

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 24 September 2009

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 7.00 - 9.00 pm

Members Present: A Green (Chairman), Mrs A Haigh, A Watts and R Thompson

Other

Councillors: Mrs D Collins, C Whitbread, R Bassett and D Stallan

Apologies: Mrs M Peddle

Officers Present: R Palmer (Director of Finance and ICT), C O'Boyle (Director of Corporate Support Services), B Bassington (Chief Internal Auditor), P Maddock (Assistant Director (Accountancy)), P Pledger (Assistant Director (Property and Resources)), B Moldon (Principal Accountant), A Hendry (Democratic Services Officer) and G J Woodhall (Democratic Services Officer)

17. 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.

18. DECLARATIONS OF INTEREST

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

19. MINUTES

RESOLVED:

That the minutes of the meeting held on 22 June 2009 be taken as read and signed by the Chairman as a correct record.

20. MATTERS ARISING

There were no matters arising for the Committee to consider.

21. ANY OTHER BUSINESS

The Committee was informed that B Bassington had been appointed as the Council's new Chief Internal Auditor.

The Chief Internal Auditor then updated the Committee on the staffing situation within the Internal Audit Unit and the Committee noted that the Cabinet had agreed on 7

September to outsource 250 audit days of work over the next two years, for which tenders had been invited.

22. CORPORATE GOVERNANCE GROUP - 10 JUNE 2009

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 10 June 2009. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

The Committee queried the two days notice required for the removal of election fly posters by the District Council. The Director of Finance & ICT responded that he would further advise the Committee at the next scheduled meeting following a discussion with the Returning Officer. The Leader of the Council added that the majority of the posters had been removed that day by the Safer Cleaner Greener team.

RESOLVED:

That the minutes of the meeting of the Corporate Governance Group held on 10 June 2009 be noted.

23. CORPORATE GOVERNANCE GROUP - 8 JULY 2009

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 8 July 2009. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

RESOLVED:

That the minutes of the meeting of the Corporate Governance Group held on 8 July 2009 be noted.

24. CORPORATE GOVERNANCE GROUP - 5 AUGUST 2009

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 5 August 2009. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

The Committee queried the lack of a minute concerning the Chief Internal Auditor's appointment, however the Committee was reassured that the Chief Executive had welcomed him to the Group. The Committee also noted the attendance of the Chief Executive to the three previous meetings of the Group, following their comments three months before.

RESOLVED:

That the minutes of the meeting of the Corporate Governance Group held on 5 August 2009 be noted.

25. AUDIT COMMISSION - NATIONAL LOCAL GOVERNMENT STUDIES

The Director of Finance & ICT presented a report regarding the National Local Government Studies published by the Audit Commission.

Details were provided of the National Local Government Studies published by the Audit Commission, together with summaries of those reports issued during 2009 that

were relevant to the Council's areas of service provision. It was proposed that future local government studies issued by the Audit Commission that related to the Council's areas of service provision be reported to the Committee. The Executive Study of each report would be attached to the agenda, with a link to download the full report. The Leader of the Council reported that in respect to the report regarding Local Strategic Partnerships, the Epping Forest Partnership was focused upon outcomes and the need for all the partners to work well together.

RESOLVED:

(1) That the following National Reports relevant to the Council's areas of service provision published by the Audit Commission be noted:

(a) 'Tired of Hanging Around: Using Sport and Leisure Activities to Prevent Anti-Social Behaviour by Young People';

(b) 'Risk And Return: English Local Authorities and the Icelandic Banks';

(c) 'Working Better Together: Managing Local Strategic Partnerships';

(d) 'Summing Up: A Review of Financial Management in Local Government 2005 – 2008';

(e) 'Room For Improvement: Strategic Asset Management in Local Government';

(f) 'Is There Something I Should Know: Making the Most of Information to Improve Services'; and

(g) 'When it Comes to the Crunch: How Councils are Responding to the Recession'; and

(2) That future National Reports of relevance to the Council published by the Audit Commission be reported to the Committee by way of attaching the Executive Summary and the weblink for downloading the full document to future agendas of the Committee.

26. BUILDING MAINTENANCE WORKS UNIT PERFORMANCE IMPROVEMENT

The Committee received a presentation from the Assistant Director (Property) on the review being undertaken of the Housing Repairs and Building Maintenance Works Unit.

The main points covered by the presentation were:

- the previous Cabinet decisions;
- the role of the Advisory Group and their objectives;
- determining the current situation, starting with identifying the current weaknesses;
- the current targets and performance against them;
- the actions taken to date and the issues still to be addressed;
- the two options for appointing the External Management Contractor; and
- the actions comprising the next stage of the process.

The Assistant Director explained the correlation between the target of 42 days as the average time to complete non-urgent repairs and the percentage of routing repairs undertaken within schedule target, and why it was necessary to review the Schedule of Rates. Efficiency savings of £365,000 had been achieved so far, and the External

Management Contractor would be expected to concentrate on the bigger projects, such as the implementation of an IT system.

