

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

**Committee:** Audit and Governance Committee      **Date:** Thursday, 5 April 2012

**Place:** Council Chamber, Civic Offices, High Street, Epping      **Time:** 7.30 - 9.30 pm

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

**Other Councillors:** Councillor G Mohindra

**Apologies:** Councillor C Finn

**Officers Present:** R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), P Pledger (Assistant Director (Property and Resources)), G Lunnun (Assistant Director (Democratic Services)), B Moldon (Principal Accountant) and A Hendry (Democratic Services Officer)

**Also in attendance:** R Bint (External Auditor)

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### **49. 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.

### **50. APOLOGIES FOR ABSENCE**

The Chairman reported that Councillor Finn had recently been admitted to hospital for urgent treatment and was currently recovering at home.

#### **RESOLVED:**

That the best wishes of the Committee for a speedy recovery be sent to Councillor Finn.

### **51. DECLARATIONS OF INTEREST**

(a) Pursuant to the Council's Code of Member Conduct, Councillor Watson declared a personal interest in agenda item 10 (Housing Repair Service – Control and Risk Management) by virtue of being the Assistant Housing Portfolio Holder. The Councillor advised that she had determined that her interest was not prejudicial and that she would remain in the meeting for the consideration and voting on the matter.

(b) Pursuant to the Council's Staff Code of Conduct, Mr R Palmer advised that if the Committee entered into detailed consideration of item 8 (Report of the Senior Recruitment Task & Finish Scrutiny Panel) he would declare a personal interest in that matter. He advised that in that event he had determined that his interest was prejudicial and that he would leave the meeting for the consideration and voting on the matter.

**52. MINUTES****RESOLVED:**

That the minutes of the meeting held on 9 February 2012 be taken as read and signed by the Chairman as a correct record.

**53. MATTERS ARISING****(a) Any Other Business – Bribery Act Policy (Minute 48)**

The Chief Internal Auditor provided an update on the progress with the implementation of the Bribery Act Policy. He advised that following adoption of the Policy by full Council an item had appeared in the Council Bulletin and in the staff newsletter "District Lines". In addition a Human Resources update notification had been issued to managers and reference to the policy would be included in future bitesize finance training covering new staff. He also reported that the Council's standard form of contract for contractors had been amended to reflect the policy.

**(b) Any Other Business – Risk Management Awareness Staff Survey (Minute 48)**

The Chief Internal Auditor advised that a survey had been undertaken of 60 employees on Grades 3-10. 41 of those approached had replied representing an even split between Grades 3-6 and Grades 7-10. He advised that a higher proportion of the respondents on Grades 3-6 had been unable to answer questions or had given negative responses to questions. He had concluded therefore that whilst there was strong control of risk management at the top level of staff there was a need to take further steps to draw attention to the policy to those on the lower grades.

Mr Thompson questioned whether reference had been made to the policy in the procurement guidelines. The Chief Internal Auditor advised that he would report to a future meeting on that aspect.

**54. CORPORATE GOVERNANCE GROUP - 18 JANUARY 2012**

The Chairman expressed surprise that the minutes of this meeting had not been presented to the previous meeting of the Committee on 9 February 2012 and requested earlier publication of the minutes of the Corporate Governance Group in future.

The Chairman sought clarification of the meaning of minute 76(c). The Chief Internal Auditor confirmed that the reasons for previous discrepancies in stock records had been due to deficiencies within the database.

The Chairman also sought clarification of minute 78 and was advised that training in the detection of money laundering procedures had been provided.

**RESOLVED:**

That the minutes of the Corporate Governance Group meeting held on 18 January 2012 be noted.

**55. CORPORATE GOVERNANCE GROUP - 15 FEBRUARY 2012**

Members sought additional information regarding minute 94 and were advised that following a prosecution by the Council the defendant had issued documents attempting to take proceedings against the Council and its Directors. However, his actions were not proceeding.

**RESOLVED:**

That the minutes of the Corporate Governance Group meeting held on 15 February 2012 be noted.

**56. REPORT OF THE SENIOR RECRUITMENT TASK & FINISH SCRUTINY PANEL**

The Director of Finance and ICT introduced the report of the Panel. Members noted that the report had been considered by the Council on 14 December 2011 and the recommendations contained therein had been adopted. The report was now before this Committee in accordance with the decision taken at its meeting in November last year.

