

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 27 November 2017

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 7.55 pm

Members Present: A Jarvis (Vice-Chairman), L Hughes, R Jennings, A Patel and J M Whitehouse

Other Councillors: G Mohindra

Apologies: J Knapman and N Nanayakkara

Officers Present: C O'Boyle (Director of Governance), R Palmer (Director of Resources), S Marsh (Chief Internal Auditor), S Linsley (Senior Auditor), G J Woodhall (Senior Democratic Services Officer) and A Hendry (Webcasting Officer)

26. WEBCASTING INTRODUCTION

The Director of Governance 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.

27. DECLARATIONS OF INTEREST

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

28. MINUTES

Resolved:

(1) That the minutes of the meeting held on 18 September 2017 be taken as read and signed by the Chairman as a correct record.

29. MATTERS ARISING

Cllr Patel thanked the Officers for providing an answer to his question at the last meeting regarding emergency evacuation plans for the Council's sheltered accommodation sites.

30. AUDIT & GOVERNANCE WORK PROGRAMME 2017/18

The Chief Internal Auditor stated that the reports on the Review of the Audit & Governance Committee Terms of Reference, and the Committee's Effectiveness, would be considered at the meeting scheduled for 5 February 2018, following the issue of new guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA). Information Regarding the Whistle Blowing Policy, currently unallocated, had now been included in the Internal Audit Monitoring Report for consideration at this meeting.

31. ANNUAL AUDIT LETTER 2016/17

The Director of Resources introduced, and the External Auditor presented, a report on the Annual Audit Letter for the financial year 2016/17.

The External Auditor stated that the Annual Audit Letter summarised the key issues arising from their work during the year. The Letter confirmed that the Council's financial statements gave a true and fair view of the Council's financial affairs, and that the Annual Governance Statement was neither misleading nor inconsistent with other information. The External Auditors were satisfied that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, which enabled an unqualified 'Value for Money' conclusion to be issued. The Letter also confirmed that the External Auditors had no reason to exercise their statutory powers and that there were no matters to report to the Committee. An Audit Certificate to close the audit for the year ended 31 March 2017 was issued on 27 September 2017.

In response to questions from the Members of the Committee, the External Auditor reiterated that the conclusion of the Audit was unmodified, and therefore there were no real issues identified or amendments required.

The Finance Portfolio Holder thanked the External Auditor for the unqualified conclusion in their report, and congratulated the Officers at the Council for their efforts in attaining this conclusion. The Portfolio Holder added that, when ranked alongside other Councils throughout Essex, Epping Forest was an excellent Council.

Resolved:

(1) That the Annual Audit Letter for 2016/17, issued by the External Auditor, be noted.

32. MID-YEAR REPORT ON TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2017/18

The Director of Resources presented the mid-year progress report on the Council's Treasury Management function and Prudential Indicators, which covered the treasury activity for the first half of 2017/18, and was a requirement of the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management.

The Director reported that, during the first half of the year, the Council had continued to finance all Capital expenditure from within internal resources. The estimate for the Capital Programme during 2017/18 had indicated expenditure of £38.715million, which would be financed by capital grants, capital receipts, revenue and £3.691million of borrowing. The Capital Programme for the five-year period ending 31 March 2021 had predicted expenditure of £124million, partly funded by borrowing of £24million, with £1.7million available in usable Capital Receipts and £nil million in the Major Repairs Reserve. There had been no breaches of the Authorised Limit (£250million), the Operational Boundary (£240million) or the Maturity Structure of Fixed Rate Borrowing during the period to 30 September 2017.

The Director advised the Committee that the Council had £30.1million under investment as at 30 September 2017, and the average net investment position of the Council had been approximately £35.7million throughout the first half of 2017/18. The Council's investments as at 30 September 2017 had consisted of £15million in fixed

investments and £15.1million in cash and cash equivalents. The importance of carefully monitoring and controlling the Council's cash flow to ensure enough funds were available each day to cover outgoings was highlighted; this would become more difficult as the Council used up its Capital Receipts and reduced its investment balances.

The Director stated that the Council held loans totalling £185.5million as at 30 September 2017, the majority of which had funded the self-financing of the Housing Revenue Account (HRA). It was anticipated that the Council would require further loans in 2017/18 to fund capital projects such as the Epping Forest Shopping Park. The revised Capital Programme for the five-year period to 2021/22 would be considered by the Cabinet at its meeting scheduled for 7 December 2017.

