

## **EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Audit and Governance Committee      **Date:** Monday, 29 March 2010

**Place:** Committee Room 1, Civic Offices, High Street, Epping      **Time:** 7.45 - 9.00 pm

**Members Present:** A Green (Chairman), Mrs M Peddle (Vice-Chairman), Mrs A Haigh, A Watts and R Thompson

**Other Councillors:** Mrs D Collins

**Apologies:** -

**Officers Present:** D Macnab (Deputy Chief Executive), R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), S Mitchell (PR Website Editor) and G J Woodhall (Democratic Services Officer)

**Also in attendance:** R Bint and L Clampin (External Auditors)

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### **57. 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.

### **58. DECLARATIONS OF INTEREST**

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

### **59. MINUTES**

#### **RESOLVED:**

That the minutes of the meeting held on 8 February 2010 be taken as read and signed by the Chairman as a correct record.

### **60. MATTERS ARISING**

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

### **61. ANY OTHER BUSINESS**

It was noted that there was no other urgent business for consideration by the Committee.

### **62. CORPORATE GOVERNANCE GROUP - 27 JANUARY 2010**

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 27 January 2010. The Committee's attention

was drawn to the topics of discussion and actions arising from the meeting.

The Director of Finance & ICT advised the Committee that its revised Terms of Reference, incorporating the scrutiny of the Treasury Management Strategy and associated policies, would be considered by the Constitution & Member Services Scrutiny Panel at its meeting scheduled for 29 March 2010. Training in Treasury Management would be provided in the new municipal year, with members of the Cabinet and Finance and Performance Management Scrutiny Panel eligible to attend as well. The Chairman requested that the training sessions be held in the evening as well as the daytime; the Director undertook to discuss this with the Council's Treasury Management adviser when the current tender process for a new contract had been completed.

**RESOLVED:**

That the minutes of the meeting of the Corporate Governance Group held on 27 January 2010 be noted.

**63. CORPORATE GOVERNANCE GROUP - 24 FEBRUARY 2010**

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 24 February 2010. 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 24 February 2010 be noted.

**64. DATA PROTECTION ACT BREACH**

The Director of Finance & ICT presented a report concerning the data protection breach reported at the previous meeting of the Committee.

The Committee were reminded that a Data Protection Act breach had occurred in error when publishing the agenda for the Licensing Sub-Committee meeting held on 3 December 2010, and this breach had been reported to the Information Commissioner. Personal details of five applicants for Hackney Carriage Drivers' Licences had been publicly available for a short period of time on the Council's website. The information Commissioner had now responded and accepted that the breach had resulted from human error, and was satisfied with the remedial measures that had been undertaken by the Council. No regulatory action would be taken on this occasion, although the incident would be kept on file to be taken into account should any further breaches occur.

**RESOLVED:**

(1) That the following decision of the Information Commissioner concerning a Data Protection Act breach in relation to the Licensing Sub-Committee meeting on 3 December 2010 be noted:

(a) that the breach resulted from human error;

(b) that a significant amount of personal data (including sensitive personal data such as motoring convictions) had been made publicly available for a time;

- (c) that the remedial measures taken by the Council appeared to be satisfactory;
- (d) that more reference could have been made by the Council regarding the risk to the individuals concerned of identity fraud and steps taken to advise them of the need to monitor closely any suspicious activities as a result, accepting that the Officer concerned might have felt that the individuals were already aware of this;
- (e) that no regulatory action was required on this occasion in the light of the action taken by the Council; and
- (f) that the case would be closed but kept on file and would be taken into account in the event of any future breach by the Council.

## **65. USE OF RESOURCES ASSESSMENT 2008/09**

The External Auditor presented a report concerning the Council's Use of Resources Assessment for 2008/09, which had considered how well the Council had managed and used its resources to deliver value for money and achieve better outcomes for local residents.

The External Auditor stated that the assessment had been structured into three themes: Managing Finances, which focused on the importance of sound and strategic financial management; Governing the Business, which focused upon strategic commissioning and good governance; and Managing Resources, which focused upon the effective management of natural resources, assets and people. Within each theme were Key Lines of Enquiry, against which the Council was assessed. The Council had scored '2' for each theme, and '2' for the overall assessment, which indicated that the Council currently met the minimum requirements for ensuring that it managed its resources to deliver value for money and achieve better, sustainable outcomes for local residents. It was emphasised that the Key Lines of Enquiry were more demanding than previous years and embraced wider resource issues such as workforce planning, hence some of the Council's scores had appeared to decline. There was scope for the Council to improve its rating to a '3', but it needed to place more emphasis on demonstrating outcomes. The Action Plan contained the 29 key recommendations that had arisen from the assessment to assist the Council in achieving an assessment score of '3'.

