are not remunerated. Expenses of attendance are paid and training will have to be provided.

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

The Council need not appoint a Standards Committee since the changes introduced by the Localism Act 2011, but must have a code of conduct and arrangements for dealing with any allegations of a breach of the code. In addition the Council must promote high standards of conduct by members. It is suggested it is appropriate to have a committee with standards of conduct in its terms of reference. A number of other councils now have combined audit and standards committees. There is now no requirement to have independent members although the Council can appoint independent members to committees and the current Audit and Governance Committee has two independent persons.

There is by law an independent person appointed by the Council who advises on standards issues but is not permitted to be a member of the committee.

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

None.

#### **Consultation Undertaken:**

Corporate Governance Group and the Council's Monitoring Officer.

**Background Papers:**

Chartered institute of Public Finance and Accountancy publication: Audit Committees - Practical Guidance for Local Authorities and Police 2013 Edition.

**Risk Management:**

The Audit Committee 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

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.

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Date/Name	Summary of equality analysis
30/11/15 Chief Internal Auditor	The report is a review of the committee's Terms of Reference and has no equality implications.

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## Proposed Terms of Reference for Epping Forest District Council Audit and Standards Committee

### Statement of Purpose

1. The role of the Audit and Standards Committee is a key component of the council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial statements and provides a forum for considering ethical issues and ensuring high standards of conduct. The role of the committee is two-fold:
  - Audit - the purpose of the Committee is to provide independent assurance to the members of the adequacy of the risk management framework and internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place.
  - Standards – The Committee deals with a range of matters including issues concerning Councillor's conduct, provides advice and guidance to the Council, the Cabinet and individual Councillors and advises on the application and review of the Members' Code of Conduct.

### Governance, risk and control

2. To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances
3. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
4. To note the council's overall approach to value for money in ensuring the council is making best use of its resources.
5. To consider the council's framework of assurance and ensure it is adequately addresses the risk and priorities of the council.
6. To monitor the effective development and operation of risk management in the council.
7. To monitor progress in addressing risk-related issues reported to the committee
8. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
9. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
10. To monitor the anti-fraud strategy, actions and resources.

## **Internal Audit**

11. To approve the Internal Audit Charter
12. To approve the internal audit strategy and plan, including internal audit resource requirements, the approach to using other sources of assurances and any work required to place reliance upon these other sources. To approve any significant interim changes to the plan and resource requirements and make appropriate enquires of both management and the Chief Internal Auditor to determine if there any inappropriate scope or resource limitations.
13. To consider regular reports from the Chief Internal Auditor which:
  - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - Highlighting where there are concerns about progress with the implementation of agreed actions or where management has accepted a level of risk that the Chief internal Audit considers is unacceptable to the council.
  - Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement
14. To consider the Chief Internal Auditor's annual report:
  - The statement of the level of conformance with the Public Sector Internal Audit Standards and results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit
  - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
15. To support the development of effective communication with the Chief Internal Auditor.

## **External Audit and Financial Reporting**

16. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
17. To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
18. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

19. To be responsible for the appointment of the Council's external auditors and ensure it is in line with the requirements of the Local Audit and Accountability Act 2014.

### **Treasury Management**

20. To be responsible for the scrutiny of the Council's Treasury Management Strategy, including receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities, risks and associated assurances.

### **Accountability arrangements**

21. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
22. To report to the full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

### **Membership**

23. The committee shall comprise 5 members, including 3 Councillors and 2 co-opted members. Additionally the Council is required to appoint at least 1 Independent Person to advise on Standards relating to complaints who shall be invited to meetings in a non-voting capacity.
24. Councillors serving as members of the Committee shall be appointed at the Annual Council meeting of Epping Forest District Council for a term of office of one year and shall be eligible for re-appointment for further terms of office.
25. That the seats should be allocated so they are not all drawn from one political group and are also open to councillors who are not affiliated to any political group.
26. Co-opted members shall serve for a period of 3 years from appointment. Such three year appointments shall be overlapping in terms of their expiry dates. A co-opted member may serve for a total of two such terms as of right but may be considered for two further three year terms, provided he or she is successful after open competition following public advertisement. Re-appointment for further terms shall be subject to satisfactory attendance.
27. Casual vacancies for members of the Committee who are Councillors which occur shall be filled at the next ordinary Council meeting (but not an extraordinary meeting) with a term of office expiring on the date of the next Annual Council meeting.

### **Standards Committee**

28. Promoting and maintaining high standards of conduct by Councillors and Co-Opted Members.
29. Assisting Councillors and Co-Opted Members to observe the Members' Code of Conduct.
30. Advising the Council on the adoption or revision of the Members' Code of Conduct

31. Monitoring the operation of the Members' Code of Conduct.
32. Advising, and/or censuring and/or imposing a sanction on a Councillor or Co-Opted person of a Committee (or former Councillor or Co-Opted person) of the Council.
33. To advise the Council to ensure that all members of the Council have access to training in all aspects of the Member Code of Conduct.
34. Considering dispensations to Councillors and Co-Opted Members (including Parish and Town Councillors) from requirements relating to interests set out in the Members' Code of Conduct.
35. Dealing with reports referred from or on behalf of the Monitoring Officer on any matter, including investigations relating to Councillor conduct.
36. The exercise of (29) to (35) above shall apply to parish councils and their members either directly or through a joint standards arrangement
37. Adjudication on complaints regarding the operation of District Council protocols annexed to the Constitution.
38. The Committee may appoint a Complaints Sub Committee to conduct any hearing into an allegation that a Member or Co-opted Member has breached the Council's Code of Conduct. The Audit and Standards Committee shall decide the membership of the subcommittee, ensuring where possible there is a minimum of three members of the Audit and Standards Committee.
39. The Complaints Sub Committee will undertake the following functions:
  - To conduct any Hearing into an allegation that a Member or Co-opted Member has breached the Council's Code of Conduct.
  - Following a hearing, make one of the following findings:
    - That the Member has not failed to comply with the Code of Conduct and no further action needs to be taken in respect of the matters considered at the hearing: or
    - That the Member has failed to comply with the Code of Conduct but that no further action needs to be taken in respect of the matters considered at the hearing: or
    - That the Member has failed to comply with the Code of Conduct and that a sanction and/or informal resolution should be imposed. The subcommittee may impose any action or combination of actions available to it, or impose any informal resolution or combination of informal resolutions as are available to it by law or policy.
  - After making a finding, providing written notice of its findings and the reasons for its decision to the Member and complainant.

