

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit & Governance Committee **Date:** 27 January 2020

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 7.38 pm

Members Present: J Knapman (Chairman), I Hadley, S Heap, R Jennings and B Vaz

Other Councillors: C Whitbread and H Whitbread

Apologies:

Officers Present: N Dawe (Interim Strategic Director & Chief Financial Officer), S Linsley (Senior Auditor), S Marsh (Chief Internal Auditor), J Nolan (Service Director (Commercial & Regulatory Services)), P Seager (Chairman's Officer) and G Woodhall (Democratic & Electoral Services Officer)

30. WEBCASTING INTRODUCTION

The Chairman 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.

31. DECLARATIONS OF INTEREST

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

32. MINUTES

Confirmation of the minutes of the previous meeting was deferred to the next meeting of the Committee, as the minutes were not attached to the agenda and Members had not received the email notification that the minutes had been published to the Council's website. The Senior Democratic Services Officer undertook to email a copy of the minutes to all members of the Committee.

33. MATTERS ARISING

Consideration of any matters arising from the minutes of the previous meeting was also deferred, pending receipt of the minutes of the previous meeting by Members of the Committee.

34. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME

The Chief Internal Auditor reminded the Committee that it was due to consider a report on the effectiveness of the arrangements for Risk Management at its meeting. However, once the Committee assumed the responsibility for Risk Management from

the Finance & Performance Management Cabinet Committee, then it would be receiving Risk Management update reports at each meeting in the future.

The Section 151 Officer explained to the Committee that a report on the Treasury Management Investment & Strategy Statements was due to be considered at this meeting. However, the Council was in the process of implementing some significant changes in its approach to loans and some further analysis was required. Hence, this report would not be forthcoming until the next meeting of the Committee two months hence.

The Committee noted its Work Programme for 2019/20, including the two revisions as explained to the Committee.

35. INTERNAL AUDIT MONITORING REPORT - NOVEMBER TO JANUARY 2020

The Chief Internal Auditor presented the Internal Audit Monitoring report for the period November 2019 to January 2020.

The Chief Internal Auditor reported that four reports had been issued since the Committee's last meeting on 25 November 2019. The three reports on Recycling Management & Income, Invoices Payments, and Housing Register and Allocations had been issued with substantial assurance, whilst the report on Business Support Reconciliations had been issued with limited assurance. For Business Support Reconciliations, it had been identified that the Building Control, Legal Fees and Industrial & Commercial Rents reconciliations were not being carried out and therefore there was limited assurance that all such transactions had been recorded in the Council's accounts. Weaknesses in the reconciliations that were being performed by Business Support had also been identified. Under the new Business Support arrangement, roles and responsibilities should be clearly defined and clear procedural guidance to ensure controls operated effectively.

The Chief Internal Auditor stated that good progress had been made with the Internal Audit Plan for 2019/20; the deferral of the audit of the Infrastructure Delivery Plan to 2020/21 was being considered, as the Local Plan had not yet been adopted.

The Audit Recommendation Tracker was showing that the number of overdue audit recommendations had increased with 17 currently past their due date in comparison to 13 at the Committee's previous meeting. The overdue High Priority recommendation related to the Business Continuity Planning project; the Service Director for Commercial & Regulatory Services reported that Business Continuity Planning for all Directorates was now complete, and an exercise would be undertaken on 19 February 2020 to test the Business Continuity Plans.

Cllr R Jennings highlighted the use of the word '*should*' throughout the report, was concerned by the number of overdue audit recommendations, and enquired if this situation would be rectified for the next meeting of the Committee in March? The Chief Internal Auditor took this on board. The Chairman was also concerned that the number of overdue medium priority audit recommendations had doubled since August 2019, and proposed that every Officer responsible for an overdue audit recommendation should be summoned to the next meeting of the Committee to explain why the deadline had not been met; the Committee agreed the proposal.

The Chief Internal Auditor informed the Committee that the Internal Audit Charter had been reviewed to ensure that it was fully compliant with the Public Sector Internal Audit Standards. The primary revision had been to ensure the division between assurance and consultancy work was clearly defined. The annual review of the Local

Code of Corporate Governance had also been completed, and the only changes required were to reflect the Council's management restructure and current policies.

The Chief Internal Auditor highlighted the following achievements by the Corporate Fraud Team, since the previous meeting of the Committee:

- (i) two Right-to-Buy applications had been stopped resulting in a discount saving of £166,000 and potential rent revenue streams of £105,000;
- (ii) one ongoing Right-to-Buy investigation had identified safeguarding issues relating to suspected financial abuse of an elderly person;
- (iii) an investigation into the suspected illegal sub-letting of a Council property had now reached the stage where legal options were being explored; and
- (iv) International Fraud Awareness Week had been well received, and had made a number of teams within the Council more fraud aware.

Finally, the Chief Internal Auditor outlined the progress that had been made with the issues identified for improvement during the current municipal year in the Annual Governance Statement.

Cllr S Heap felt that there was no mechanism for oversight of current fraud investigations, and the Committee needed to have some degree of control over this. The Chief Internal Auditor stated that public pronouncements could not be made during the investigation, but the result of major investigations were always reported to the Committee when they were completed. Cllr S Heap stated that some of the investigations were lengthy, and the Committee would not know of its progress or even if it was actually happening. Cllr S Heap felt that there should be a small group of Councillors who should be trusted for the reporting of ongoing fraud investigations. The Chief Internal Auditor undertook to consider this matter further and would discuss this with the Chairman.