The Chief Internal Auditor stated that an element of Value for Money was included in all audits, but accepted that further awareness needed to be developed through training for the Auditors. A Scrutiny Sub-Group had also been established to review the issue of Value for Money. Two further issues were highlighted by the External Auditor; the first was the need to define the skills and knowledge required for particular Committees so that Members could make informed self assessments of their training needs. The second was that the Council accepted a significant amount of data from external sources which needed to be quality checked; it was suggested that this could form part of the partnership arrangements. The Deputy Chief Executive reassured the Committee that the issue of data quality from the Council's partners was being addressed. The Leader of the Council added that the Council was striving to increase its score to a '3', and was encouraged by the greater emphasis on outcomes by the assessment and not just processes. It was accepted that the Council needed to improve its provision of Member Training.

In respect of progress with the Action Plan, the Committee was advised that the Council was on schedule for Recommendation 4, to further develop the outcomes from the Value For Money strategy, and Recommendation 10, ensuring the timely production of the opening balance sheet. For Recommendation 11, the e-Annual

report would be produced by 30 June 2010, and for Recommendation 7, the inclusion of forecast information within budget monitoring reports, these would be reviewed during 2010/11 and considered by the Finance & Performance Management Scrutiny Panel. The Committee requested an update on the progress of implementing the recommendations from the Action Plan at each meeting.

**RESOLVED:**

- (1) That the results of the Council's Use of Resources assessment for 2008/09 be noted, including the key findings, conclusions and recommendations of the External Auditor; and
- (2) That progress against the recommendations contained within the Action Plan be monitored by the Committee at each meeting.

**66. REPORTS OF THE EXTERNAL AUDITOR**

The External Auditor presented two reports regarding the Grant Claims Certification for 2008/09, which summarised the key issues that had arisen from the work on grant claims during the year, and the Fee Outturn Summary 2008/09, which compared the estimated and actual fees for the 2008/09 audit.

The External Auditor stated that the Grant Claims Certification report had been circulated to the Committee via email on 25 February 2010 to satisfy the Audit Commission requirement for publication before the end of February. This report had shown that for an expenditure of £76,398,978 amendments of £106,986 had been necessary. Two claims had been qualified, the Housing and Council Tax Benefit subsidy, and the Housing Revenue Account subsidy base data return for 2010/11. A further four claims had required amendment, but an improvement had been noted in the preparation of these claims when compared to previous years. Although the amendments represented less than 1% of the expenditure, an Action Plan containing nine recommendations to seek further improvement had been agreed.

The External Auditor further advised the Committee that the Fee Outturn Summary for 2008/09 had shown the estimate of £133,000 exceeded by £14,000 to produce an outturn of £147,000. The additional costs had largely arose from the unplanned audit work that was necessary to validate the figures used for the Council's housing stock. This issue had previously been reported to the Committee on 24 September within the Annual Governance Report and on 8 February within the Annual Audit Letter. An adjustment of £1million was made in relation to the impairment and valuation of housing stock with a closing net book value of £500million. Some additional work had also been necessary to reconcile the cash flow working papers provided in support of the Accounts.

**RESOLVED:**

- (1) That the Grant Claims Certification for the year ended 31 March 2009 be noted; and
- (2) That the Fee Outturn Summary for 2008/09 be noted.

**67. ANNUAL INTERNAL AUDIT PLAN 2010/11**

The Chief Internal Auditor presented the Annual Internal Audit Plan for 2010/11 for approval by the Committee, in accordance with the Terms of Reference and following

consultation with the Finance & Performance Management Cabinet Committee on 15 March 2010 who had raised no specific issues.

The Chief Internal Auditor reported that all the Council's fundamental financial systems had been included within the Plan at the request of the External Auditors in order to provide assurance about the controls in place for financial management. The Risk Registers for each Directorate had been reviewed and any high risk financial areas had been included. A contingency provision had been included for any unplanned investigations during the year, and there was further flexibility within the Plan to audit any areas felt to be of higher risk to the achievement of the Council's objectives. Progress against the Plan would be monitored on a quarterly basis by the Committee.