## **Eligibility for membership**

### **Councillor members**

40. Councillors appointed to the Audit and Standards Committee may not also be members of the Cabinet or any select committee appointed by the Overview and Scrutiny Committee with responsibility for reviewing the Council's finances or financial procedures.
41. A Portfolio Holder Assistant (other than any Assistant involved in any portfolio dealing primarily with the Council's finances) appointed by the Leader of the Council shall be eligible for appointment to the Committee.
42. Appointment of Councillors shall be made on the basis of evidence of the aptitude, experience or interest and for this purpose the normal rules for pro rata appointments shall not apply.
43. Formal attendance standards be operated in respect of the three councillor members when reappointment is under consideration by the Council's Appointments Panel and the Chairman and co-opted members of the Audit and Standards Committee be consulted informally about the appointment or reappointment of councillors at the appropriate time.

### **Co-opted members**

44. Co-opted members, independent of the Council, shall be appointed by the Council on the basis of their professional expertise, experience and background as relevant to the role and responsibilities of the Audit and Standards Committee. Initial appointments of co-opted members and the filling of casual vacancies shall be made following public advertisement and interviews, the latter conducted in accordance with arrangements agreed by the Council. If the number of suitable applicants exceeds the number of co-opted places on the Committee, the Council shall keep a waiting list of suitable applicants should casual vacancies occur.

### **Chairman and Vice Chairman**

45. The Chairman and Vice Chairman of the Audit and Standards Committee shall be appointed at the first meeting of the Committee in each Council year for a term of one year expiring on the date of the first meeting of the Committee of the next Council year.
46. Casual vacancies in the position of Chairman and Vice Chairman shall be filled in the same way as required in respect of members of the Committee (see paragraph 28 above).
47. Both Councillors and co-opted members serving on the Committee shall be eligible for appointment to the office of Chairman and Vice Chairman.
48. Where the Chairman of the Committee is a Councillor, the Vice Chairman will be appointed from among the Co-opted members. Where the Chairman is one of the Co-opted members, the Vice Chairman shall be a Councillor.
49. The Chairman and Vice Chairman shall be eligible for re-appointment.

### **Parish/Town Councils**

50. Parish/Town Councils affiliated to the Standards Committee will be sent meeting agendas and invited to attend where appropriate.

#### **Meetings of the Committee**

51. The Committee shall meet at least three times each financial year.
52. The Committee shall be entitled to require any Member, Director, their representatives or any other officer to attend their meetings in order to discuss any matters under discussion including the annual audit programme.

#### **Decision Making**

53. Only the Councillors and co-opted members serving on the Committee shall be entitled to vote.
54. All members of the Committee shall be entitled to all documents advice and facilities relevant to their membership of the Committee, regardless of their status as either a Councillor or Co-opted member.

#### **Other Requirements**

55. All members of the Committee shall respect the confidentiality of Council information and proceedings where appropriate, particularly where exempt or confidential business is involved.
56. All co-opted members of the Committee shall be required to make a statutory registration of interests in the same form as those required of serving councillors and to be aware at all times of the requirement to clear any interest relating to their work on the Committee.
57. Members of the Committee should seek to attend all meetings of the Committee unless there are exceptional circumstances which prevent this.
58. All members of the Committee should ensure that they participate fully in any training designed to assist them in their responsibilities as members of the Committee. Similarly all members should act on appropriate advice and other information supplied by the Council to improve their effectiveness.



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



**Epping Forest  
District Council**

**Report reference:** **AGC-013-2015/16**  
**Date of meeting:** **30 November 2015**

**Portfolio:** **Governance**

**Subject:** **Internal Audit Charter 2015**

**Responsible Officer:** **Sarah Marsh** **(01992 564446).**

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

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

- (1) The Committee is asked to approve the revised Internal Audit Charter (appendix A).**

### **Executive Summary:**

The Public Sector Internal Audit Standards (PSIAS) adopted throughout the UK Public Sector from 1 April 2013, requires that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, which the Chief Internal Auditor must periodically review and present to senior management and the Audit and Governance Committee for approval.

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

The Internal Audit Charter is required by the Public Sector Internal Audit Standards.

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

No other options

### **Report:**

1. The UK Public Sector Internal Audit Standards requires that the purpose, authority and responsibility of the internal audit function is defined in an internal audit charter, consistent with the Definition of internal Auditing, the Code of Ethics and the International Standards. The Chief Internal Auditor must periodically review the Internal Audit Charter and present it to the Audit and Governance Committee for approval.
2. CIPFA's publication "Audit Committees - Practical Guidance for Local Authorities and Police (2013 edition)" states that the audit committee should fulfil a role in the review and approval of the internal audit charter. The audit committee also has key role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function.
3. The previous Internal Audit Charter was presented and approved at the 25 September 2014 meeting of the Audit and Governance Committee. There have been no substantial changes to the content from that presented last year, however, the format has been brought in line with those in place at Broxbourne and Harlow Councils. The key principles required by the

Public Sector Internal Audit Standards remain unchanged including:

- The purpose, authority and responsibility of internal audit.
- Internal Audit Independence and objectivity.
- The scope of Internal Audit activities.
- Planning and reporting.
- Internal Audit resources.

**Resource Implications:**

No specific implications

**Legal and Governance Implications:**

The purpose, authority and responsibility of the Internal Audit function must be formally defined in an Internal Audit Charter, as required by the UK Public Sector Internal Audit Standards.

**Safer, Cleaner and Greener Implications:**

No specific implications

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

Public Sector Internal Audit Standards

**Risk Management:**

The Public Sector Internal Audit Standards are mandatory for all UK Public Sector organisations.

# 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.

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Date/Name	Summary of equality analysis
30/11/15 Chief Internal Auditor	The report defines the work of Internal Audit and has no equality implications.