The Chairman was pleased that Officers were now accountable to the Committee and would have to provide an explanation if they failed to meet the agreed deadlines for actioning audit recommendations. However, the Councillor was unsure as to the timescale for actioning the audit recommendations for the limited assurance report issued for the Business Support Reconciliations? The Chief Internal Auditor stated that this would normally form part of the audit recommendation tracker process, which listed all overdue audit recommendations and all outstanding high priority audit recommendations, regardless of whether they were overdue or not. This particular high priority audit recommendation was listed on the audit recommendation tracker, but the Chief Internal Auditor agreed that additional detail should have been included in the report to give the Committee that assurance as well. The Senior Auditor added that an action plan was always agreed with the relevant Officer after every audit undertaken, and additional detail regarding the actioning of high priority audit recommendations would be included in the Committee report in the future.

Resolved:

- (1) That the progress made against the 2019/20 Internal Audit Plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2019 to January 2020 be noted;
- (2) That the revised Internal Audit Charter be approved;

(3) That the revised Local Code of Corporate Governance be approved; and

(4) That the responsible Officers for all overdue Audit Recommendations at the next meeting of the Committee be invited to attend that meeting to explain to the Committee the circumstances for the deadline not being met.

36. FINAL ACCOUNTS PROGRESS REPORT

The interim Strategic Director presented an update report on progress with the preparation of the Council's Final Accounts to the Committee.

The Director reminded the Committee that the External Auditors had highlighted a number of weaknesses in the Council's arrangements for the preparation of the Statutory Statement of Accounts and supporting working papers. An Improvement Plan had been put in place, and all the specific issues with the 2018/19 Financial Statement had been resolved with the External Auditors. In addition, the following general improvement aspects were being addressed:

- supporting working papers were now well documented and filed under dedicated folders;
- a succession plan and a cultural shift towards the documentation of processes and procedures was being introduced;
- bank mandates had been updated to reflect the recent turnover in key members of staff, and the correct contact information had been provided to the Council's Investment Managers;
- new Accounting Standards were being reviewed to ensure that the Council complied with them;
- the Cash Forecast had been produced and updated on a monthly basis up to the end of period 9; and
- the Finance and Legal teams had agreed on the format for recording any Shared Ownership of Council Dwellings agreements (Rent-to-Mortgage).

The Director stated that the Improvement Plan was currently on schedule and the Committee would receive a full report on the result of the Month Nine Trial Close of the Accounts exercise at its next meeting.

The Chairman commented that this was an excellent report, as it has stated what had been done to resolve the issues and what would be done in the future. Cllr R Jennings also reminded the Committee that he had raised the issue of the cost involved to the Council for resolving these problems with the Final Accounts at the last meeting, and would still like to be advised of this.

The Committee welcomed the report as it indicated that the Council was now in a much better situation than it had been a few months ago.

Resolved:

(1) That the overall progress made with the Plan to improve the speed and accuracy of the Final Account closure be noted;

(2) That the achievement of a Month Nine Trial Close of the Accounts and progress with testing 'Year-End' activities be noted;

- (3) That, following the conclusion of all Trail Closure activities and the production of a dummy set of Accounts, a further progress report on the results of this exercise be submitted to the meeting of the Committee; and
- (4) That the Committee be advised of the cost involved to the Council in resolving these issues with the preparation of the Final Account.

37. ANY OTHER BUSINESS

The Chairman felt that the Committee should be challenging more Service Directors on the risk issues within their areas of responsibility, and proposed that the Service Director for Planning Services should be invited to the next meeting of the Committee to explain the risks involved with the current position of Natural England on planning applications which affected the Special Area of Conservation within Epping Forest. The Leader of the Council acknowledged there was an issue, but assured the Committee that a considerable amount of work was being undertaken behind the scenes to resolve the situation. However, the Committee concurred with the suggestion of the Chairman, and an invitation would be extended to the Service Director for Planning Services to attend the next meeting of the Committee.

Cllr S Heap stated that he was still unsure about certain aspects of the new Group Company structure, and felt that it needed to be more transparent. The Chairman reminded the Committee that this matter had been raised at the last meeting, and felt that there could be a role for the Audit & Governance Committee to ensure that the proper processes were in place. Cllr R Jennings added that the Overview & Scrutiny Committee were receiving regular progress reports on the establishment of the Group Company at every meeting. The Leader of Council reassured the Committee that Qualis was a company wholly owned by the Council, and that there was a Member Workshop scheduled for 3 February 2020 which would explain how the Group Company had been set up. The Chief Internal Auditor added that the Audit Plan for 2020/21 was currently being developed, and the Group Company would feature heavily within the Plan. The shared service had experience of auditing such companies at both Harlow and Broxbourne District Councils.

Cllr I Hadley pointed out that the Corporate Risk Register attached to this agenda was dated September 2019, but the Corporate Risk Register attached to the latest agenda of the Finance & Performance Management Cabinet Committee was dated January 2020. In addition, the corporate risk concerning the establishment of the Group Company had not yet been added and no explanation had been given. The Service Director for Commercial & Regulatory Services confirmed that the Corporate Risk Register attached to the agenda for the Finance & Performance Management Cabinet Committee was the current risk register. The establishment of the Group Company would be added to the Corporate Risk Register for the next update, but it was currently going through the Officer risk analysis process at the current time.

Resolved:

- (1) That the Service Director for Planning Services be invited to attend the next meeting of the Committee to explain the risks involved with the current stance of Natural England on planning applications which affected the Special Area of Conservation within Epping Forest.

38. 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