

# Epping Forest District Council

## Annual Governance Statement 2009/10

### 1. Scope of Responsibility

- 1.1 Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In addition, the Council has a key role with respect to Community Leadership, exercising its powers under the Community Wellbeing Act 2000, facilitating effective engagement and collaborative working through the auspices of the Local Strategic Partnership.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website at [www.eppingforest.gov.uk](http://www.eppingforest.gov.uk). This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006, in relation to the publication of a Statement on Internal Control.
- 1.5 The Council's Code of Governance recognises that effective governance is achieved through the following core principles:
  - (i) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
  - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  - (iii) promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour;
  - (iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk;
  - (v) developing the capacity and capability of Members and officers to be effective;
  - (vi) engaging with local people and other stakeholders to ensure robust public accountability.

## **2 The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to fully achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks and the impact should they occur and to manage them efficiently, effectively and economically.
- 2.3 A governance framework has been in place at the Council for a number of years and has been effective for the year ended 31 March 2010, and up to the date of approval of the Statement of Accounts.

## **3. The Governance Framework**

- 3.1 The Council has an established Council Plan setting out its objectives, and there is an accompanying Performance Plan in which achievement of the objectives is monitored.
- 3.2 The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee. An Audit and Governance Committee provides independent assurance to the Council on risk management and internal control and the effectiveness of the arrangements the Council has for these matters.
- 3.3 The Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures, which ensure compliance with established policies, procedures, laws and regulations. A comprehensive corporate induction programme is in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. The Council's Internal Audit function has been effective in recent years and there are well established protocols for working with External Audit. The Audit Commission through its inspectorate functions also reviews compliance with policies, laws and regulations within their remit.
- 3.4 The Council's risk management arrangements are subject to regular review. Leadership to the risk management process is provided by the Director of Finance and ICT and the Portfolio Holder for Finance and Economic Development, who are the Officer and Member leads for risk management, respectively. The Council has approached embedding of risk management in accordance with best practice guidance, with a Corporate Risk Register supported by Directorate and Sectional risk registers.
- 3.5 Financial management in the Council and the reporting of financial standing is undertaken through a General Ledger Financial Information System, CEDAR, which integrates the general ledger function with those of budgetary control. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way and corrective action is initiated.

- 3.6 Performance management in the Council continues to be improved with a widely consulted upon Council Plan, setting out the Council's priorities and supported by a Performance Plan, which explains how the Council will deliver the priorities and the commitments made in the Council Plan. These Plans focus on corporate priorities and reflect the Council's determination to prioritise key Service areas. Information on performance across all National Performance Indicators is also included. The Performance Plan is also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Performance indicators are recorded and monitored on the 'TEN' performance management system.

#### **4. Financial Management and Reporting**

- 4.1 Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Chief Finance Officer. The systems of internal financial control provide reasonable but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be promptly detected.
- 4.2 The External Auditor provided an unqualified opinion on the Council's accounts for 2008/09. The 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. The Auditor had identified corrections to the financial statements but these had been below the material error threshold. The Auditor had identified corrections to the financial statements, the net effect of which was not material to the financial statements.
- 4.3 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

#### **5 Standards Committee**

- 5.1 During 2009/10 the Standards Committee has dealt with 10 complaints against Councillors. These mainly concern Parish and Town Councillors. At the time of writing, one is proceeding to adjudication and one other is being investigated. Demands continue to be made on key officers by the new complaints process and pressure on the Standards Committee's budget for using external investigators, where the Council's own staff cannot do so, are increasing.
- 5.2 During the year, significant work has been generated by governance dysfunction at two Parish Councils. In one case, Standards for England has issued a Direction regarding a series of training and conflict resolution measures designed to address continuing complaints. This occasioned a substantial budget increase for 2010/11, a part of the Council budget.
- 5.3 The Committee continues to give advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of Council protocols. During 2009/10 the Committee considered and issued Standards for England guidance on Predisposition, Predetermination or Bias and the Code of Conduct. The Committee submits an annual report on its activities to the Council. A further review of the Planning Protocol has been launched and will be concluded during 2010/11.

Planning and Legal Officers, planning agents and Town and Parish Councils have made submissions concerning the protocol.

- 5.4 During 2008/09, the Standards Committee responded to Government consultation on a new Code of Conduct. As yet this new Code of Conduct has not been implemented by Central Government.

## **6. Review of Effectiveness**

- 6.1 The Council has responsibility for conducting an annual audit review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Corporate Governance Group, the Chief Internal Auditor's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

- 6.2 The Council contributes to the delivery of the Sustainable Community Strategy for the District through active participation on the Local Strategic Partnership, and the alignment of the Key Themes of the Council Plan 2006/10 with the Community Strategy. This is supported by a planning framework which includes the Council Plan and Directorate/Service Plans. The Council monitors and reports on progress so that Members can see how issues are being tackled. The Council Plan is monitored by the Finance and Performance Management Scrutiny Panel and is due to be updated in 2009/10.