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# INTERNAL AUDIT CHARTER

**Author:** S.Marsh

**Title:** Chief Internal Auditor

**Date:** November 2015



*Epping Forest District Council*

## INTERNAL AUDIT CHARTER

### 1. INTRODUCTION AND PURPOSE

- 1.1 The purpose of this Charter is to set out the nature, role, responsibility, status and authority of Internal Audit within Epping Forest District Council (EFDC), and to outline the scope of internal audit work. The Charter will also be used to monitor the performance of the Internal Audit function.
- 1.2 The United Kingdom Internal Auditing Standards (UKPSIAS) define Internal Auditing as:  
  
*'An independent objective assurance and consulting activity designed to add value and improve an organisation's operations. 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'.*
- 1.3 Internal Audit work is conducted in accordance with the UKPSIAS and any specific codes and professional guidance including CIPFA's application note in relation to compliance with the UKPSIAS and the Institute of Internal Auditors' Practice Advisories, Practice Guides and Position Papers.

### 2. REVIEW OF THE AUDIT CHARTER

- 2.1 This Charter will be subject to annual review by the Chief Internal Auditor, and any significant changes presented to the Audit and Governance Committee for approval.

### 3. ROLE OF INTERNAL AUDIT

- 3.1 Within local government there is a statutory requirement for an Internal Audit function. The Accounts and Audit (England) Regulations 2011 require that a local authority 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.
- 3.2 In addition, the Council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. The S151 Officer relies, amongst other sources, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.
- 3.3 Internal Audit's activities and responsibilities are defined and approved by the Audit and Governance Committee, via this Charter, as part of their oversight role. The Chief Internal Auditor reports functionally to the Director of Governance. In recognising the unique and critical role of the Chief Internal Auditor, CIPFA's *Statement on the Role of the Head of Internal Audit (HIA)* sets out 5 key principles for delivering an effective internal audit function. Each of these 5 principles is underpinned by expected governance arrangements, core HIA responsibilities and personal and professional standards expected of the post holder. As part of the continuous assessment of the effectiveness of the Internal Audit function, these principles are benchmarked against current practices and reported accordingly.
- 3.4 Internal Audit's primary role is to assist the Council's management team, particularly the Chief Executive, the Chief Financial Officer/Section 151 Officer, the Monitoring Officer, and Directors in the effective discharge of their responsibilities. To this end, Internal Audit provides them with analyses, appraisals, recommendations, advice and information to enable effective control over the activities reviewed, including the Council's financial affairs.
- 3.5 Importantly, the Internal Audit Plan culminates in the Chief Auditor providing an annual audit opinion to Members and management on the overall adequacy and effectiveness of the Council's internal control environment which, in turn, informs the Annual Governance Statement. Internal Audit has a significant role / input into the production of the Annual Governance Statement (AGS) as part of the publication of the Annual Accounts.

- 3.6 Internal Audit has a role in understanding the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the systems of risk management and internal control operated by the Council.

#### **4. MISSION AND AIMS OF INTERNAL AUDIT**

- 4.1 The aims of Internal Audit are to: -

- Provide a high quality and effective audit service that is responsive to the needs and requirements of Members and management;
- Add value to the Council's systems by identifying areas for improvement and offering advice and assistance to Members and management to ensure effective systems of internal control;
- Assist the Council discharge its corporate governance requirements.

#### **5. RESPONSIBILITIES OF INTERNAL AUDIT**

- 5.1 Internal Audit is responsible for: -

- The examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes.
- Compliance with significant policies and procedures established by management and Members.
- Conducting its work in accordance with UKPSIAS and associated codes of ethics and other guidance for the Professional Practice for Internal Auditing.
- Ensuring that it is appropriately resourced to be able to deliver the agreed Audit Plan.

- 5.2 The delivery of the Internal Audit function is predominantly via in-house resources supplemented where necessary by engaging external resources to cover for periodic shortfalls or, for example, to provide a specific expertise.

#### **6. INDEPENDENCE AND OBJECTIVITY**

- 6.1 Internal Audit will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective approach to its work.

- 6.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Internal Audit may, however, review systems under development and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

- 6.3 The Chief Internal Auditor will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the Internal Audit activity.

#### **7. CONFLICTS OF INTEREST**

- 7.1 Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

- 7.2 Each auditor is required to proactively declare any potential 'conflict of interest' prior to the commencement of each audit assignment. All auditors are required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest. Auditors who undertake

any consultancy work will be prohibited from auditing those areas. Where possible audits are rotated within the team to avoid over-familiarity and complacency.

- 7.3 In any circumstances where a potential conflict of interest were to arise this would be reported and, where applicable, appropriate arrangements approved by the Director of Governance to avoid any compromise of internal audit independence.

## **8. STATUS OF INTERNAL AUDIT IN THE COUNCIL**

- 8.1 Internal Audit has direct access to senior management, the Audit and Governance Committee, the Chief Executive and the Chair of the Audit and Governance Committee. The Director of Resources as S151 Officer and the Audit and Governance Committee will jointly agree the level of Internal Audit resource to be deployed at the Council. The Chief Internal Auditor will communicate and interact directly with senior management and the Audit and Governance Committee, including between meetings as appropriate. Outside of formal senior management meetings and meetings of the Audit and Governance Committee, the Chief Internal Auditor will have unrestricted access to the Chief Executive and to the Chair of the Audit and Governance Committee.
- 8.2 For the purposes of the Internal Audit activity, the following groups are defined:

### **Audit and Governance Committee**

The Audit and Governance Committee is responsible for providing independent assurance to the Council of the adequacy of the risk management framework, associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit and Governance Committee is also responsible for oversight of the Internal Audit function, including:

- To agree the Council's Internal Audit Strategy Plan, Annual Audit Plan and monitor performance against all associated plans.
- To review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- To receive an Annual Report from the Chief Internal Auditor.

### **Corporate Governance Group**

The Council's Corporate Governance Group provides leadership and direction for the Council. The Group is responsible for monitoring and reviewing the corporate governance framework including:

- The Council's constitution, including financial regulations, contract standing orders and officer delegation;
- the Code of Corporate Governance;
- the annual governance statement for inclusion in the council's statutory statement of accounts;
- risk management, including the corporate risk register;
- anti-fraud and anti-corruption policies and measures.

