



**Webcast
Meeting**



**Epping Forest
District Council**

**AUDIT AND GOVERNANCE COMMITTEE
Monday, 30th March, 2015**

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping
on Monday, 30th March, 2015
at 7.30 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

Gary Woodhall
The Directorate of Governance
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors A Watts (Chairman), P Keska and S Weston

Independent A Jarvis

**PLEASE NOTE THAT, PRIOR TO THE START OF THE MEETING, PRIVATE BRIEFINGS
HAVE BEEN SCHEDULED FOR THE COMMITTEE WITH THE EXTERNAL AUDITOR AT
7.00PM AND THE INTERNAL AUDITOR AT 7.15PM.**

1. WEBCASTING INTRODUCTION

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

2. APOLOGIES FOR ABSENCE

(Director of Governance) To be announced at the meeting.

3. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

4. MINUTES

To confirm the minutes of the last meeting of the Committee held on 9 February 2015 (previously circulated).

5. MATTERS ARISING

(Director of Governance) To consider any matters arising from the previous meeting.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2014/15 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme for 2014/15.

7. APPOINTMENT OF CO-OPTED MEMBER (Pages 7 - 12)

(Director of Governance) To consider the attached report (AGC-020-2014/15).

8. REPORTS FROM THE EXTERNAL AUDITOR (Pages 13 - 42)

(External Auditor) To consider the attached reports (AGC-021-2014/15):

- (a) Audit Plan 2014/15;
- (b) Planning Letter 2015/16; and
- (c) Grant Claims & Returns of Certification.

9. EFFECTIVENESS OF THE ARRANGEMENTS FOR RISK MANAGEMENT (Pages 43 - 66)

(Director of Resources) To consider the attached report (AGC-022-2014/15).

10. DRAFT INTERNAL AUDIT AND CORPORATE FRAUD INVESTIGATION PLAN 2015/16 (Pages 67 - 74)

(Chief Internal Auditor) To consider the attached report (AGC-023-2014/15).

11. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (Non-Executive Bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks notice of non-urgent

items is required.

12. EXCLUSION OF PUBLIC AND PRESS

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement:

Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

- (1) all business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest;
- (2) at the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press; and
- (3) any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers:

Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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Audit & Governance Committee Report Schedule

2014/15

30 June 2014

- Internal Audit Annual Report.
- Review of the Effectiveness of Internal Audit.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Q4 Internal Audit Monitoring Report.

25 September 2014

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Q1 Internal Audit Monitoring Report.
- Appointment of Co-Opted Member – Report on Recruitment.

❖ Annual Governance Report 2013/14.

24 November 2014

- Treasury Management Mid-Year Report.
- Q2 Internal Audit Monitoring Report.
- Review of Business Continuity Plan for Internal Audit.

❖ Annual Audit Letter 2013/14.

5 February 2015

- Treasury Management Investment & Strategy Statements.
- Q3 Internal Audit Monitoring Report.

❖ Grant Claims Audit Report 2013/14.

30 March 2015

- Effectiveness of Risk Management.
- Internal Audit Business Plan.

❖ Planning Letter 2015/16.

❖ Audit Plan 2014/15.

Key

- EFDC Officer Report.
- ❖ External Auditor Report.

N.B...In addition, the Committee's annual private meetings with the External and Internal Auditors are scheduled to take place prior to the 30 March 2015 meeting.

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Report to Audit and Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-020-2014/15

Date of Meeting: 30 March 2015

Subject: Audit and Governance Committee – Appointment of Co-opted Member.

Portfolio: Governance & Development Management.

Responsible Officer: Stephen Tautz (01992 564180).

Democratic Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That members note the current position with regard to the appointment of a replacement co-opted member of the Audit and Governance Committee.

Executive Summary

This report provides details of the recruitment process and current position with regard to the receipt of applications for the appointment of a replacement co-opted member of the Committee.

Reasons for Proposed Decision:

Failure to appoint a replacement co-opted member will have implications for the operation of the Committee and the management of audit and governance matters.

Other Options for Action:

None. However, the Committee may wish to identify alternative options for the recruitment and appointment of a replacement co-opted member.

Report

1. This report updates members with regard to the current position in respect of the appointment of a replacement co-opted member of the Committee, following the recent retirement of Mr. Robert Thompson (Vice-Chairman) after a period of six years.

