

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** 10 November 2011

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 7.40 pm

Members Present: A Watts (Chairman), Mrs M Peddle (Vice-Chairman), C Finn, R Thompson and Ms S Watson

Other Councillors: J Philip

Apologies: -

Officers Present: R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), B Moldon (Principal Accountant) and G J Woodhall (Democratic Services Officer)

29. 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.

30. DECLARATIONS OF INTEREST

(a) Pursuant to the Council's Code of Member Conduct, Councillor Ms S Watson declared a personal interest in agenda item 6, Corporate Governance Group – 7 September 2011, by virtue of being a Portfolio Holder Assistant and being aware of the identity of one of the Standards Committee Cases. The Councillor had determined that her interest was not prejudicial and would remain in the meeting for the consideration of the issue.

(b) Pursuant to the Council's Code of Member Conduct, Councillor Ms S Watson declared a personal interest in agenda item 7, Corporate Governance Group – 19 October 2011, by virtue of being a Portfolio Holder Assistant and also a customer of, as well an Officer who deals with, the NatWest Bank. The Councillor had determined that her interest was not prejudicial and would remain in the meeting for the consideration of the issue.

(c) Pursuant to the Council's Code of Member Conduct, Councillor Ms S Watson declared a personal interest in agenda item 8, Treasury Management and Prudential Indicators 2011/12 – Mid-Year Progress Report, by virtue of being a customer of, as well as an Officer who deals with, the NatWest Bank. The Councillor had determined that her interest was not prejudicial and would remain in the meeting for the consideration of the issue.

31. MINUTES

Resolved:

(1) That the minutes of the meeting held on 22 September 2011 be taken as read and signed by the Chairman as a correct record.

32. MATTERS ARISING

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

33. CORPORATE GOVERNANCE GROUP - 7 SEPTEMBER 2011

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 7 September 2011. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

The Chief Internal Auditor stated that the Bribery Policy had been agreed by the Council and training would be available for both Members and Officers in the future. Contracts of employment would be amended in due course to take account of the Bribery Policy. The Director of Finance & ICT added that related party transactions were now included within the Statutory Statement of Accounts.

In respect of the Former Chief Executive's contract of employment, the Chairman requested that the final report of the Task & Finish Scrutiny Panel also be considered by the Audit & Governance Committee. It was also felt that the terms of reference for the Task & Finish Panel should extend to the contracts of all the Directors, and not just the Chief Executive. The Committee was informed that the first meeting of the Task & Finish Panel was taking place that evening and all the Senior Management contracts would be reviewed. The Panel's final report was planned for January 2012.

Resolved:

(1) That the minutes of the meeting of the Corporate Governance Group held on 7 September 2011 be noted.

34. CORPORATE GOVERNANCE GROUP - 19 OCTOBER 2011

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 19 October 2011. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

The Chairman reported that the Constitution & Member Services Scrutiny Panel had agreed the recommendations from the Audit & Governance Committee in relation to Portfolio Holder Assistants. The Scrutiny Panel would analyse the Committee's agenda to identify any potential conflicts.

Resolved:

(1) That the minutes of the meeting of the Corporate Governance Group held on 19 October 2011 be noted.

35. TREASURY MANAGEMENT & PRUDENTIAL INDICATORS 2011/12 - MID-YEAR PROGRESS REPORT

The Principal Accountant presented the mid-year progress report on Treasury Management and Prudential Indicators, which covered the treasury activity for the first half of 2011/12, and was a requirement of the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management. The Director of Finance & ICT also advised that a revised version of this report had been issued on a supplementary agenda following the downgrade of the credit rating for the Council's bank, NatWest, by the credit agencies.

The Principal Accountant reported that the probable outturn for 2011/12 had indicated a drop in capital expenditure by £1.1million, which had partly been rephased into future years. This would result in a reduction of £1.75million in the use of capital receipts for the current year, but with subsequent increases in future years. The Council's underlying need to borrow was known as the Capital Financing Requirement (CFR); this was currently negative and therefore the Council did not need to borrow to finance its capital programme.

The Principal Accountant stated that the treasury position of the Council as at 30 September 2011 was £50.821million. The Committee was informed that there had been no breaches of the upper limit for fixed rate exposure or variable rate exposure. The Council had made only one investment of £5million for longer than 364 days, which did not exceed the £30million limit. The Council at no time had more than 30% of its investments in a non-UK country.