- 8.3 For line management purposes, the Chief Internal Auditor reports to the Director of Governance, who approves all decisions regarding the performance, evaluation, appointment, or removal of the Chief Internal Auditor, in consultation with the Audit and Governance Committee. The Director of Resources, as Section 151 Officer, should ensure an effective Internal Audit function is resourced and maintained.



- 8.4 The day to day operational management of the Internal Audit function lies with the Chief Internal Auditor who is accountable through the Director of Governance to the Audit and Governance Committee for standards of performance and the proper discharge of the audit function.
- 8.5 The Chief Internal Auditor is responsible for the preparation of the Annual Audit Plan, agreeing it with Members and the effective implementation of the Audit Plan. Prior to drawing up the Audit Plan, the Chief Internal Auditor will consult with Directors, Assistant Directors and Corporate Governance Group with regard to risks, concerns etc. and take account of any issues raised by them.

## **9. AUTHORITY AND ACCESS FOR INTERNAL AUDIT WORK**

- 9.1. Internal Audit, with strict regard to confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all Council records (paper and computerised), physical properties, IT systems and personnel pertinent to carrying out any engagement. Such access will be granted on demand and need not be subject to prior notice. However, Internal Audit will endeavour to give adequate and reasonable notice, where possible, when working on routine audit reviews.
- 9.2 Internal Audit also has free and unrestricted access to the Audit and Governance Committee and Senior management. Internal Audit examines and evaluates, on a risk focussed basis, the whole system of controls established by management, not just the controls over financial accounting and reporting, but all operational and management controls.

## **10. SCOPE**

- 10.1 The scope of Internal Audit work encompasses but is not restricted to the following: -
- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the Council's defined goals and objectives;
  - the extent of compliance with, relevance of, and financial effect of, policies, strategies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations;
  - the extent to which the assets and interests are acquired, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause;
  - the suitability, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
  - the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic aims;
  - the suitability of the organisation of the areas audited for carrying out their function, to ensure that services are provided in a way which is economical, efficient and effective;
  - the follow-up actions taken to implement recommendations made and remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and widely communicated;
  - the operation of the Council's corporate governance and risk management arrangements.
- 10.2 Internal Audit may undertake consultancy activity (additional activity requested by management) where it has the necessary skills and resources to do this, and this will be determined by the Chief Internal Auditor in consultation with Director of Governance on a case by case basis.

## **11. PLANNING AND REPORTING**

- 11.1 A risk based approach is adopted in planning the work of the audit function. This involves a needs and risk assessment of all the activities carried out by the Council from which an Annual Plan is prepared. The type of audits covered include: -
- Key financial systems reviews
  - Systems/Operational Reviews – either high level assurance or full scope detailed reviews.
  - Proactive Anti-fraud work and fraud investigations are referred to the Corporate Fraud Team as appropriate.
  - Specialist Audits (for example, contract/computer/major projects)
  - Corporate governance support work
  - Audit Advice
- 11.2 The Chief Internal Auditor submits to Members for approval an Annual Internal Audit Plan, setting out the recommended scope of audit work in the period based upon risk assessment criteria. The Annual Plan is developed with reference to a longer term strategic outlook for Internal Audit work for the three year period, prepared in conjunction with management. The Audit Plan is a dynamic document, which is flexible and reactive to situations arising during the course of the period covered and hence may be subject to review and revision during the year.
- 11.3 In determining the Annual Internal Audit Plan and coverage, the Chief Internal Auditor takes into account several factors including the Council's risk management arrangements and other assurance and monitoring arrangements for achieving the Council's objectives. The allocation of resources is based upon the relative knowledge, skills, experience and any specialisms that may be required. The Chief Internal Auditor can also draw upon other parties to deliver internal work for example to meet "in-house" shortfalls arising from sickness, vacancies or to provide a particular specialism. If the Chief Internal Auditor considers that the audit resources available in any way limit the scope of Internal Audit or prejudice the ability of Internal Audit to deliver a service consistent with the standards expected, then those charged with the governance of the Council would be advised accordingly.
- 11.4. Internal Audit carry out the work, as agreed, report upon the outcome and findings, and make appropriate recommendations on the action to be taken as a result. Directors' response will include a timetable for anticipated completion of action to be taken. The reporting arrangements will include both individual and composite reports to Directors and the Corporate Governance Group and where appropriate to the Audit and Governance Committee, at the agreed intervals.
- 11.5 Internal Audit is responsible for appropriate follow up on engagement findings and recommendations and will report to the Audit and Governance Committee on the results.
- 11.6 Internal Audit will report to the Audit and Governance Committee, in accordance with the agreed arrangements, on the overall adequacy of the internal control system and major findings, recommendations and management actions. Any significant deviation from the approved Audit Plan will be communicated through the periodic activity reporting process.
- 11.7 Based upon its work, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit and Governance Committee and to the Corporate Governance Group, including fraud risks, governance issues, and other matters needed or requested by these bodies. This ensures that Internal Audit plays a key role in providing assurance to the Audit and Governance Committee and the Corporate Governance Group on the effectiveness of the entire control environment.

## **12. FRAUD**

- 12.1 Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. However, internal auditors should be alert in all their work to risks and exposures that could allow fraud and corruption to take place and to any indicators that fraud and corruption may have occurred. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.
- 12.2 It is individual service areas' responsibility to consider the risk and impact of fraud and to design and implement suitable safeguards to mitigate these risks. The role of Internal Audit in relation to countering fraud is to support services in minimising fraud-related risk. It does this in several ways including:
- Liaison and provide assistance to the Corporate Fraud Team, as part of the Internal Audit Function.
  - Developing and reviewing the Council's Anti-Fraud Strategy.
  - Maintaining a Fraud Response Plan.
  - Financial Regulations requiring all incidents of suspected or detected fraud to be notified to the Chief Internal Auditor.
  - Developing and maintaining data and intelligence networks with appropriate bodies including the Cabinet Office (NFI), Police, other Local Authorities and Government agencies.
- 12.3 Suspected or detected fraud should be notified to Internal Audit and the Section 151 Officer, who will decide on the most appropriate course of action and a decision taken as to who should lead any subsequent investigation, whether it is Internal Audit, the Corporate Fraud Team or service management, and whether to report to the police.