2. At its meeting on 17 February 2015, the Council appointed Councillors K. Adams and R. Jennings to join the Chairman of the Committee on an Appointment Panel to consider applications received for the vacant co-opted member position, and to make an appropriate appointment of the preferred candidate. At its last meeting, the Committee received copies of documents relating to the vacancy, including the proposed appointment selection criteria, and the vacancy was advertised shortly thereafter.

3. The vacancy for the co-opted member position was advertised through the Council's website and a range of social media from 16 February 2015. An initial period of three weeks was allowed for the submission of completed applications, with a closing date of 6 March 2015. Due to the very significant advertising costs, notice of the vacancy was not published in the Epping Forest Guardian (the only publication circulating across the district), although the

position was promoted in the on-line version of the newspaper. The position was also promoted through the locally-based 'Everything Epping Forest' news website.

4. Unfortunately, only a very low level of interest was expressed in the vacancy during the initial application period. Additional advertising and promotion of the position and the work of the Committee was therefore progressed at the end of February in order ensure the widest possible interest.

5. This additional recruitment activity included circulation of details of the vacancy to all members of the Council (through the Council Bulletin), all local town and parish councils in the district, the Epping Forest Local Strategic Partnership and Voluntary Action Epping Forest. Where appropriate, these organisations were requested to promote the co-opted member vacancy, by means such as relevant bulletins and newsletters etc. The closing date for receipt of applications for the vacancy was extended to 27 March 2015 to reflect this additional activity.

6. When the vacancy was first advertised, provisional arrangements were made for the Appointment Panel to undertake interviews for the position. Clearly, as a result of the extension of the closing date for applications, alternative arrangements will now need to be made in this respect. The Council has invited Mr. A. Jarvis and Mr. R. Thompson, as current and immediately former co-opted members of the Committee, to attend the interviews in an advisory, non-voting capacity.

7. The Director of Governance will report to the Committee on the current position with regard to the receipt of applications for the appointment of a replacement co-opted member. Members might also wish to consider arrangements for interviews to be held in respect of any applications received for the co-opted member position.

8. On behalf of the Council, the Director of Governance has written to Mr. Thompson to formally express the authority's appreciation of his dedicated contribution to the work and success of the Committee, over the course of his appointment.

Resource Implications:

Recruitment activity for the appointment of a new co-opted member of the Audit and Governance Committee has so far been contained within existing resources.

Legal and Governance Implications:

The current terms of reference of the Audit and Governance Committee provide that no business may be transacted at a meeting of the Committee unless two councillor members and one co-opted member are present.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations of this report in respect of the Council's commitment to the Climate Local Agreement, the corporate Safer, Cleaner, Greener initiative, or any crime and disorder issues within the district.

Consultation Undertaken:

None.

Background Papers:

None.

Risk Management:

Failure to appoint a replacement co-opted member will place a burden on the remaining co-opted member, in terms of having to be present at all meetings of the Audit and Governance Committee in order to achieve quorum requirements.

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Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

The wide publicity of the vacancy for a co-opted member position on the Audit & Governance Committee, using a range of print, on line and social media are positive steps to ensure equality of opportunity to become involved in the democratic process

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-021-2014/15

Date of meeting: 30 March 2015

Portfolio: Finance

Subject: Reports from the External Auditor

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To consider and note the reports of the external auditor.

Executive Summary:

This Committee has within its Terms of Reference the considering of reports made by the external auditor.

The first report is the Audit Plan for 2014/15, which summarises the significant risks that impact on the audit and the key outputs from the audit. There are then detailed sections setting out the scope of the audit, providing a risk assessment and the audit timetable.

The second report is the Planning Letter for 2015/16, which sets out the proposed fee and audit arrangements.

The final report is the Grant Claims and Returns Certification Report, which was previously circulated to Members of the Committee.

Reasons for Proposed Decisions:

To comply with the Committee's Terms of Reference and ensure the proper consideration of these reports.

Other Options for Action:

There are no other options for action.

Report:

1. The reports will be presented to the Committee by Mr Andrew Barnes, Senior Manager.

Resource Implications:

Sufficient allowance was made in the original estimates for 2015/16 to cover the fees for the 2014/15 audit year and so no additional resources are required.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

None.