- 6.3 Directorate and Sectional business plans contain a variety of performance indicators and targets that are regularly reviewed.

- 6.4 The Council's Constitution, which includes Financial Regulations, Contract Standing Orders and Delegated Authorities, is required to be reviewed annually and this is carried out by a nominated group of officers led by the Deputy Monitoring Officer. This annual programme of reviews of Contract Standing Orders, Financial Regulations and Delegated Authorities continued as in previous years.

- 6.5 The Council has three statutory posts as follows:-

- Head of Paid Service - Chief Executive
- Chief Financial Officer - Director of Finance and ICT
- Monitoring Officer – Director of Corporate Support Services / Solicitor to the Council

These officers, with the Deputy Chief Executive, Deputy Monitoring Officer and Chief Internal Auditor form the Corporate Governance Group who meet monthly. The group's terms of reference: are available on the Council's web site.

- 6.6 The Council continues to assess how its overall corporate governance responsibilities are discharged. As referred to earlier the Council has adopted the CIPFA/SOLACE guidance and adopted a revised local Code of Governance in 2008.

- 6.7 The Council is required to maintain an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations. The Internal Audit function is managed by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

The annual Internal Audit work plan is discussed with senior officers and approved by the Audit and Governance Committee in consultation with the Finance and Performance Management Cabinet Committee.

All internal audit reports include an assessment of the adequacy of internal control and result in prioritised action plans to address any areas needing improvement. These are submitted to Service Directors, and an executive summary is provided to the Corporate Executive Forum and the relevant Portfolio Holder.

6.8 The review of governance incorporates the system of internal control. In previous years the Council's review of the effectiveness of the system of internal control has been informed by:

- Directorate assurance based on management information, performance information and Director assurance statements;
- The work undertaken by Internal Audit during the year;
- The work undertaken by the external auditor reported in their annual audit and inspection letter and other review reports;
- Other work undertaken by independent inspection bodies.

## **7. Governance – Service Issues and Improvements**

7.1. Service Directors have reviewed the governance arrangements operating within their Service Areas using a detailed checklist, and have provided assurance statements confirming their belief that appropriate controls were in place during 2009/10. Significant areas where governance arrangements have been strengthened are detailed below.

### **7.1.1. "One Epping Forest"**

The Local Strategic Partnership has now been re-branded "One Epping Forest". In 2009/10 an external review of the governance arrangements and the effective performance of the Partnership was undertaken by Improvement East, which concluded that the Partnership was fit for purpose.

### **7.1.2. Community Leadership**

As a result of the Leader of Council's initiative to engage more fully with Local Secondary Schools and Epping Forest College, closer collaborative working is taking place, with the Deputy Chief Executive now a member of the Schools Area Planning Group, and the Leader Chairing the Governing Body of Epping Forest College. Improvements in overall GCSE results have been achieved alongside a much improved Ofsted Inspection of the College.

### **7.1.3. Youth Council**

After successful elections held in all the District's secondary schools, a new Youth Council was appointed in November 2009. After a period of induction and training, the new Youth Council successfully organised and ran the "Big Youth Debate" bringing young people from across the District, together with Local Members of Parliament to debate the lowering of the voting age from 18 to 16 years. This was webcast and as such, was a major initiative in the promotion of local democracy and citizenship.

- 7.1.4. A number of Internal Audit reports were issued during 2009/10 which required actions by the Corporate Support Services Directorate. Compliance with any actions required is monitored at regular meetings of the Directorate Management. The report relating to the Regulation of Investigatory Powers Act received substantial assurance.

The Council's consideration of an employment contract of a senior manager led to a report by the Monitoring Officer to the Council in accordance with the powers contained in section 5 of the Local Government and Housing Act.

Following that report, a Monitoring Officer protocol was requested by the Audit & Governance Committee and an initial draft was considered by the Constitution & Member Services Standing Scrutiny Panel in February 2010. It will be re-presented once the points discussed by Panel members are researched. Similar protocols covering the s151 Officer and the Head of Paid Service will also be considered at the same time.

A number of governance issues were raised in the Monitoring Officer's report. Concerns on the handling of this issue include breaches of Contract Standing Orders and irregularities in the declaration of interests.

These events have made the relationship between some Members of Council and the Monitoring Officer more difficult. The proposed protocol is seen as a way of ensuring for the future that the role of the Monitoring Officer is more readily understood.

- 7.1.5. A number of Internal Audit reports were issued during 2009/10 which required actions by the Environment and Street Scene Directorate. Action plans have been agreed between Internal Audit and the Directorate Management and steps are being taken to deal with the issues raised and ensure compliance.