## **13. PERIODIC ASSESSMENT**

- 13.1 Internal Audit will, in conjunction with the Audit and Governance Committee, provide regular reports on its performance and effectiveness drawing upon both quantitative and qualitative measures including feedback from clients, adherence to professional standards and through the opinion of the external auditors. Furthermore, there will be mechanisms for quality control/continuous improvement in service delivery through such measures including internal self-assessments, peer reviews and independent external assessment, the latter to be conducted at least every 5 years.

## **14. RESPONSIBILITIES OF CORPORATE GOVERNANCE GROUP AND DIRECTORS**

- 14.1 The Council's Corporate Governance Group and Directors have responsibility for determining the scope of Internal Audit work, in relation to relevant professional standards / guidelines, and for deciding the action to be taken on the outcome of, or findings from, their work.
- 14.2 They also have a responsibility to ensure that the Internal Audit function has: -
- the support of management,
  - adequate resources; and
  - direct access and freedom to report to senior management and Members, including the Section 151 Officer, Monitoring Officer, Chief Executive and Cabinet / the relevant Committee.
- 14.3 The Corporate Governance Group and Directors also have primary responsibility for establishing and maintaining a proper and effective control environment and for managing risk, including proper accounting records and other management information for running the Council. In addition there is also a primary responsibility for the prevention and detection of fraud, including the prompt reporting to all relevant parties of any evidence or reasonable suspicion of an irregularity.

- 14.4 During the course of an audit, Directors and their staff will be required to cooperate fully with the auditor's requirements, including the completion of action plans, signing off audit reports and the timely implementation of specific and agreed recommendations made by Internal Audit.

**15. RELATIONSHIP WITH THE EXTERNAL AUDITORS / OTHER REGULATORY BODIES**

- 15.1 Internal Audit will consult and where appropriate work closely with others, particularly the external auditors, to minimise areas of duplication and to maximise the value obtained from the total audit resource. However, the work of Internal Audit will not be driven by external audit's own priorities.

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



***Report reference: AGC-014-2015/16***  
***Date of meeting: 30 November 2015***

**Epping Forest  
District Council**

**Portfolio: Finance**

**Subject: Mid-Year Report on Treasury Management and Prudential  
Indicators 2015/16**

**Responsible Officer: Simon Alford (01992 564455).**

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

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

- (1) To note how the risks associated with Treasury Management have been dealt with in the first half of 2015/2016; and**
- (2) To make any comments or suggestions that Members feel necessary to the Finance & Performance Management Cabinet Committee.**

### **Executive Summary:**

The mid-year treasury report is a requirement of the CIPFA Code of Practice on Treasury Management. It covers the treasury activity for the first half of the financial year 2015/16.

During the first half of the year: the Council has continued to finance all capital expenditure from within internal resources; the average net investment position has been approximately £61.9m; and there have been no significant breaches on any of the prudential indicators.

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

To inform the Committee about the risks associated with Treasury Management and how the Council has sought to manage these risks.

To comply with the Committee's role and responsibilities, which include being responsible for the scrutiny of the Council's Treasury management strategy, including consideration of mid year and outturn reports.

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

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

### **Report:**

#### **Introduction**

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which

includes the requirement for determining a treasury strategy on the likely financing and investment activity for the current year. The updated code in 2011 also recommended that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

2. The report attached at appendix 1 shows the mid-year position of the treasury function in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

#### Capital Activity for the Year and how It was Financed

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc; or through borrowing.

4. The Council does not plan to borrow in order to carry out its capital programme. But borrowing is likely to be required to finance other approved capital developments. The original estimate, along with expenditure to month 6 (30 September 2015) is shown below in the table. The £14.222m includes the land purchase at Langston Road, for which Council agreed a supplementary capital estimate.

<b>Capital Expenditure</b>	<b>Estimated £m</b>	<b>to month 6 £m</b>
Non-HRA capital expenditure	7.476	14.222
HRA capital expenditure	18.952	5.972
<b>Total Capital expenditure</b>	<b>26.428</b>	<b>20.194</b>
<b>Financed by:</b>		
Capital grants	1.395	
Capital receipts	8.002	
Revenue	17.031	
<b>Total resources Applied</b>	<b>26.428</b>	

5. The revised capital programme is currently being worked on and will be going to Cabinet for approval in December.

6. There is a financial risk involved in reducing the balance of usable capital receipts over the next five years. This risk has the following potential consequences; loss of interest; loss of cover for contingencies; service reductions required; and large Council Tax increases required.

7. This prudential indicator assists the Council in controlling and monitoring the level of usable capital receipts that will be available at the end of a five-year period. The original Capital Programme for the three years to 2017/18 totals £72m and was fully funded. It was predicted that at the end of 2017/18 there would still be £3.0m available in Capital Receipts and £2.0m in the Major Repairs Reserve. These figures will be revised as part of the update to the Capital Programme.

#### The Impact on the Council's Indebtedness for Capital Purposes

8. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. The Council now has an overall positive CFR (HRA and Non-HRA) following the borrowing in relation to the HRA self-financing, but had no underlying need to borrow for capital purpose as highlighted in the

previous section.

<b>CFR</b>	<b>Financial year 2015/16</b>		
	<b>Estimated £m</b>	<b>Revised £m</b>	<b>to month 6 £m</b>
Non-HRA	59.6	59.6	29.6
HRA	155.1	155.1	155.1
<b>Total Capital expenditure</b>	<b>214.7</b>	<b>214.7</b>	<b>184.7</b>

9. The Director of Resources confirms that there were no breaches of the Authorised Limit (£230m), the Operational Boundary (£219m) and the Maturity Structure of Fixed Rate Borrowing during the period to 30 September 2015.

10. The risks for Councils are associated with affordability, interest rates and refinancing – the affordability risk is whether the Council can afford to service the loan, this has been evidenced through the Council producing a viable thirty-year financial plan for the HRA. This plan is reviewed quarterly by officers and half yearly reports are presented to Housing Scrutiny Panel. The interest rate risk is whether a change in interest rate could have an impact on the viability of the financial plan. The Council received advice from our treasury advisors before undertaking the borrowing. Only 17% of the amount borrowed was at a variable rate, the remainder was fixed. Any upward movement in interest rates would be ‘hedged’ by a corresponding increase in interest earned on Council investments. The refinancing risk is that maturing borrowings, capital project or partnership financing cannot be refinanced on suitable terms. Within the original capital programme, it was anticipated that all borrowing would be repaid on maturity and the capital programme would be financed through internal resources. The Council does though intend to borrow later in 2016-17 in order to finance approved capital projects e.g. Langston Road Retail Development.

