

EPPING FOREST DISTRICT COUNCIL AUDIT & GOVERNANCE COMMITTEE MEETING MINUTES

Thursday 27 July 2023, 7.00 pm – 8.35 pm
Council Chamber - Civic Offices

Members Present:	Councillors P Bolton (Chairman) M Owen, B Vaz and J M Whitehouse
Other Councillors:	Councillors J Philip
Apologies:	Councillor(s) T Matthews
Officers In Attendance:	Christopher Hartgrove (Interim Chief Financial Officer), Andrew Small (Strategic Director, Corporate and Section 151 Officer), Sarah Marsh (Chief Internal Auditor), Martin Crowe (Corporate Fraud Team Manager), Gary Woodhall (Team Manager - Democratic & Electoral Services) and Pat Seager (Chairman's Officer)
Officers In Attendance (Virtually):	Vivienne Messenger (Democratic Services Officer) Julia Berry, Mandy Fuller and Sheena Adrian (Finance Officers)

A RECORDING OF THIS [MEETING](#) IS AVAILABLE FOR REPEATED VIEWING

1 WEBCASTING INTRODUCTION

The Democratic & Electoral Services Team Manager made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

2 ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

The Democratic & Electoral Services Team Manager invited nominations from the Committee for the roles of Chairman and Vice-Chairman for the forthcoming municipal year.

Resolved:

- (1) That Cllr P Bolton be elected Chairman of the Audit & Governance Committee for the 2023/24 municipal year; and
- (2) That T Jarvis be elected Vice-Chairman of the Audit & Governance Committee for the 2023/24 municipal year.

3 DECLARATIONS OF INTEREST

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

4 MINUTES

RESOLVED:

- (1) That the minutes of the meeting held on 20 March 2023 be taken as read and signed by the Chairman as a correct record.

5 MATTERS ARISING

There were no matters arising from the minutes of the previous meeting which warranted further discussion.

6 AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME

The Committee noted its Work Programme for 2023/24.

7 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2022/23

S Marsh, the Chief Internal Auditor, presented the Audit & Governance Committee Annual Report for 2022/23, which aimed to show that the Committee had supported the Council in maintaining a high standard of corporate governance. It was a recommendation of the Chartered Institute of Public Finance and Accountancy (CIPFA) that the Committee should report an assessment of its performance to the Council on an annual basis, and the Committee was requested to agree that the report should be referred to the Council for approval.

S Marsh reported that the Committee had undertaken a review of its effectiveness at a workshop in March 2023. The result of the review was that the Committee could demonstrate compliance with recommended best practice, however there were four minor areas for improvement identified and an action plan to address these had been drawn up.

The report also reviewed the Committee's Terms of reference and its compliance with the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2022. Minor changes had been suggested and the Committee was requested to agree these changes and refer them to the Council for final approval.

Resolved:

- (1) That the Annual Report of the Audit and Governance Committee for 2022/23 be agreed and referred to the Council for approval;
- (2) That the proposed changes to the Committee's Terms of Reference be agreed and referred to the Council for final approval; and
- (3) That the review of the effectiveness of the Audit and Governance Committee be noted, alongside the resulting Action Plan.

8 RISK MANAGEMENT

The Section 151 Officer, A Small, presented the Risk Management report.

The Committee was requested to review and comment on the current Corporate Risk Register, suggest new risks for inclusion on the Register or changes to the scoring of the existing risks. In addition, the Committee was also requested to review the current Risk Management Policy and Strategy, which set out the Council's approach to risk management, including the consistent and robust identification, evaluation and management of opportunities and risks across the Council, prior to its referral to the Cabinet for approval.

The Committee expressed some concerns about the financial risks listed in the Register, due to problems experienced in past years and the sharing of the Council's top two Financial Officers with Colchester City Council. The Finance Portfolio Holder reassured the Committee that the Council undertook significant analysis prior to agreeing the sharing of the two Officers

concerned, and that significant benefits would arise for the Council from this arrangement. A Small added that he still had statutory obligations to the Council, and that the arrangement with Colchester City Council was for six months before it was reviewed. Recruitment and retention was a challenge for Finance Teams and the arrangement should not be seen in a negative light.

For risk COMP001, A Small stated that its scoring had increased due to there being issues with historical record keeping for which the Regulator could issue fines. For risk SUS001, it had been ascertained that the Council might not achieve its 2030 target and action plans had been drawn up accordingly. The increased score for this risk would elevate the issue within the Council. In respect of the Further Actions listed in section 7 of the Risk Management Policy and Strategy, A Small explained that the new Risk Management Action Group would take responsibility for actioning these.