Finally, the Director added that there had been no breaches of any of the Prudential Indicators relating to Capital Activity, the Indebtedness for Capital Purposes, and the Council's overall Treasury Position. The Department of Communities & Local Government (DCLG) had recently issued a consultation on borrowing by Local Authorities, as there were concerns that some Councils were borrowing from the Public Works Loan Board to plug funding gaps. The Committee was reassured that any borrowing undertaken by this Council to finance the Capital Programme enabled projects to be delivered which would improve the local economy within the District.

When questioned by the Committee, the Director stated that the vast majority of the non-HRA capital expenditure related to finishing works for the Epping Forest Shopping Park, whilst it was likely that there would be an underspend for the HRA Capital Programme this year as it was expected that phases IV, V and VI of the Council Housebuilding Programme would finish in future years. Tenant's Right-to-Buy from registered social landlords was currently subject to a large scale trial in West Midlands, and it was a risk that funding after the pilot would have to be provided by Local Authorities. The long-term borrowing was almost entirely for the HRA Self-Financing initiative. The Council did not expect to draw down further long-term borrowing in the immediate future as Capital Receipts would be received, and neither was it expected that interest rates for borrowing money would increase dramatically in the immediate future. The Finance Portfolio Holder highlighted that other Councils had not reached the Decent Homes Standard for their housing stock, so this Council was ahead of its peers in this respect.

The Director informed the Committee that a draft, revised Code of Practice for Treasury Management had been issued by CIPFA and that it did include the possibility for commercial property to be classed as an investment. The DCLG intended to introduce a revised Code from the start of the 2018/19 financial year; however, their proposals diverged in some areas from CIPFA's and this could potentially delay its introduction.

Resolved:

- (1) That the mid-year progress report on Treasury Management and the Prudential Indicators for 2017/18, and the management of the risks therein, be noted; and
- (2) That none of the Prudential Indicators had been breached during the first half of 2017/18 be noted.

33. INTERNAL AUDIT MONITORING REPORT - SEPTEMBER TO NOVEMBER 2017

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the

period September to November 2017.

The Chief Internal Auditor advised the Committee that three reports had been issued since the previous meeting, all of which had been given substantial assurance: Health & Safety – Lone Working; Council Housebuilding Programme; and Local Plan Staffing Resources. The Audit Recommendation Tracker currently contained 3 recommendations which had passed their due date; one medium priority recommendation for Health & Safety – Townmead Depot, and two low priority recommendations for External Data Transfers.

The Chief Internal Auditor reminded the Committee that a limited assurance audit report had been issued regarding Health and Safety at the Townmead Depot. A detailed action plan was drawn up and good progress was being made to address the issues raised. As part of this, an independent Fire Risk Assessment was undertaken in February 2017 which made further recommendations concerning fire safety. The majority of these recommendations had yet to be actioned, and an interdisciplinary group had been established to address this.

The Chief Internal Auditor reported that the Corporate Fraud Team had achieved the following since September 2017:

- three further Right-to-Buy applications had been stopped or withdrawn;
- a further Council-owned property, which had been the subject of a succession fraud, had been recovered;
- a former tenant had been convicted of two counts of fraud relating to illegal sub-letting;
- a further Social Housing fraud prosecution was scheduled to go to trial in early 2018; and
- a joint working arrangement had been entered into with Broxbourne Borough Council, on a paid-for basis, to provide a fraud service for two days per week.

The Chief Internal Auditor stated that the review of the data matches from the National Fraud Initiative for 2016/17 was in progress and Internal Audit was providing training and guidance for Officers to review their matches. Previous exercises had found that many matches were not fraudulent and there was usually a simple explanation; no significant frauds had been identified to date.

The Chief Internal Auditor added that staff within the shared service were represented on a number of business groups and project teams in addition to less formal meetings, to provide advice and guidance, including:

- the General Data Protection Regulation (GDPR) Working Party;
- Programme and Project Management;
- Personal Data (Payroll/HR);
- the Corporate Debt Working Party; and
- the Risk Management Group.

Finally, the Chief Internal Auditor informed the Committee that the Council's Whistleblowing Policy and Procedure had been revised and approved by the Corporate Governance Group. The two main procedural changes were:

- (i) Timescales – setting out how long an investigation might take; and
- (ii) Investigating Procedures – to guide staff who might be nominated as an Investigating Officer.

Staff would continue to be reminded about the Council's Whistleblowing Policy and Procedure on a periodic basis in 'District Lines' as well as through poster campaigns.

The Committee was requested to recommend the approval of the Policy and Procedure to the Council.