The Committee noted the cost cutting measures that had been implemented with the subsequent improvement in performance, and were delighted that the staff appeared to support the process. The Assistant Director was reminded about the Committee's concerns over the poor results achieved by the audits of each stock-take, and further updates were requested by the Committee at future meetings. The Housing Portfolio Holder thanked the Assistant Director for his efforts as the review was a sizeable project, and undertook to provide the Committee with further update reports in the future.

RESOLVED:

- (1) That the current progress with the review of the Housing Repairs and Building Maintenance Works Unit be noted; and
- (2) That further progress reports be made to the Committee at future meetings.

27. INSURANCE PROVISION AS AT 31 MARCH 2009

The Director of Finance & ICT presented a report upon the Council's insurance provision as at 31 March 2009.

At its last meeting, the Committee had reviewed the draft annual accounts and had highlighted Note 21, the provision for excesses on insurance claims of £110,500. It was requested that a summary of the outstanding insurance claims be presented to the next meeting. This summary had been attached at Appendix 1 to the report, whilst Appendix 2 gave additional information on a selection of high value claims.

The Committee noted that there were a number of outstanding cases connected to damage caused by tree roots to property, all of which had an excess of £5,000. It was highlighted that additional resources had been allocated for Tree Works within the District, and that there had been works undertaken in Waltham Abbey on the Ninefields and Roundhills estates specifically to reduce the risk of damage to properties by tree roots. The Committee requested that further updates be provided every six months.

RESOLVED:

- (1) That the information provided regarding the Council's insurance provision as at 31 March 2009 be noted; and
- (2) That further updates on the Council's insurance provision be provided to the Committee every six months.

28. INTERNAL AUDIT MONITORING REPORT FOR APRIL-JUNE 2009

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the first quarter of 2009/10, along with the Work Plan for the second quarter of 2009/10 and the current Audit Plan Status Report for 2009/10. The Chief Internal Auditor reported that sickness within the Internal Audit Unit during the first quarter of 2009/10 had amounted to 20 days, in comparison with 18, 6 and 5 days respectively in the three preceding quarters. The average level of sickness over the last twelve months had been approximately eleven days per member of staff, which was again a concern following the improvement in 2008/09. The Committee noted that one member of the

team was suffering from a long-term illness, and that sickness for the whole team continued to be managed in accordance with the Council's Management of Absence policy.

The Chief Internal Auditor advised the Committee of the audit reports that had been issued during the first quarter:

- (a) Substantial Assurance:
 - Business Plans 2009/10; and
 - Application of Regulation of Investigatory Powers Act.
- (b) Satisfactory Assurance:
 - Contract Compliance 2008/09;
 - Reographics (Systems);
 - Communications Policies;
 - Community and Culture Bookings and Cash Collection follow-up;
 - Parsonage Court (Housing) Stores; and
 - Private Renewal Grants/DFG/'CARE'.
- (c) Limited Assurance:
 - Managing Absence (Data Quality);
 - Travel & Subsistence Claims;
 - Building Maintenance (Works Unit) Stocktake; and
 - Reographics (Value for Money).

No reports had been issued without any assurance and a further two audits had been in progress at 30 June 2009 but had not been included in the performance figures. The Chief Internal Auditor highlighted the audits that had been issued with Limited Assurance and, with reference to the audit on Travel and Subsistence Claims, it was planned to perform two further spot checks; it was acknowledged that late claims were a minor part of the problem.

The Committee's attention was drawn to the Priority 1 Actions Status report, and the Limited Assurance Audit Follow Up Status report. The Council's main financial systems had all been audited during 2008/09, and the External Auditor had ascertained that substantial reliance could be placed on the work of the Internal Audit Unit during 2008/09. It was also noted that the Action Plan arising from the Annual Governance Statement had been appended to allow the Committee to monitor progress against the targets.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's Local Performance Indicators for 2009/10.

- | | | |
|------------------------------|--------------|------------------|
| • % Planned Audits Completed | Target 22.5% | Actual 17%; |
| • % Chargeable Staff Time | Target 72% | Actual 63%; |
| • Average Cost per Audit Day | Target £320 | Actual £326; and |
| • % User Satisfaction | Target 85% | Actual 96%. |

Three of the targets had not been met by the Internal Audit Unit due to the vacancy of the part-time Auditor position and the increased sickness levels. Agency cover had been put in place during the second quarter, and all the key financial systems would be audited during the year in line with the Audit Plan.

The Committee requested that a 'Status' column be added to the Priority 1 Action Status Report to indicate whether the action was Complete or In Progress, and also

provide an explanation and revised date if the action was behind schedule. The Committee also highlighted that the majority of agreed actions for the follow-up of Limited Assurance Audits during 2008/09 had yet to be implemented.

The Chief Internal Auditor reported that the Priority 1 Actions were not signed off as such, but re-audited the following year. The Appendices would be streamlined for the benefit of the Committee for future meetings, but a 'Status' column would be added as requested. The audit of the Reprographics Unit did not consider the relevance of the documents produced by the Unit as there was not sufficient time; this issue would require an in-house review.