Resolved:

- (1) That the current Corporate Risk Register be noted and referred to the Cabinet for approval; and
- (2) That the Risk Management Policy and Strategy be noted and referred to the Cabinet for approval.

9 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

The Chief Internal Auditor, S March, presented the Annual Report of the Chief Internal Auditor. The report was presented in support of the Internal Audit opinion on the adequacy of the Council's internal control environment and provided a summary of the work undertaken by Internal Audit for 2022/23. The Accounts and Audit Regulations 2015 included a requirement for the Council to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance.

S Marsh reported that, based upon the results of work undertaken during the year it was the Chief Internal Auditor's overall opinion that the Council had adequate and effective governance, risk management arrangements and control processes. Where there had been significant issues, these had been accepted by Management and promptly corrected.

Resolved:

- (1) That the Annual Report of the Chief Internal Auditor for 2022/23 and the assurance level given be noted; and
- (2) That, for the 12 months ended 31 March 2023, the Council had operated adequate and effective governance, risk management arrangements and control processes.

10 CORPORATE FRAUD TEAM ANNUAL SUMMARY 2022/23

The Corporate Fraud Team Manager, M Crowe, presented the Corporate Fraud Annual Summary for 2022/23, which summarised the key achievements of the Corporate Fraud Team for the year.

M Crowe reported that 111 investigations were undertaken during the year, of which 45 had a form of fraud detected or proven. This represented a 4% increase on 2021/22. Social Housing fraud, including Right to Buy applications, was the category with the most success throughout the year but other notable examples of fraud were highlighted for the Committee. This

included sub-letting, which could be difficult to detect but the measures were in place to identify sub-letting; including the “Cheat in your Street” initiative.

Resolved:

- (1) That Corporate Fraud Team Annual Summary for 2022/23 be noted.

11 CORPORATE FRAUD TEAM PLAN 2023 / 24

The Corporate Fraud Team Manager, M Crowe, presented the Corporate Fraud Team Plan for 2023/24, which highlighted the focus and approach of the Corporate Fraud Team for the coming municipal year. As per their Terms of Reference, the Committee had a role in ensuring anti-fraud arrangements were in place and were requested to approve the Plan.

Resolved:

- (1) That the Corporate Fraud Team Plan for 2023/24 be approved.

12 ANNUAL GOVERNANCE STATEMENT 2022/23

The Chief Internal Auditor, S Marsh, presented the Annual Governance Statement for 2022/23.

The Committee were reminded that the Council’s Statutory Statement of Accounts had to be prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined ‘proper practice’, there was a mandatory requirement to publish an Annual Governance Statement (AGS). The production of an AGS enabled the Council to use the review process positively and proactively to deliver assurance about governance arrangements within the Council to stakeholders, and to develop better arrangements where the review found areas in need of improvement. The process involved a comparison of achievements against the principles set out in the Council’s Local Code of Governance and supported an intention and commitment to provide good governance. S Marsh highlighted the table within the report that outlined the seven areas for improvement or monitoring during 2023/24.

Resolved:

- (1) That the draft Annual Governance Statement for 2022/23 be agreed.

13 INTERNAL AUDIT MONITORING REPORT JUNE 2023

The Chief Internal Auditor, S Marsh, presented the Internal Audit Monitoring report for the period up to June 2023. This report updated the Committee on the work completed by the Internal Audit and Corporate Fraud Teams since the last meeting of the Committee in March 2023, as well as the current position regarding overdue Audit report recommendations.

T Jarvis voiced his concern with the overdue Audit report recommendation regarding Active Directory Management, which was originally issued in December 2020. S Marsh explained that the ICT Team was progressing this and the remaining five servers should be de-commissioned by the end of July 2023.

Resolved:

- (1) That the summary of the work of the Internal Audit and Corporate Fraud Teams for the period March to June 2023 be noted.

14 TREASURY MANAGEMENT OUTTURN REPORT 2022/23

The interim Chief Financial Officer, C Hartgrove, presented the Treasury Management Outturn report for 2022/23.

The Committee was reminded that the Council's Treasury Management Strategy (including Investment Strategy) for 2022/23 was considered by the Committee at its meeting on 17 January 2022 and was subsequently agreed by Council on 24 February 2022. In accordance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) and generally accepted good practice, the Treasury Management Outturn for 2022/23 had set out the Council's actual Treasury Management activity for 2022/23, including the year-end position contained in the Council's (draft) Statement of Accounts for 2022/23.