11. These prudential indicators assist the Council in controlling the level of debt the Council may need to finance over the coming years and ensure where debt is owed it is managed, such that the Council would not be left in a situation where it finds itself having to refinance on unsuitable terms.

#### The Council's Overall Treasury Position

12. During the first half of 2015/16 the average investment position for the first half of the year was £61.9m. The table below shows the treasury position as at 30 September 2015.

<b>Treasury position</b>	<b>31/03/2015 £m</b>	<b>30/09/2015 £m</b>
<b>Total external borrowing</b>	<b>(185.456)</b>	<b>(185.456)</b>
Short term investment		
▪ Fixed investment	56.0	45.5
▪ Variable investment	6.4	2.6
Long term investment	5.0	5.0
<b>Total investments</b>	<b>67.4</b>	<b>53.1</b>
<b>(Net Borrowing) / Net Investment Position</b>	<b>(118.056)</b>	<b>(132.356)</b>

13. It is important that the cash flow of the Council is carefully monitored and controlled to ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

14. The Director of Resources confirms that there have been no breaches of:

- (a) The Upper Limit for Fixed Rate Exposure (100%) and Upper Limit for Variable Rate Exposure (25%) on investment during the period, with the average rates of 83% and 17% being achieved;
  - (b) The limit set for investment over 364 days (£30m). The Council has made one investment totalling £5m over 364 days. The average length of short term investment for the period is 147 days; and
  - (c) The limit set for investment in non UK Country (30%). The Council made one investment (9%) to a counterparty outside of the UK.
15. The risks associated with this section are as follows:
- (a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury management advisors (Arlingclose).
  - (b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Resources has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of instant access accounts are used to ensure adequate cash remains available.
  - (c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council has currently around 26% of its investments in variable rates (upper limit 75%), and the remainder are in fixed rate deposits on average for around 147 days. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates. The view of the Council's treasury advisors is that interest rates are unlikely to change significantly in the short term.
16. The prudential indicators within this section assist the Council to reduce the risk of:
- (a) Counterparties going into liquidation by ensuring only highly rated institutions are used when investing the Council's money.
  - (b) The Council incurring unbudgeted short-term loans, to pay unexpected expenditure items through ensuring adequate amounts of money are available immediately through instant access accounts.
  - (c) Potentially losing out on investment income when interest rates start to increase by ensuring that most deposits are kept within one year.

#### Heritable Bank

17. During this financial year, the Council has received a further dividend from the administrators of the Heritable Bank which has taken total dividends so far to 98% of the value of deposits. No further update has been received from Ernst and Young.



**Resource Implications:**

The continued low interest rate was reflected in estimated investment income to the Council of £470,000 in 2015/16. The revised estimate is now £425,000 due to lower than anticipated balances. Interest rates are not expected to rise in the short term.

**Legal and Governance Implications:**

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

The Council's external treasury management advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

**Background Papers:**

The report on the Council's Prudential Indicators for 2015/16 to 2017/18 and the Treasury Management Strategy for 2015/16 to 2017/18 went to Council on 17 February 2015.

**Risk Management:**

As detailed in the report, a risk averse position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

# 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.

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No groups of people are affected by this report which is not directly service related.

## **Semi-Annual Treasury Report 2015/16**

### **1. Introduction**

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

The Council's Treasury Management Strategy for 2015/16 was approved by full Council on 17<sup>th</sup> February 2015 which can be accessed on :-

<http://rds.eppingforestdc.gov.uk/ieListDocuments.aspx?CId=296&Mid=7954&Ver=4> .

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

### **2. External Context**

As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centred on the never-ending Greek issue stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) - barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.

On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. This U-turn saw a revolt within the ruling Syriza party and on 27th August, Alexis Tsipras resigned from his post as Prime Minister of Greece after just eight months in office by calling a snap election, held on 20th September. This gamble paid off as Tsipras led his party to victory once again, although a coalition with the Independent Greeks was needed for a slim parliamentary majority. That government must now continue with the unenviable task of guiding Greece through the continuing economic crisis - the Greek saga is far from over.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported \$3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24<sup>th</sup> August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'. Chinese stocks have recovered marginally since and

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are trading around the same level as the start of the year. Concerns remain about slowing growth and potential deflationary effects.

**UK Economy:** The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.7%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.4%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before fluctuating between 0.0% and 0.1% over the next few months. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to July fall to 5.5%. In the September report, average earnings excluding bonuses for the three months to July rose 2.9% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a twice-revised 3.9% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and construction and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. The Committee decided not to act at its September meeting as many had been anticipating but have signalled rates rising before the end of the year.

**Market reaction:** Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August and September. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

### **Local Context**

At 31/3/2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £184.7m, while usable reserves and working capital which are the underlying resources available for investment were £114.9m.

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At 31/3/2015, the Council had £185.5m of borrowing and £67.4m of investments. The Council's current strategy is to use internal borrowing (running down the Council's cash balances), subject to holding a minimum investment balance of £10m.

The Council has an increasing CFR over the next 3 years due to the capital programme and approved capital projects, but investments will fall and the Council will therefore be required to borrow up to £30m over the forecast period.

### **Borrowing Strategy**

At 30/9/2015 the Council held £185.5m of loans, (no change on the position as at 31/3/2015), as part of its strategy for funding the Self-Financing Housing deal.

The Council does not expect to borrow in 2015/16, but does expect to borrow up to £30m by the end of 2016/17.

The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council determined it was more cost effective in the short-term to use internal resources.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

£31.8m of PWLB variable rate loans were borrowed in 2012 at an average rate of 0.62% which mitigates the impact of changes in variable rates on the Authority's overall treasury portfolio (most of the Council's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

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### Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2015 £m	Avg Rate % and Avg Life (yrs)
CFR	184.7				184.7	
Short Term Borrowing <sup>1</sup>	0	0	0	0	0	
Long Term Borrowing	185.5	0	0	0	185.5	3% - 22 years
<b>TOTAL BORROWING</b>	185.5	0	0	0	185.5	
Other Long Term Liabilities	0	0	0	0	0	
<b>TOTAL EXTERNAL DEBT</b>	185.5	0	0	0	185.5	
Increase/ (Decrease) in Borrowing £m					0	

**PWLB Certainty Rate and Project Rate Update:** The Council qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In April the Council submitted its 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015. Published shortly on the DMO website.