The Director of Finance and ICT reported that the recruitment process for the Chief Executive was now underway. He advised that if members wished to raise questions on general matters he would be able to provide answers but if specific matters were raised about the recruitment process he would need to leave the meeting as he would have a prejudicial interest.

The Chairman expressed surprise that the introduction to the report had not referred to the original decision which had called for the assessment.

Mrs Peddle indicated that she wished to ask questions about the recruitment process. Mr Palmer declared a personal and prejudicial interest and left the meeting.

Mrs Peddle suggested that a Recruitment Panel of seven members was too many and she questioned the role of executive members as described in paragraph 3.1 of the report. The Chairman explained the political arrangements within the Council including the allocation of places on committees pro rata to the strengths of political groups on the Council. He advised that the size of the Panel reflected the need to accommodate members of the various political groups.

Members discussed the role of this Committee in relation to the proposed review of the new procedures.

**RESOLVED:**

(1) That as part of the review of the new procedures after one year to be considered by the Overview and Scrutiny Committee, the following matters be taken into account:

(a) the role of executive members of the Council as described in paragraph 3.1 of the report;

(b) the re-drafting of the flow chart to simplify it and remove duplication by amalgamating the references to the roles of the Head of Paid Service and Chief Officers;

(2) That the report on a review of the new procedures to be reported to the Overview and Scrutiny Committee also be reported to this Committee;

(3) That a report be made to a future meeting to enable the Committee to determine whether sufficient controls are in place to undertake performance management and monitoring of the Council's progress towards meeting the Council's Forward Plan targets.

## 57. SUBMISSION OF CORPORATE GOVERNANCE GROUP MINUTES

The Director of Finance and ICT presented a report seeking the views of members on the current link between the Corporate Governance Group and this Committee. He drew attention to the following options within the report:

(a) preservation of the link by electronic notification to Committee members without the minutes being circulated with the agenda for the Committee;

(b) any item from the minutes notified under (a) above on which a member of the Committee wished to receive a report to be raised with the Chairman of the Committee and officers;

(c) continuation of the present arrangements.

Mr Thompson pointed out that the Corporate Governance Group appeared to be the only Officer Group whose minutes were routinely made public by inclusion on this Committee's agenda. He suggested that this could lead to a risk of discussing exempt business in public session. He further suggested that (a) and (b) above could enable minutes of the Group to be made more explanatory.

Mrs Peddle accepted that the minutes of the Group were written having regard to the fact that they were placed in the public arena and, accordingly they were of limited value to the Committee. She suggested that a more structured form of reporting was required than that proposed in (b) above. She proposed that matters considered by the Group should be reported to the Committee twice a year in a report format rather than by the submission of minutes with the minutes being made more explanatory and sent by e-mail to members as and when they were published.

Members accepted that in reporting to the Committee there might be a need to have items in both public and private sessions depending on the content.

### RESOLVED:

(1) That, in future, minutes of the Corporate Governance Group be made more explanatory and sent to members of the Committee by e-mail as and when published;

(2) That on receiving the minutes, members draw the attention of officers to issues that they would like to discuss at the Committee;

(3) That reports of the Corporate Governance Group based on the minutes of meetings and comments made by members of this Committee on those minutes be submitted to the Committee twice a year to enable members to review matters, with such reports being taken in either public and/or private session depending on the content; and

- (4) That these arrangements be reviewed after one year.

## 58. HOUSING REPAIRS SERVICE - CONTROL & RISK MANAGEMENT

The Assistant Director of Housing (Property and Resources) presented a report on the new control and risk management arrangements currently in place or planned within the Housing Repairs Service and Maintenance Depot. He referred to a presentation which had been made to the Committee in September 2009 at which time members had been advised of controls and changes which had been introduced following the Building Maintenance Works Unit joining the Housing Directorate. Members were advised that the plans at that time had included:

- (a) the relocation of the Housing Repairs Service to the Epping Depot to enable closer working within the Building Maintenance Works Unit;
- (b) the introduction of pre-inspections by tradesmen enabling Repairs Officers to undertake more post-inspections;
- (c) trackers being installed in all fleet vehicles;
- (d) tool-box talks with all staff, including office based staff and technical officers as well as the manual workers;
- (e) the commencement of electronic ordering using the Council's corporate "Marketplace" system to replace the manual order pads;
- (f) the introduction of pre-vacation inspections or voids to highlight to tenants the need to hand back properties in a better condition (allowing quicker turn-around for voids and reducing the burden of having to recharge tenants for damage they might have caused);
- (g) a reduction in the routine repair target from eight to six weeks;
- (h) a phasing out of ad-hoc sub-contractors not on contract and the use of framework contractors to undertake certain capitalised repairs;
- (i) weekly stores spot checks; and
- (j) improvement on sickness absence in line with the Council's Managing Absence Procedures.