C Hartgrove explained that the Outturn had set the external context for 2022/23 by exploring the Economic Background, Financial Markets and Credit Ratings; this included the well-documented inflation spike and spiralling interest rates. The Borrowing and Investment position for Epping Forest District Council as at 31st March 2023 showed the following:

- Borrowing – external borrowing had marginally increased by £12.6 million (from £269.0 million to £281.6 million) during the period April 2022 to March 2023; and
- Investments – there was a decrease in investments of £4.6 million (from £18.7 million to £14.1 million) during the same period.

C Hartgrove highlighted that the CIPFA Code also covered all the financial assets of the Council, as well as other nonfinancial assets which the Council held, primarily for financial return. The Outturn therefore also considered the Council's Commercial Property Portfolio, which delivered Net Income of £8.447million in 2022/23 and continued to be a key part of the Council's strategy to minimise Council Tax increases. The Outturn had concluded by considering compliance with the Council's adopted Treasury Management indicators, and compliance was achieved in all areas.

C Hartgrove reported that the Council's borrowing from other local authorities had reduced due to the rise in interest rates, and the fact that it was more prudent to borrow from the Public Works Loan Board. The Council's Section 151 Officer, A Small, added that of the Council's long term borrowing was underwritten by asset disposal and/or Council Tax income. The processes that the Council had in place were to ensure that the Council was taking responsible risks and that any borrowing was affordable.

Resolved:

- (1) That the Treasury Management Outturn report for 2022/23 be noted.

15 DRAFT STATEMENT OF ACCOUNTS 2022/23

The Council's Section 151 Officer, A Small, presented the draft Statement of Accounts for 2022/23.

A Small reported that the Statement of Accounts were prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') and were based on International Financial Reporting Standards (IFRSs). The Statement was also required to give a "true and fair view" of the Council's financial position as at 31 March 2023, and the income and expenditure for the year then ended. This had showed that the Council had accrued a deficit of £1.286million, but this had been predicted earlier in the financial year.

A Small stated that the inspection period for the financial year ending 31 March 2023 was due to commence on 1 June 2023 and run for a period of 30 working days from this date. However, it had not been possible for the Council to commence the inspection period as, in line with most councils nationally, Epping Forest District Council continued to experience major audit delays and the Statement of Accounts for 2020/21 had not yet been finalised or audited. However, in the interests of transparency, the Council had published an uncertified draft Statement of Accounts for 2022/23 on the Council website on 2 June 2023, which the Committee was asked to note.

The Committee noted that the Council had previously struggled to produce a full statement of accounts and, given the auditing issues, praised the Finance Team. In response to questions from the Committee, C Hartgrove stated that the Council's deficit had been met from accumulated reserves as the Council could only borrow for capital not revenue purposes. In addition, the Investment properties had also made a loss over the course of the year.

Resolved:

- (1) That the draft Statement of Accounts for 2022/23 be noted, prior to the completion of the external audit process.

16 TREASURY MANAGEMENT QUARTER 1 UPDATE 2023-24

The interim Chief Financial Officer, C Hartgrove, presented the Treasury Management update report for quarter 1 of 2023/24.

The Committee was reminded that, in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code 2021 Edition) and generally accepted good practice, the Treasury Management Quarter 1 Update for 2023/24 had set out the Council's actual Treasury Management activity for the first three months (Quarter 1) of 2023/24 (i.e., April to June 2023). The report began by setting the external context by exploring the Economic Background, Financial Markets and Credit Ratings, including the sharp rise in UK interest rates, which reflected the Bank of England's response to stubborn inflation within the economy.

C Hartgrove outlined the Borrowing and Investment position for the Council as at 30 June 2023, which showed the following:

- Borrowing – external borrowing increased by £5.2 million (from £281.6 million to £286.8million) during the period April to June 2023; and
- Investments – there was a marginal increase in investments of £0.6 million (from £14.1million to £14.7 million) during the same period.

C Hartgrove stated that Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) included within the definition of investments, all such assets held partially or wholly for financial return. The report therefore also considered the Service and Commercial Investments held by the Council, which included:

- Qualis and Home Assistance service loans (combined value of £43.482 million as at 30 June 2023);
- Commercial Property (Balance Sheet value of £148.483 million as at 31 March 2023); and a
- Qualis Investment Loan (value of £30.0 million as at 30 June 2023).

C Hartgrove added that the report concluded by considering compliance with CIPFA's Treasury Management Code and the Treasury Management Strategy for 2023/24, including Prudential and Other adopted indicators; full compliance was achieved in all reportable indicators for Quarter 1.

In response to a question from the Committee, A Small confirmed that all of the loans taken out by Qualis were backed by assets, and the quarterly Qualis Monitoring Reports to the Cabinet gave more detail on this.

Resolved:

- (1) That the Treasury Management Update report for Quarter 1 of 2023/24 be noted.

CHAIRMAN