RESOLVED:

(1) That the following issues arising from the Internal Audit Monitoring Report for the first quarter of 2009/10 be noted:

(a) the Audit reports issued between April and June 2009 and significant findings therein;

(b) the Priority 1 Actions Status Report;

(c) the Limited Assurance Audit Follow-Up Status Report;

(d) the Internal Audit Work Plan for July to September 2009;

(e) the Audit Plan Status Report 2009/10; and

(f) the Governance Statement Action Plan for 2008/09;

(2) That the Committee's satisfaction with the effectiveness of the work of Internal Audit during the first quarter of 2009/10 be confirmed;

(3) That a 'Status' column be added to the Priority 1 Actions Status Report to indicate whether the Action was Complete or In Progress; and

(4) That an explanation and revised completion date be provided if a Priority 1 Action was behind schedule.

29. AUDIT OF ACCOUNTS - ANNUAL GOVERNANCE REPORT 2008/09

The External Auditor presented the Annual Governance Report for Epping Forest District Council in 2008/09, in accordance with the provisions of International Auditing Standard 260.

The External Auditor reported that the key financial systems had been considered adequate as a basis for preparing the financial statements and no significant control weaknesses had been identified. An error in excess of £1million had been identified when auditing the impairment of the Council's housing stock, but when aggregated with other errors the net impact on the impairment figure was less than material, and had been corrected. Overall, the net impact of the corrections made to the financial statements had been £721,464 but this had been below the material error threshold. The Committee was informed that the Academy System Implementation, Property Management System Implementation and the Council Dwelling Property Numbers had been identified as 'Significant Audit Risks', whilst the Council's Investments in Icelandic Banks, Income Reconciliations and Bad Debt Provision had been identified

as 'Matters of Audit Emphasis'. It was anticipated that an unqualified opinion on the financial statements would be issued.

In respect of Use of Resources, the External Auditor stated that their assessment had been that the Council was performing adequately in managing their finances, governing the business and managing resources. The Council's Data Quality arrangements were considered adequate and it was anticipated that an unqualified Value for Money conclusion would be issued. The Committee was cautioned that the adoption of International Financial Reporting Standards in Local Government from 2010/11 would require transitional arrangements to be put in place by the Council. The Council had yet to review the impact of this change and should develop a formal timetable and implementation plan. The draft Letter of Representation had been attached and would be signed by the Chairman if the Committee resolved accordingly.

The Director of Finance and ICT stated that the audit last year had been difficult with the change of external auditor, however there had been a marked improvement this year and the Accounts had been produced to a much higher standard; the Action Plan for this year had contained only six recommendations. The Council had now developed an action plan for the implementation of the new International Financial Reporting Standards, and the testing of the ICT Disaster Recovery Plan could be brought forward from its scheduled date of March 2010.

RESOLVED:

- (1) That the Annual Governance Report for 2008/09 be noted;
- (2) That, following the completion of the audit, the draft letter of representation be signed by the Chairman of the Audit and Governance Committee;
- (3) That the Action Plan at Appendix A of the report be approved and monitored, with any failure to comply with the recommendations reported back to the Committee.

30. STATUTORY STATEMENT OF ACCOUNTS 2008/09

The Director of Finance & ICT presented a report regarding the Statutory Statement of Accounts for 2008/09.

The Director reported that the audit of the annual Statutory Statement of Accounts had revealed some errors previously considered by the Committee. The errors in the Accounts included one item that had been classified as material in terms of the Income and Expenditure Account and had resulted in the Impairment Charge of £31million being reduced by £900,000. Three further non-trivial amendments were required ranging in value from £140,790 to £657,000. In these circumstances it was regarded as best practice to amend the Accounts and have them re-approved. The amended Accounts was to be presented to the Council at its meeting on 29 September, who would consider the recommendation of the Committee.

RESOLVED:

That the amended Annual Governance Statement and amended Statutory Statement of Accounts for 2008/09 be recommended to the Council for adoption.

31. EXCLUSION OF PUBLIC AND PRESS**RESOLVED:**

That, in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the item of business set out below as it would involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12(A) of the Act indicated and the exemption is considered to outweigh the potential public interest in disclosing the information:

<u>Agenda Item No</u>	<u>Subject</u>	<u>Exempt Information Paragraph Number</u>
17	Review of Extraordinary Council Meeting – 17 August 2009	1 and 4

32. REVIEW OF EXTRAORDINARY COUNCIL MEETING - 17 AUGUST 2009

The Committee received a report from the Monitoring Officer reviewing the events of the extraordinary Council meeting held on 17 August 2009. The Monitoring Officer suggested that the Council could consider the adoption of the protocol between the Monitoring Officer and Members, as recommended by the Audit Commission. The report had been prepared in response to a request from the Chairman of the Audit & Governance Committee.

RESOLVED:

- (1) That the report of the Monitoring Officer regarding the extraordinary meeting of the Council on 17 August 2009 be noted; and
- (2) That the Audit Commission protocol between the Monitoring Officer and Members be considered at the next scheduled meeting of the Committee on 30 November 2009.

CHAIRMAN