Cllr Jennings felt that Lone Working training should be mandatory for all new starters with the Council, and accepted the difficulties in attracting Planning Policy Officers to work on the Local Plan as the District was just outside London; had the Council considered increasing the salaries available for these positions when they were advertised? The Director of Governance acknowledged the suggestion concerning Lone Working training and this would be considered. The Council had utilised various methods for recruiting Planning Policy Officers; some candidates initially accepted a position with the Council, but then backed out when they were offered more money at another authority. All Councils were experiencing the same difficulties at the current time.

Cllr Jennings was also disappointed that more than six months had passed since the Fire Risk Assessment at Town Mead Depot, and little or no progress had been made with the implementation of the recommendations. The Lead Officer should now be requested to attend the next meeting of the Committee and provide an explanation for this situation, as the Council could not allow matters of Health & Safety to not be acted upon. The Director of Governance stated that there had been progress towards implementing the recommendations from the Fire Risk Assessment, but the Committee was perfectly within its rights to request the Lead Officer to attend the next meeting and provide a full explanation.

The Chief Internal Auditor acknowledged that the original audit had highlighted a number of Health & Safety issues at the Depot, but the recommendations from this Audit had been addressed. The Fire Risk Assessment was part of the recommendations from the Audit, but the Council had been slow to implement the recommendations from the Assessment. The Inter-Disciplinary Group which had been set up were now addressing these issues, and there was due to be a review meeting with the Group in December.

Cllr Whitehouse expressed some surprise that the Health & Safety issues at the Depot were not highlighted until after the Audit. The Chief Internal Auditor explained that Town Mead Depot was a very small site, which was shared with Waltham Abbey Town Council. The site had not been well maintained for a number of years and no one had full responsibility for the whole site; the Assistant Director of Neighbourhoods (Technical Services) had now been given overall responsibility for the site, including Health & Safety issues. There were circumstances as to how this situation had developed, but the Committee was reassured that real progress was now being made.

The Finance Portfolio Holder advised the Committee that the initial delay was due to consideration being given as to whether the Town Mead Depot should be retained by the Council. The Director of Governance added that various options for its future was explored between 2014 and 2016, and that this Depot had been treated slightly differently to the other Council-owned Depots.

Cllr Jennings pointed out that the Council had already been waiting six months for the recommendations from the Fire Risk Assessment to be implemented, and the Committee needed to see evidence that these processes were being put in place. Cllr Patel also reminded the Committee that he had been asking questions about Health & Safety issues at the Council's commercial properties, and wondered whether the Committee could request a Select Committee to investigate further. The Director of Governance reminded the Committee that the Director of Neighbourhoods could volunteer one individual to come along and address the Committee. However,

the recommendations from the Audit report had been actioned, and it was the Fire Risk Assessment recommendations which had been implemented in a tardy fashion – for a variety of reasons.

The Finance Portfolio Holder counselled the Committee that, as the next meeting of this Committee was not until February, this issue could be considered at the next meeting of the Neighbourhoods Select Committee. It was important for the Council to learn the lessons from this situation for the future as there was always room for improvement. The Director of Governance suggested that the Portfolio Holder could give a verbal update on the situation at the Depot at the next Cabinet meeting on 7 December 2017. Cllr Jennings stated that he would prefer an Officer to attend the next meeting of this Committee and provide an explanation, as it would advertise to all Officers that this was an unsatisfactory state of affairs.

Cllr Whitehouse enquired as to whether there would be follow-up Audits for Health & Safety – Lone Working and the Council Housebuilding Programme. The Chief Internal Auditor assured the Committee that these two areas would be monitored closely by the Internal Audit Team in the immediate future.

In respect of the Whistleblowing Policy and Procedure, the Chairman commented that there appeared to be no connection with the Complaints and Comments Procedure, which in his opinion were also a different type of whistleblowing. Officers were encouraged to think about a broader Policy in the future, including complaints and comments in order to gain the full benefit of all customer feedback.

The Finance Portfolio Holder highlighted the success of the Corporate Fraud Team in selling its services to a neighbouring authority.

Resolved:

- (1) That the progress made against the Internal Audit Plan for 2017/18 be noted; and
- (2) That the summary of the work performed by Internal Audit and the Corporate Fraud Team for the period September to November 2017 be noted; and

Recommended:

- (3) That the revised Whistleblowing Policy and Procedure be recommended to the Council for approval.

34. ANY OTHER BUSINESS

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

35. EXCLUSION OF PUBLIC AND PRESS

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

CHAIRMAN