

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** Monday, 30 June 2014

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.30 - 8.45 pm

Members Present: A Watts, R Thompson, P Keska and S Weston

Other Councillors: J Philip, D Stallan and Ms S Stavrou

Apologies: A Jarvis

Officers Present: C O'Boyle (Director of Governance), R Palmer (Director of Resources), B Bassington (Chief Internal Auditor), R Wilson (Assistant Director (Housing Operations)), G J Woodhall (Democratic Services Officer) and J Leither (Democratic Services Assistant)

Also in attendance: D Eagles and C Reed (External Auditors)

1. ELECTION OF CHAIRMAN

The Director of Resources opened the meeting and introduced the Director of Governance to the Committee as the new lead Officer for the Audit & Governance Committee.

Article 11.7(a) of the Constitution stated that the Chairman should be appointed by the Committee at its first meeting of the new municipal year. Therefore, the Director of Governance requested nominations for the role of Chairman.

Resolved:

(1) That Councillor A Watts be elected Chairman of the Audit & Governance Committee for the 2014/15 municipal year.

2. 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.

3. DECLARATIONS OF INTEREST

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

4. MINUTES

Resolved:

(1) That the minutes of the meeting held on 3 April 2014 be taken as read and signed by the Chairman as a correct record.

5. MATTERS ARISING

The Committee noted that there were no matters arising from the previous meeting for further consideration.

6. ELECTION OF VICE-CHAIRMAN

Article 11.7(a) of the Constitution stated that the Vice-Chairman should also be appointed by the Committee at its first meeting of the new municipal year. It was highlighted that the Vice-Chairman had to be one of the Co-Opted Members if the Chairman was a Councillor. Therefore, the Chairman requested nominations for the role of Vice-Chairman.

Resolved:

(1) That R Thompson be elected Vice-Chairman of the Audit & Governance Committee for the 2014/15 municipal year.

7. AUDIT AND GOVERNANCE WORK PROGRAMME 2014/15

The Committee considered its Work Programme for the 2014/15 municipal year.

The Chairman highlighted the item scheduled for the September meeting concerning the recruitment of a new Co-Opted Member to replace R Thompson. It was also pointed out that further reports would be requested by the Committee on occasion.

The Committee noted its Work Programme for the current municipal year.

8. INTERNAL AUDIT MONITORING REPORT JANUARY - MARCH 2014

The Chief Internal Auditor presented the Internal Audit Monitoring report for the fourth quarter of 2013/14, which provided a summary of the work undertaken by the Internal Audit Unit between January and March 2014. The report detailed the overall performance to date against the Audit Plan for 2013/14 and also enabled the Committee to monitor the progress of Priority 1 actions issued in previous reports.

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

- (a) Full Assurance:
 - None;
- (b) Substantial Assurance:
 - Sundry Debtors;
 - Treasury Management;
 - Council Tax;
 - Cash Receipting and Income Control;
 - Housing Repairs Service;
 - Waste Management & Recycling;
 - Payroll; and
 - Car Mileage Claims;
- (c) Limited Assurance:
 - Car Parking Contract; and

- (d) No Assurance:
- None.

The Chief Internal Auditor also highlighted that there were a further five reports in draft: Creditors; Housing Benefits; Housing Rent Collection & Arrears; Overtime and Committee Allowances; and Travelling and Subsistence Claims. The Committee's attention was drawn to the Outstanding Priority 1 Actions Status report, all of which would be reviewed in follow-up audits, and the Limited Assurance Audit Follow Up Status report. It was also noted that the Audit Plan for 2013/14 had been appended to allow the Committee to monitor progress against the Plan.