#### **Debt Rescheduling:**

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

#### **Investment Activity**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2015/16 the Authority's investment balances would range between £67m and £35 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

<sup>1</sup> Loans with maturities less than 1 year.

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### Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m	Avg Rate/Yield (%) and Avg Life years)
Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher - Local Authorities	47.4	63	72.3	38.1	0.61% - 147 days
Long term Investments - Banks and Building Societies with ratings of A+ or higher - Local Authorities	5	0	0	5	1.3% - 413 days
Money Market Funds	15	5	10	10	0.49%
<b>TOTAL INVESTMENTS</b>	<b>67.4</b>	<b>68</b>	<b>82.3</b>	<b>53.1</b>	
Increase/ (Decrease) in Investments £m				(14.3)	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

### **Credit Risk**

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2015	A+	5.10	AA-	3.98
30/06/2015	A+	5.17	AA-	3.68
30/09/2015	A+	5.34	AA-	4.44

#### Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

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### **Investment Activity**

£5 million has been placed Long Term with a UK Local Authority. £10 million was placed with Money Market Funds as being readily available. Slightly better yields are obtained with the £38 million placed mainly with UK Banks and Building Societies.

### **Counterparty Update**

All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A, RBS to BBB+ from A- and Deutsche Bank to BBB+ from A. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its effect on the economy.

National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB is looking to list Clydesdale on the London Stock Exchange and transfer ownership to NAB's current shareholders. Fitch placed the long- and short-term ratings of the bank on rating watch negative which the agency is expected to resolve once the transaction has been completed. S&P has also placed the long-term rating of Clydesdale Bank on CreditWatch negative following the announcement.

At the end of July, the Council's treasury advisors Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.



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### **Budgeted Income and Outturn**

The average investment balances were £55.6m during the quarter. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.61%. Investments in Money Market Funds generated an average rate of 0.49%.

The Council's budgeted investment income for the year is estimated at £0.47m. The Council anticipates an investment outturn of £0.425m for the whole year.

### **Update on Investments with Icelandic Banks**

Total received £2.46m (98.00%). The 15th dividend of £99,979.39 was received at the end of August 2015. There has been no further update from Ernst and Young.

### **Compliance with Prudential Indicators**

The Authority confirms compliance with its Prudential Indicators for 2015/16, which were approved on the 17<sup>th</sup> February by Full Council as part of the Council's Treasury Management Strategy Statement.

### **Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the percentage of net principal borrowed or interest payable will be:

D = Debt I = Investment	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100 D/100 I	100 D/100 I	100 D/100 I
Actual	83 D/ 91 I		
Upper limit on variable interest rate exposure	25 D/75 I	25 D/75 I	25 D/75 I
Actual	17 D/ 9 I		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	100%	0%	0%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%

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5 years and within 10 years	100%	0%	17%
10 years and within 20 years	100%	0%	0%
20 years and within 30 years	100%	0%	83%
30 years and within 40 years	100%	0%	0%
40 years and within 50 years	100%	0%	0%
50 years and above	100%	0%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual	£5m		

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	A-	A+

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£20m	£29m

### Other Prudential Indicators

The following three prudential indicators are relevant to the treasury function as they concern limits on borrowing and the adoption of the CIPFA Treasury Management Code.

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**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	204.0	219.0	219.0	219.0
<b>Total Debt</b>	<b>204.0</b>	<b>219.0</b>	<b>219.0</b>	<b>219.0</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	230.0	230.0	230.0	230.0
<b>Total Debt</b>	<b>230.0</b>	<b>230.0</b>	<b>230.0</b>	<b>230.0</b>

**Adoption of the CIPFA Treasury Management Code:** The Council approved the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* at its meeting on the 22<sup>nd</sup> April 2002.