The Assistant Director of Housing (Property and Resources) reported that in relation to managing absence, between November 2008 and January 2012 there had been a 45% reduction in the amount of unproductive time lost as a result of sickness absence (from 8.32 days per employee to 5.41 days per employee on average). He also reported that in 2008/9 the total expenditure with sub-contractors not engaged through a contract had been £848,977 and this had been reduced to approximately £317,000 in 2010/11.

The Assistant Director of Housing (Property and Resources) reported that in 2009 members had also been informed of plans to introduce a Commercial Repairs Management Contractor to help the Council to operate in a more controlled and commercially orientated manner to ensure good services to tenants and value for money. Members noted that since that time a Housing Repairs Service had been formed through the combination of Housing Repairs and the Building Maintenance Works Unit. The restructure had achieved the separation of the administrative office

functions from the more technical and supervisory functions. The service had been separated into a North and South split with Area Managers and Assistant Area Managers supervising a share of the trade operatives. This had significantly increased the level of supervision beyond that previously in place. More customer focus had been put in place with a new Customer Repairs Manager, Customer Repairs Team Leader and a Tenant Liaison Officer. The Committee noted that the restructure of the Housing Repairs Service had achieved savings of approximately £60,000 a year.

The Committee was advised that the appointment of a Repairs Management Contractor had been an innovative approach combining both the public and private sectors. There had been no other examples of this kind of contract and the Council had sought expert procurement advice and an EU procurement exercise had been undertaken. The outcome of this process had been the appointment of Mears which had been endorsed by the Cabinet in March 2011. The Assistant Director of Housing (Property and Resources) reported that the staff remained as Council employees but were managed by a Housing Repairs Manager employed by Mears. The contract had been based on three priced elements:

- (a) day-to-day management of the Housing Repairs Service as well as other commercial and specialist advice and support;
- (b) lump-sums for the implementation of five very specific projects (key deliverables); and
- (c) an incentive payment for achieving a set of defined performance targets, all of which would achieve top-quartile performance.

Members were informed that four of the five “key deliverables” were linked to the implementation of a new contractor focused IT system. The Assistant Director of Housing (Property and Resources) explained the new system and expanded on the details of the controls and benefits of the system. Members noted that since the IT system had gone live in January 2012 the Housing Repairs Service had undertaken approximately 3,300 responsive repairs, a high percentage of which had been undertaken by appointment. The average job cost for each of those had been £80 which was approximately £10 per job less when compared to similar local authorities outside of London and some £25-£40 per job cheaper when compared to some London authorities.

The Committee noted that the final “key deliverable” related to the supply of materials and overcoming the previous past weakness in the day-to-day operation of a materials store. The Council had recently issued an OJEU Notice and had shortlisted five potential suppliers for Materials Supply. Tenders were due to be sent out later in the summer with a target start date of October 2012.

In conclusion the Assistant Director of Housing (Property and Resources) reported that the concept had attracted a lot of interest from other organisations looking to follow a similar approach and officers of the Council and Mears had jointly attended a number of nationally organised housing related conferences to give presentations on the approach.

In response to questions the Assistant Director of Housing (Property and Resources) explained the strategy in place in the event of Mears being unable to continue to provide a service. He also expanded on the relationship between the Council and Mears in relation to staffing issues.

The Chief Internal Auditor advised the Committee that an audit would be undertaken of the new system later in the year. He had also allowed additional audit time in the coming year for auditing housing contracts generally.

**RESOLVED:**

That the control measures and risk management arrangements introduced within the Housing Repairs Service be noted.

**59. GRANT CLAIM CERTIFICATION FOR THE YEAR ENDED 31 MARCH 2011**

The Director of Finance and ICT introduced a report of the External Auditor on Grant Claim Certification for the year ended 31 March 2011.