In respect of the Limited Assurance audit report issued for the Car Parking Contract, the Chief Internal Auditor stated that the system of key controls in place at the Council, designed to achieve the objectives for off street car parking income, had been implemented and were considered sound. However, the required data was not being made available by the North Essex Parking Partnership (NEPP), although this was in the process of being resolved. There would be a report undertaken in the third quarter of the municipal year concerning the governance arrangements of other organisations that the Council was in partnership with, and discussions were being had with the Chief Auditors of other Councils as to the best way to undertake this audit. The Committee was very concerned about this issue and requested that an interim report be submitted to the next scheduled meeting in September, with a full report to follow at the meeting after that in November.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's Local Performance Indicators for 2013/14:

• % Planned Audits Completed	Target 90%	Actual 77%;
• % Chargeable Staff Time	Target 72%	Actual 68%;
• Average Cost per Audit Day	Target £245	Actual £247; and
• % User Satisfaction	Target 90%	Actual N/A.

The Chief Internal Auditor informed the Committee that a member of the Internal Audit team had returned to work on a phased basis at the beginning of February 2014 following a further period of sick leave. This had required the reallocation of outstanding work to ensure that the fundamental financial systems were reviewed by the end of the financial year; and had contributed to the % Planned Audits Completed indicator failing to meet its target.

The Chief Internal Auditor added that it was still proving difficult to get Officers to fill in and return their completed User Satisfaction Surveys after an audit had been completed, and other methods were being examined in consultation with Audit Officers at other Councils. There were regular meetings with Directors and Assistant Directors, and the Chief Internal Auditor was convinced that any serious problems would have been reported. The idea that the Auditors work through the basic questions during the post-audit review with the Officers concerned was welcomed and would be given due consideration. It was difficult to detect whether the results from the surveys that had been received were related to the actual result of the Audit report; i.e. good audit report, good survey result.

There were two Outstanding Priority 1 Actions listed as at 31 March 2014, which were reviewed by the Management Board on a monthly basis. The first concerned the Recruitment & Selection process and an update had been given by the Assistant Director of Resources (Human Resources) highlighting the lack of resources to undertake this work at the current time. However, the Chairman was not satisfied with this response and felt that the Assistant Director had not understood the

importance of the induction process for new employees. It was felt that this needed to be followed up as the first two target dates had not been met. The Vice-Chairman proposed that the Assistant Director should document and plan the Recruitment and Selection process, including the completion and recording of all Employee Inductions, before presenting it to the Committee at its next meeting; the Committee concurred.

The second concerned the inaccuracy of data stored on the Council's computer system in respect of the Commercial Property Portfolio. The Director of Governance reported that a compromise agreement had been signed with the supplier of the Asset Management system as the system that was tendered for had not been delivered. No further monies had been spent by the Council with the current supplier, and the life of the old system had been extended by a further year whilst the Council performed a re-tendering process to acquire a system that would be suitable for the Council's needs.

The Committee was concerned that this was the second software system procured by the Council which had not matched up to its description, following previous problems with the implementation of the Benefits system, and that there might be an issue with the tender process for software systems. The Chief Internal Auditor acknowledged that some audit time needed to be allocated to Information Technology procurement; in the past, the Council had visited other local authority sites running the software to ascertain its reliability and this should be repeated in the future. The Committee requested that a report be submitted to a future meeting regarding the pre-tendering process currently employed when procuring software systems from third party suppliers.

Resolved:

(1) That the following issues arising from the Internal Audit Monitoring Report for the second quarter of 2013/14 be noted:

- (a) the Audit reports issued between January and March 2014 and significant findings therein;
- (b) the Priority 1 Actions Status Report;
- (c) the Limited Assurance Audit Follow-Up Status Report; and
- (d) the 2013/14 Audit Plan Status Report;

(2) That an interim report concerning the issues identified with the limited assurance audit report for the Car Parking Contract be submitted to the next scheduled meeting of the Committee in September 2014, with a full report submitted to the following meeting in November 2014;

(3) That the Assistant Director (Human Resources) be required to submit a report to the next meeting of the Committee outlining the Recruitment and Selection process currently followed by the Council, including the completion and recording of all Employee Inductions; and

(4) That a report be submitted to a future meeting of the Committee regarding the pre-tendering process currently employed when procuring software systems from third party suppliers.