The Chief Internal Auditor added that more detailed Value for Money audits for Grounds Maintenance and Homelessness Prevention had been requested by the relevant Directors, and it was intended to give a higher profile to Data Protection and Freedom of Information issues within audits. The Committee felt that any risk analysis undertaken should be more specifically referenced within the Plan.

In response to questions from the Committee, the Chief Internal Auditor felt that his independence was not compromised by being part of the Office of the Chief Executive and reporting directly to the Chief Executive. The Council was currently advertising for an additional Auditor to fill the vacant position. The Contract with Deloitte was for two years and involved the undertaking of nine audits per annum; initially the same audits would be allocated to the contract, but in time other audits would be allocated for independent review.

**RESOLVED:**

That the Annual Audit Plan for 2010/11 be approved.

**68. EFFECTIVENESS OF THE ARRANGEMENTS FOR RISK MANAGEMENT**

The Director of Finance & ICT presented a report concerning the effectiveness of the Council's current arrangements for Risk Management.

The Director reported that the external auditors had concluded, as part of their Use of Resources assessment, that the arrangements for Risk Management within the Council were adequate. However, to comply with its Terms of Reference, the Committee was requested to consider the effectiveness of the Council's arrangements for Risk Management.

The Director added that the primary identification of risks was undertaken by the Risk Management Group, however the Corporate Risk Register was also considered by the Finance & Performance Management Cabinet Committee prior to its approval each quarter by the Cabinet. In respect of risk 2, Inconsistent Approach to Procurement, it was reported that the Council now had a Senior Finance Officer with direct responsibility for procurement, as well as two Officer Groups to monitor and improve the process. The current rating of D3 (Low Likelihood, Marginal Impact) was considered to be correct.

The Committee felt that there was a risk to Community Cohesion arising from the East of England Plan and the provision of Gypsy and Traveller sites, and that this should be considered for future inclusion. It was also felt that the senior personnel within the Council should be risk aware with training provided if necessary. The Director responded that Risk Management was a standard item for consideration at

Service Team Meetings, each Service had its own Risk Register, and training on Risk Management was provided within the Corporate Learning Directory.

**RESOLVED:**

That the Council's current arrangements for Risk Management be considered effective.

**69. AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2009/10**

The Chief Internal Auditor presented the Audit & Governance Committee Annual Report for 2009/10, prior to its submission to the Council.

The Chief Internal Auditor reported that this was the third such annual report to be drafted, following the establishment of the Committee in 2007. The report indicated the membership and terms of reference for the Committee, and also highlighted that the scrutiny of the Treasury Management Strategy and associated policies would be an added responsibility for the Committee in 2010/11. The report then proceeded to review the work of the Committee in the past year and made reference to the following issues:

- (i) review of the control environment and Risk Management arrangements;
- (ii) monitoring of Internal Audit performance and work plans;
- (iii) review of financial statements;
- (iv) the relationships between Internal and External Audit;
- (v) the review of External Audit reports; and
- (vi) review of performance.

The report concluded that the Committee had made an important contribution to raising the profile of internal control issues within the Council and had provided assurance through a process of independent review.

The Committee welcomed the report but felt that the format of it could be improved. The report presented to the Committee had been written for internal consumption, whereas it was felt that the report should actually be shorter in length for public consumption with less technical jargon and published as part of the e-Annual Report. To this end, it was felt that the Committee could have a private discussion over the achievements, added value and improvements made with the Chief Internal Auditor prior to the production of the report each year. The External Auditor added that it would also be useful to demonstrate the effectiveness of the Committee during the year within the report. Members of the Committee offered to meet with the Chief Internal Auditor to redraft the report, which was accepted, and that the revised version should be electronically distributed to the Committee to review and approve prior to its submission to the Council.

It was also suggested and agreed that the External Auditors should have briefings with directorates other than Finance & ICT in order to clarify their role and reassure Senior Managers.

**RESOLVED:**

- (1) That, following meetings between the Chief Internal Auditor and members of the Committee, the Annual Report for the Audit & Governance Committee be revised and published as part of the e-Annual Report;
- (2) That the revised report be electronically distributed to all members of the Committee for review and subsequent approval for submission to the Council; and
- (3) That, in order to clarify their role and reassure Senior Managers, a number of briefings between the External Auditors and Directorates other than Finance & ICT be arranged.

**CHAIRMAN**