Background Papers:

None.

Risk Management:

The documents identify areas of risk that the external auditors will address as part of their work.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
17/03/15 Director of Resources	The report relates to the work conducted by the external auditor and has no equality implications.

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EPPING FOREST DISTRICT COUNCIL

AUDIT PLAN TO THE AUDIT AND GOVERNANCE COMMITTEE
Audit for the year ending 31 March 2015
30 March 2015

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EXECUTIVE SUMMARY

We are pleased to present our Audit Plan for the year ending 31 March 2015. This plan summarises the work that we propose to undertake in respect of our audit of Epping Forest District Council for the 2014/15 financial year.

Significant Risks

Our audit is designed to respond to significant risks and identify where we intend to focus our resources in providing our opinion on the financial statements and our value for money conclusion. Summarised below are the significant risks that impact on our audit of which we are currently aware:

FINANCIAL STATEMENTS	SUMMARY OF SIGNIFICANT RISKS
Page 19 Management override	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk including by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.</p>
Revenue recognition	<p>Auditing standards presume that a risk of fraud or error in revenue recognition is present in all entities. We will respond to this risk by ensuring the use of appropriate accounting policies and substantively testing a sample of income from fees and charges raised and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income. Particularly in respect of revenue generated by the raising of invoices, the collection of cash and direct payments made in respect of trading operations.</p>

FINANCIAL STATEMENTS	SUMMARY OF SIGNIFICANT RISKS
Valuation of Land and Buildings	<p>The calculation of the fair value of land and buildings requires the use of judgement in determining the appropriate assumptions underlying the valuation, and this is susceptible to bias or error. As a result there is a risk of material misstatement if inappropriate or inaccurate estimates or assumptions are used in the calculation of these fair values.</p> <p>We will review the estimates and assumptions used to calculate the fair value of land and buildings to ensure that those used by the valuer are reasonable. We will also use the work of an auditors' expert to compare the fair values used within the financial statements to industry suggested values to ensure that the balances used by the Council in their financial statements are reasonable.</p>
USE OF RESOURCES	SUMMARY OF SIGNIFICANT RISK
Financial resilience	<p>Government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other service delivery changes, this will have a significant impact on the financial resilience of the Council in the medium term.</p> <p>We will review the Council's Medium Term Financial Strategy to assess the reasonableness of assumptions used in its preparation, and how the anticipated net savings required to the Continuing Services Budget over the Medium Term Financial Strategy period are being identified and addressed.</p>

Fees

The proposed audit fee for the year is £ 86,229 plus VAT, which agrees to the scale fee published by the Audit Commission. This is an increase of £900 compared to the fee previously reported to the Audit Committee in our Planning Letter for 2014/15. The Audit Commission has increased the fee to enable us to undertake audit procedures on material business rate balances and disclosures within the financial statements. In previous years we placed reliance on the certification work over national non-domestic rates to gain the required assurance, however the Department of Communities and Local Government (DCLG) has removed this certification requirement.

The proposed fee for the certification of claims and returns is £24,710 plus VAT, which agrees to the composite scale fee published by the Audit Commission, but is a reduction of £2,090 to the fee previously reported to the Audit Committee in our Planning Letter for 2014/15. The Audit Commission has reduced this fee as a result of removing the certification of the Pooled Capital Receipts Return from the scope of the work.

The fee does not include any time that may be required to investigate questions or objections from members of the public. Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Key outputs

The key reports, opinions and conclusions from the audit will be:

REPORT	DATE
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2015
Final report to those charged with governance	September 2015
Independent auditor's report including: <ul style="list-style-type: none">• Opinion on the financial statements• Value for money conclusion• Certificate	By 30 September 2015
Assurance statement on the Whole of Government Accounts return	By 7 October 2015
Summary of findings from the audit in the Annual Audit Letter	October 2015
Report on the results of our grant claims and returns certification work	January 2016

SCOPE OF THE AUDIT

Purpose of the audit plan

The purpose of this audit plan is to:

- Ensure that there is mutual understanding of the respective responsibilities relating to the audit
- Provide you with an overview of the planned scope of the audit for the year ending 31 March 2015
- Ensure that the areas of potential significant risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide a report to management and those charged with governance on the findings of the audit which will focus on the significant matters arising from the audit of the Council regarding internal control, financial governance and reporting and accounting arrangements. We aim to provide management with clear recommendations that will add value to the Council.