The Committee was informed that the Council had received notification on 7 October 2011 of the NatWest Bank having its credit rating revised. The new rating no longer met the Council's criteria for long-term investments, although its short-term rating had remained the same. The NatWest Bank was the Council's banker, and therefore it had been proposed to retain it for overnight and weekend investments up to a maximum of £2.5million. The risk of default was considered minimal as the bank's majority shareholder was the Government.

The Council had received further dividends from the administrators of Heritable Bank, and it was expected that the final total dividend would be approximately 90% of the Council's outstanding investment. The Principal Accountant concluded by stating that the recent and unexpected reduction in the rates being offered by the Public Works Loan Board (PWLB) had negated the need for the Council to obtain a credit rating. The finance available from the PWLB would be 0.5% cheaper than private finance.

The Committee felt that the credit and counterparty risk could increase if more banks had their credit ratings reduced by the agencies. The Principal Accountant stated that the Council's Treasury Consultants, Arlingclose, was already considering recommending a lowering of the credit rating for the Council to invest with a counterparty, but such investments would be over a shorter period than currently. All new investments were with UK banks, not European, although Santander was being examined very closely, as it was a British bank owned by a Spanish parent company. The Council had previously had Australian and Canadian Banks on its counterparty list, but the Council had never had enough funds available for its investment to be accepted.

The Chairman highlighted that the role of the Committee was to be responsible for scrutinising the Council's Treasury Management function, as agreed by the Council, which included both the Officers and Members involved. It was therefore felt that the meetings of the Audit & Governance Committee should follow meetings of the

Finance & Performance Management Cabinet Committee, not precede them as present.

Resolved:

(1) That the mid-year progress report on Treasury Management and the Prudential Indicators for 2011/12, and the management of the risks therein, be noted; and

(2) That, from 2012/13 onwards, meetings of the Audit & Governance Committee be after meetings of the Finance & Performance Management Cabinet Committee to enable the Committee to fulfil its role of scrutinising the Council's Treasury Management function.

36. INTERNAL AUDIT MONITORING REPORT - JULY TO SEPTEMBER 2011

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the second quarter of 2011/12, which provided a summary of the work undertaken by the Internal Audit Unit between July and September 2011. The report detailed the overall performance to date against the Audit Plan for 2011/12 and also allowed the Committee to monitor the progress of priority 1 recommendations from previous audit reports.

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

- (a) Substantial Assurance:
- Housing Benefits;
 - Waste Management & Recycling;
 - Bed & Breakfast Contract;
 - Leisure Contract;
 - Car Mileage Claims; and
 - Gifts & Hospitality (Officers).
- (b) At draft report stage:
- Key & Local Performance Indicators;
 - Norway House;
 - Housing Maintenance Depot;
 - Management of Sickness Absence; and
 - Licensing.

No reports with a Limited Assurance had been issued during the quarter. The Committee's attention was drawn to the Outstanding Priority 1 Actions Status report, and the Limited Assurance Audit Follow Up Status report. It was also noted that the Audit Plan for 2011/12 had been appended to allow the Committee to monitor progress against the Plan.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's Local Performance Indicators for 2011/12:

- | | | |
|------------------------------|-------------|-------------|
| • % Planned Audits Completed | Target 45% | Actual 38%; |
| • % Chargeable Staff Time | Target 72% | Actual 71%; |
| • Average Cost per Audit Day | Target £300 | £226; and |
| • % User Satisfaction | Target 85% | Actual 80%. |

The Committee noted that there had been a shortfall in the planned audits completed for the first quarter, which was due to the unavailability of a member of staff on long-term sickness. This was being monitored via the Council's Managing Absence procedures.

The Chief Internal Auditor reported that the review of the Limited Assurance Audit previously issued for Norway House had been completed and that improvements had been made.

The Committee noted that the number of audit reports issued with a Limited Assurance had decreased, with fewer subsequent reviews required and fewer Priority 1 actions outstanding. Therefore, it was felt that genuine progress was being made. It was suggested that the Target Date for the outstanding Priority 1 action in relation to Planning Fees Income Reconciliation should be reviewed as it was currently listed as April 2011.

Resolved:

(1) That the following issues arising from the Internal Audit Monitoring Report for the second quarter of 2011/12 be noted:

(a) the Audit reports issued between July and September 2011 and significant findings therein;

(b) the Priority 1 Actions Status Report;

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

(d) The 2011/12 Audit Plan Status Report.

37. ANY OTHER BUSINESS

The Committee was informed that the Chief Internal Auditor was planning to conduct a survey on staff awareness of risk management issues, using a relatively small sample of staff initially, in the not-too-distant future.

CHAIRMAN