Mr R Bint (External Auditor) referred the Committee to the summary of certification within the report and to the Appendices showing progress against prior year recommendations and an Action Plan. He pointed out that two of the six claims audited, the Housing and Council Tax Benefits Subsidy and the HRA Subsidy Base Data Return 2012/13, had been qualified due to issues relating to non-compliance with the certification instructions and, therefore, the requirements of the grant paying body. He acknowledged an improvement in the Council's overall performance reflected by a reduction in the amount of audit fees. Whilst acknowledging that some of the sums were comparatively small from a Council point of view he explained there was a need to ensure that claimants were given the correct amounts as the sums involved could be substantial from their point of view.

The Chairman thanked Mr Bint for his attendance and for presenting the report.

**RESOLVED:**

The report of the External Auditor be noted.

**60. AMENDED TREASURY MANAGEMENT STRATEGY STATEMENT**

The Principal Accountant presented a report on an amended Treasury Management Strategy Statement which had been adopted by the full Council at its recent meeting. Members noted that it had been necessary to update the Strategy in order to bring it in line with the Council's desire to overfund on the Housing Revenue Account Capital Financing Requirement to provide flexibility to expand the Council House Building Programme and to enable the Council to continue to internally borrow up to the General Fund Capital Financing Requirement.

The Committee considered the amendments made to the Strategy.

**RESOLVED:**

(1) That the management of the risks associated with Treasury Management dealt with in the amended Treasury Management Strategy Statement and Investment Strategy 2012/13 to 2014/15 be noted; and

(2) That the officers be thanked for their work in amending the Strategy.

**61. AUDIT & GOVERNANCE COMMITTEE - ANNUAL REPORT 2011/12**

The Chief Internal Auditor submitted a report and a draft of the Committee's Annual Report for 2011/12. He invited the Committee to comment on the draft Annual Report which following approval would be submitted to the full Council.

**RESOLVED:**

That the draft Annual Report for the Audit and Governance Committee for 2011/12 be approved, subject to correction of typographical errors.

**62. DRAFT INTERNAL AUDIT PLAN 2012/13**

The Chief Internal Auditor presented a report concerning the draft Internal Audit Plan for 2012/13. The Committee noted that in compiling the Plan, all the fundamental financial systems had been included, to provide management and member assurance in the controls in place for good financial management. The annual audit of those systems was also a requirement of the Council's External Auditors.

Members noted that the Corporate Risk Register had been reviewed and time allocated for a review of any high risk financial areas. The Plan also contained a contingency provision for investigations and other unplanned work during the year.

The Chief Internal Auditor advised that the Audit Commission publication "Protecting the Public Purse 2011" had identified areas of local government responsibility that were subject to fraudulent activity and new areas that were becoming targets for fraud. In order to address those concerns the area of responsibility of the part-time post in the Audit Section would be directed towards fraud prevention and detection and audit time had been allocated in the Plan for that purpose.

The Committee noted that during the last year all of the Audit staff had attended training courses in current audit methodologies and ICT audit techniques including specialist audit software for which the Council had a licence. This would enable a greater level of testing of data and would also include full prevention and detection. Members noted that areas of ICT audit, such as access controls and data quality were now included within each systems audit rather than being carried out as individual audits.

The Chief Internal Auditor drew attention to the regular meetings which were being held with the Chief Auditors of Uttlesford, Harlow and Broxbourne Councils aimed at identifying and sharing best practice and expertise. He also pointed out that time had been allocated in the Plan for a joint review of procurement which would identify the best way forward for future joint projects and the sharing of best practice, findings and recommendations.

**RESOLVED:**

That the Internal Audit Plan for 2012/13 be approved.

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

The Director of Finance and ICT presented a report on the effectiveness of the arrangements for risk management. He advised that in accordance with best practice the Committee's role included the consideration of the effectiveness of the Council's risk management arrangements. He pointed out this contrasted with the role of the Finance and Performance Management Cabinet Committee which was



required to advise and make recommendations to the Cabinet on risk management and insurance issues.

Members noted that Internal Audit had completed, but not yet reported to this Committee, an audit covering risk management and insurance in respect of which their conclusion had been a score of "substantial assurance". The Director of Finance and ICT invited members to consider the evidence provided in his report and to form their own view.

The Committee noted the arrangements for risk management in Directories, for Corporate Risk Management, and for updating the Corporate Risk Register.

**RESOLVED:**

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

**64. LAST MEETING OF THE COMMITTEE**

The Chairman reported that this would be the last meeting of the Committee during the municipal year 2011/12. He thanked members and officers for their support during the year.

Councillor Mohindra on behalf of the Cabinet thanked the Chairman and the Committee for their work during the year.

**CHAIRMAN**