9. INTERNAL AUDIT ANNUAL REPORT 2013/14 AND REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

The Chief Internal Auditor presented a report on the Internal Audit Annual Report 2013/14 and the review of the effectiveness of the system of Internal Audit.

The Chief Internal Auditor stated that this report had been presented in support of the Internal Audit opinion on the adequacy of the Council's internal control environment. It provided a summary of the work undertaken by the Internal Audit Unit and detailed the overall performance against the Audit Plan for 2013/14. The Accounts and Audit Regulations included a requirement for the Council to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance. A review had been undertaken by the Corporate Governance Group and was presented to the Committee to assist it with assessing the effectiveness of the system of internal audit on behalf of the Council.

The Chief Internal Auditor advised the Committee that the work of Internal Audit continued to improve awareness of Governance requirements and promote improvement in the Council's systems. During the year, 36 audit reports had been issued, of which 4 had full assurance, 30 had substantial assurance and 2 had limited assurance. Therefore, it could be concluded that the Council's systems were generally operating satisfactorily and appropriate follow-up action had been taken where necessary to reduce the risk of error or fraud.

In respect of Performance Management for the year, the Chief Internal Auditor informed the Committee that the final figure for both the planned audits completed (88% against a target of 90%) had been marginally below target. This was due to the long-term sickness of one member of staff, who had now fully returned to work, plus study days for another member of staff who had been studying for a professional qualification. No figure was given for the User Satisfaction performance as the introduction of a new, simplified electronic form did not improve the rate of return – as highlighted earlier in the meeting. Management would be reminded of the need to complete and return the survey forms in a timely manner.

The Chief Internal Auditor reported that the Internal Audit Section could demonstrate that it had a good understanding of the functions of the Council and had achieved the Council's objective to identify improvements to its control systems. The performance of the Unit had remained close to its key targets and all fundamental financial systems were examined and reported on. The Council's External Auditors were able to place reliance on the work of Internal Audit when conducting their formal assessment of the Team's work as part of their review of the 2012/13 accounts. The Quality Assurance & Improvement Programme required by the Public Sector Internal Audit Standards introduced in April 2013 was currently under development and would be reported to the Committee later in the year, hopefully at the next scheduled meeting in September, along with the Internal Audit Charter.

The Chief Internal Auditor stated that, in his opinion, the Council had in place a satisfactory framework of internal control, which provided reasonable assurance regarding the efficient and effective achievement of its objectives in 2013/14. Consequently, having considered all the issues, the Corporate Governance Group was satisfied that the Council's system of Internal Audit had been effective during 2013/14.

Resolved:

- (1) That the Audit Plan Status Report for 2013/14, as at 31 March 2014, be

noted;

(2) That, in the context of the Council's Governance Statement, the review of the effectiveness of the system of internal audit for 2013/14, as undertaken by the Corporate Governance Group, be noted; and

(3) That the satisfaction of the Committee with the effectiveness of the system of internal audit during 2013/14 be confirmed.

10. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2013/14

The Chief Internal Auditor presented the Audit & Governance Committee's Annual Report for 2013/14.

The Chief Internal Auditor reminded the Committee that its Terms of Reference required an Annual Report to be submitted to the Council each year. The Annual Report, as drafted by Officers, reviewed the work of the Committee throughout the municipal year when it had considered a range of governance issues and had offered guidance on improvements in the Council's system of internal control. The report had concluded that sustained improvement in the Council's internal control environment had been evidenced by a reduction in the number of audits given a Limited Assurance throughout the year. The Committee was invited to comment upon the draft and it was proposed that any substantive changes be agreed with the Chairman and Vice-Chairman before the final submission of the report to the Council.

The Chairman welcomed the report and also highlighted the work undertaken by Members of the Committee between meetings, such as reviewing the Annual Report currently under discussion.

Resolved:

(1) That the draft Annual Report of the Audit & Governance Committee for 2013/14 be agreed; and

(2) That the Chairman and Vice-Chairman of the Committee be authorised to agree any substantive changes to the final draft of the report prior to its submission to the Council.