### Outlook for Q3 and Q4 2015/16

Arlingclose's expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70

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### Appendix 2

#### Money Market Data and PWLB Rates

*The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.*

*Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.*

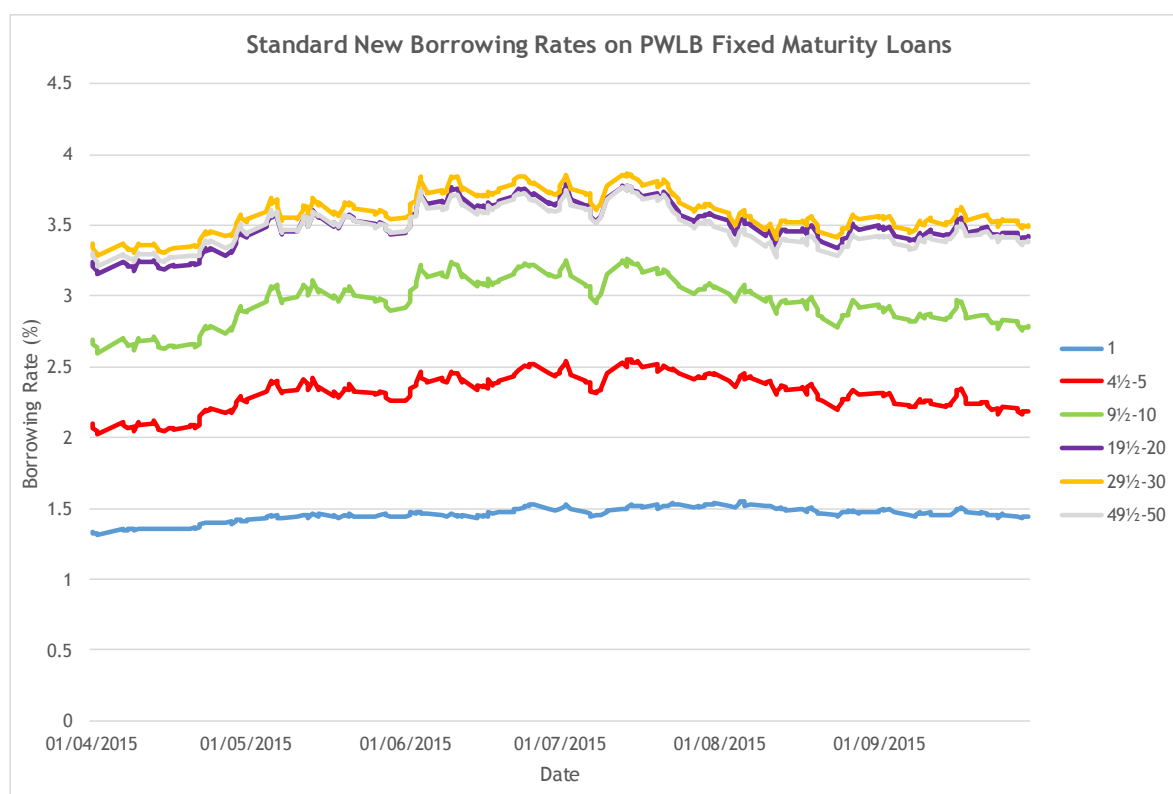
**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
<b>Average</b>	<b>0.50</b>	<b>0.40</b>	<b>0.46</b>	<b>0.43</b>	<b>0.53</b>	<b>0.76</b>	<b>0.99</b>	<b>1.03</b>	<b>1.25</b>	<b>1.58</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.48</b>	<b>0.58</b>	<b>0.56</b>	<b>0.65</b>	<b>0.86</b>	<b>1.02</b>	<b>1.17</b>	<b>1.44</b>	<b>1.82</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.17</b>	<b>0.40</b>	<b>0.43</b>	<b>0.51</b>	<b>0.55</b>	<b>0.97</b>	<b>0.87</b>	<b>1.04</b>	<b>1.29</b>
<b>Spread</b>	<b>--</b>	<b>0.31</b>	<b>0.18</b>	<b>0.13</b>	<b>0.14</b>	<b>0.31</b>	<b>0.05</b>	<b>0.30</b>	<b>0.40</b>	<b>0.53</b>

**Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	128/15	1.32	2.07	2.66	3.21	3.34	3.30	3.28
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
29/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
28/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
	<b>Low</b>	1.31	2.02	2.60	3.16	3.28	3.23	3.21
	<b>Average</b>	1.46	2.32	2.96	3.51	3.59	3.52	3.49
	<b>High</b>	1.55	2.55	3.26	3.79	3.87	3.80	3.78

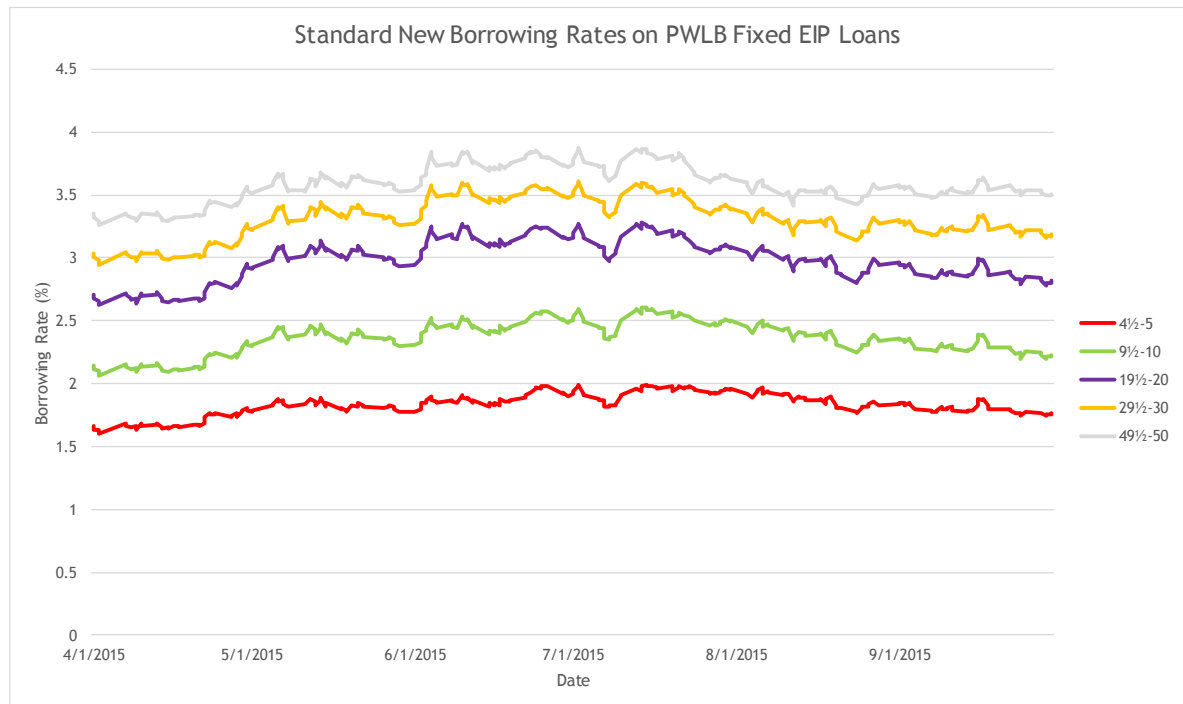
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**Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/15	1.63	2.11	2.68	3.00	3.22	3.32
30/04/2014	166/15	1.79	2.31	2.92	3.24	3.45	3.54
29/05/2014	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2014	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2014	294/15	1.96	2.50	3.09	3.39	3.57	3.63
28/08/2014	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2014	379/15	1.76	2.23	2.82	3.19	3.43	3.51
	<b>Low</b>	1.60	2.06	2.62	2.94	3.16	3.26
	<b>Average</b>	1.84	2.37	2.99	3.31	3.51	3.59
	<b>High</b>	1.99	2.60	3.28	3.61	3.79	3.87

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**Table 4: PWLB Variable Rates**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
29/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
28/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
<b>Low</b>	0.62	0.61	0.66	1.52	1.51	1.56
<b>Average</b>	0.63	0.65	0.70	1.53	1.55	1.60
<b>High</b>	0.66	0.69	0.78	1.56	1.59	1.68