There have also been some difficulties throughout the year involving breaches in contract standing orders, arising from the placing of multiple small value orders with a number of goods or service providers across the Directorate resulting in exceedances of the Contract Standing Orders values for quotations and tenders. Steps have been taken to ensure that orders are not placed without a complete understanding of the totality of the present position as well as developing a tender for small scale works to be issued on a cost per job or hourly rate basis.

- 7.1.6. The review of the Finance and ICT Directorate has identified one significant weakness in control.

The Audit Commission decided that progress on improving the Benefits Service was too slow and the service was inspected during the year. The inspection report was not released until after the election, but the CAA report issued during 2009/10 described the service as poor. An action plan has now been provided to the inspectors and positive comments have been received on the action plan from the Department for Work and Pensions.

During the first three quarters of 2008/09 there were four audits with limited assurance that related directly to the Directorate of Finance and ICT. For the same period for 2009/10 there have been no limited assurance audits and follow ups have indicated positive progress on previous recommendations.

Reports from the external auditor have commented on improved working papers and a better final accounts process during 2009/10.

- 7.1.7. A number of Internal Audit reports since the Housing Directorate has taken over responsibility for the former Building Maintenance Works Unit have highlighted internal control deficiencies within that section (now known as the Housing Repairs Service) with regard to procedures relating to the stores.

The Assistant Director (Property) has taken a number of steps to improve the position in the short term. The long term solution is through the appointment of a private repairs management contractor to manage the Housing Repairs Service, including the stores. Part of the requirements of appointment will be an improved stores function. Good progress has been made with the appointment, five contractors have been selected through a methodical Pre Qualification Questionnaire process, who will shortly be invited to tender.

- 7.1.8. Within Planning and Economic Development, 2009/10 was a difficult year for the Directorate, in particular because of the loss or absence of a number of key managerial/supervisory staff and the difficulties associated with recruiting their successors. Widespread acting-up arrangements were introduced. Workload was extensive in part because of the recession.

The staff acting-up and new staff, were given training in various formats, so that what could have been difficult and unproductive has been used to “upskill” more staff with knowledge of procedures, governance requirements and particularly, financial skills.

In quarter two, there was a follow up audit in respect of various matters in Building Control which had an overall rating of Limited assurance. When reported to the Audit and Governance Committee on 30/11/09, the committee were satisfied that all suitable actions had been taken.

## **7.2. Governance – Internal Control Issues**

Other areas have been highlighted in the review of the Council’s systems of internal control and are listed below. In each case the Directors responsible have identified the risk involved and prepared plans to contain the risks and deliver the necessary improvements:

- 7.2.1. The Council’s assurance framework needs to demonstrate that internal controls are in place for the management of the Council’s income. Internal Audit had identified weaknesses in the reconciliation process within two income systems which have been raised with management and have been addressed by the inclusion of a greater level of controls.
- 7.2.2. An internal audit identified limited assurance in the verification of audit (systems access) logs for individual systems. While the Council’s systems are accessed through a secure network, individual systems are not always monitored for unauthorised access attempts. Management are reviewing the availability of logs and will identify where additional staff training is required. It should be noted that the Council’s network continues to meet the standards required by Government Connect.

7.2.3. Within the corporate systems for processing purchase orders and invoices, there are still examples of weaknesses and departures from Contract Standing Orders, Financial Regulations and good practice. A course for managers on finance and regulatory issues is regularly held for both new staff and existing staff where the need for a refresher has been identified through audit review or as part of Performance Development Reviews.

7.2.4. Internal Audit reports continue to highlight internal control issues within the Building Maintenance Works Unit, Particular concern remains with the procedures relating to stores. A full management review is in progress covering management, staffing, working practices and stores administration.

7.2.5. Two Internal Audit reports have identified areas where improvement in controls over data input and subsequent data checking to ensure good data quality is required. The findings were raised with management for action.

7.2.6 As a result of human error, personal data relating to applicants for taxi driver licences was published on the Council's website as part of the agenda for the Licensing Sub committee meeting. The following action resulted from this error:

- a) removal of the personal data from the website;
- b) disciplinary action against the member of staff concerned;
- c) re-training of staff in Licensing and Democratic Services in Data Protection Act principles;
- d) revised procedures for Licensing Sub Committee agenda;
- e) voluntary report by the Council on the circumstances surrounding this breach of the Act to the Information Commissioner; and
- f) personal and written apologies to the individuals concerned.

As a result of item e) above, the Commissioner ruled that he would not be taking any further action in this case but if the Council were found in breach of the Act at any time in the future, the current case would be taken into account.

8. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

Derek Macnab  
Acting Chief Executive

Signed .....

Councillor Di Collins  
Leader of the Council