11. ANNUAL GOVERNANCE STATEMENT 2013/14

The Chief Internal Auditor presented a report on the Annual Governance Statement for 2013/14.

The Chief Internal Auditor stated that the Council's Statutory Statement of Accounts had been prepared in accordance with the Accounts and Audit Regulations 2011. Within the Regulations, and in accordance with defined 'proper practice', there was a mandatory requirement to publish an Annual Governance Statement. The arrangements were designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements needed to be improved. The Statement was also partly derived from detailed reviews by all Service Directors on the effectiveness of the governance arrangements within their areas.

The Committee was satisfied with the Statement and its content, and opined that it was quite informative in comparison to the Statements published by other Councils. It was suggested, and agreed, that an addition should be made to section 3 of the

Statement (Review of Effectiveness) to state that the Council had to rely on the information provided by other parties when reviewing the governance of external organisations that were in partnership with the Council, including those bodies in receipt of grant aid from the Council. It was highlighted that the External Auditors also had to review the Statement, and a comment was also made that the addition of some graphics, to break up the text, could be considered in future years.

Resolved:

- (1) That an addition be made to section 3 of the Statement, Review of Effectiveness, to state that the Council relied upon information provided by other parties when reviewing the governance arrangements of external partners; and
- (2) That the draft Annual Governance Statement for 2012/13 be approved.

12. ANY OTHER BUSINESS

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

13. EXCLUSION OF PUBLIC AND PRESS

Resolved:

- (1) That, in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the item of business set out below as it would involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12(A) of the Act indicated and the exemption was considered to outweigh the potential public interest in disclosing the information:

<u>Agenda</u> <u>Item</u>	<u>Subject</u>	<u>Paragraph No.</u>
13	Local Government Ombudsman Decisions	1

14. LOCAL GOVERNMENT OMBUDSMAN DECISIONS

The Assistant Director of Communities (Operations) presented a report on two recent cases against the Council considered by the Local Government Ombudsman.

The Assistant Director reported that the first case concerned an application for Council housing from an individual suffering from epilepsy. Before December 2012, no fault was found with the way that the Council had considered the application. Subsequently however, in the opinion of the Ombudsman, the Council should have followed the advice of its external Medical Adviser and requested the Complainant to keep a seizure diary. As this advice was not followed, the Ombudsman felt the Complainant had lost the opportunity to move accommodation earlier than they did. As a result and on the recommendation of the Ombudsman, the Council had agreed to pay the Complainant the compensation suggested.

The Committee accepted that this case was a difference of opinion and interpretation between the Officers and the Ombudsman. Officers had decided that it was not the Council's place as landlord to request such medical information. It was acknowledged that Housing Officers did their utmost to treat all applicants for Council housing with fairness and respect. The Assistant Director added that the Council was

looking to discuss more complex cases with the Ombudsman to seek guidance in advance of decisions being made.

The Assistant Director reported that the second case concerned whether the Complainant had been wrongly offered a one-bedroom flat by the Council under the Housing Allocations Scheme when the Complainant left supported housing. The Ombudsman found that the Complainant should have been offered a two bedroom flat in accordance with the property sizes set out under the Council's Housing Allocations Scheme. To remedy the injustice, the Council had agreed to offer the Complainant the first two bedroom property that became available in their preferred areas, and provide the same option to another individual whom the Council had identified had been treated in the same way as the Complainant.

The Assistant Director informed the Committee that the revision to the Housing Allocations Scheme would be considered by the Housing Scrutiny Panel in October 2014, before being approved by the Cabinet later in the year. If the Council wished to allocate smaller properties to those leaving supported housing then Members could agree this at that time. The Director of Governance reassured the Committee that such decisions by the Local Government Ombudsman against the Council were very rare.

Resolved:

- (1) That the two recent cases where the Local Government Ombudsman had recorded "Maladministration and Injustice" against the Council be noted; and
- (2) That the resultant actions to be undertaken by the Council, as agreed with the Ombudsman, be noted.

CHAIRMAN