Code audit

The scope of the audit is determined by the Audit Commission's Code of Audit Practice for Local Government (2010) (the 'Code'), which covers two areas: providing an opinion on the financial statements, and reviewing the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

Respective responsibilities

Our responsibilities, as auditors, in relation to the audit of the financial statements and other Audit Commission requirements are set out below. The audit of the financial statements does not relieve you of your responsibilities which are outlined in the Statement of Responsibilities of Auditors and Audited Bodies (2010) available from the Audit Commission's website.

Auditing Standards require auditors to communicate relevant matters relating to the audit to those charged with governance. Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. Communication may take the form of

discussions or, where appropriate, be in writing. The audit is not designed to identify all matters that may be relevant to you.

Our contacts for communications will be the Director of Resources and the Audit and Governance Committee. When communicating with the Audit and Governance Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

Financial statements

At the conclusion of the financial statements audit we give our opinion on the financial statements, including whether:

- they give a true and fair view of the financial position at the year end and the expenditure and income for the year
- they have been prepared properly in accordance with relevant legislation and applicable accounting standards

We also provide an opinion on whether the information given in the Explanatory Foreword is consistent with the financial statements.

We report by exception if we are unable to satisfy ourselves that the Annual Governance Statement is not inconsistent with our knowledge.

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

In order to achieve an efficient and cost effective audit, we aim to work closely with Internal Audit to minimise duplication and the overall level of audit resource input.

We have planned the audit on the basis that we will be able to place full reliance on the work of Internal Audit where they intend to provide assurance over key controls within the financial systems.

We will communicate to management any deficiencies in internal control identified during the audit. Where those deficiencies are significant, we will also communicate to those charged with governance.

Misstatements due to fraud

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and the Audit and Governance Committee.

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the following individuals:

- Bob Palmer - Director of Resources
- Brian Bassington - Chief Internal Auditor

We will write to the Chair of the Audit and Governance Committee to request confirmation of how the Committee oversees management processes to identify and respond to the risk of fraud, and whether there is knowledge of any actual, suspected or alleged frauds affecting the Council other than those reported by management.

Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds that have been identified and we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

Materiality and triviality

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

For planning purposes, we have set materiality at £1.929 million (2% of gross expenditure from the prior year in the Comprehensive Income and Expenditure Statement excluding non-recurrent expenditure).

For reporting purposes, we consider misstatements of less than £40,000 to be trivial, unless the misstatement is indicative of fraud. We are required to bring to your attention unadjusted audit differences that are more than trivial that the Audit and Governance Committee are required to consider and we will request that you correct them.

Use of resources

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience; the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness; the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will plan a programme of use of resources audit work based upon our risk assessment.

Whole of Government Accounts

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements.

The WGA return is audited in accordance with Audit Commission specified procedures. We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

Certification of grant claims and returns

As an agent of the Audit Commission we will undertake a review of grant claims and returns in accordance with the certification instruction issued by the Audit Commission. We express a conclusion as to whether the claim or return: is in accordance with the underlying records (claims and returns above the minimum level and below the threshold); or is fairly stated and in accordance with the relevant terms and conditions (claims and returns over the threshold).

Engagement partner

David Eagles is the engagement partner and is the person in the firm who is responsible for the audit engagement and its performance and for the report that will be issued on behalf of the firm.

We aim to provide a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact David Eagles in the first instance. Alternatively you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly.

If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales (“ICAEW”).

In addition, the Audit Commission’s complaints handling procedure is detailed in their leaflet “How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors”, which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

Local Audit and Accountability Act 2014

The Act received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015.

There will be a new framework for local public audit, due to start after the Audit Commission’s current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. A transitional body will oversee the contracts in the intervening period. The transitional body is the Public Sector Audit Appointments Limited and is an independent, private company created by the Local Government Association.

Several of the Audit Commission’s functions will continue after its closure. The Local Audit and Accountability Act gave the Comptroller and Auditor General a duty to prepare and issue Codes of Audit Practice and guidance to auditors; and a power to carry out examinations into the economy, efficiency and effectiveness with which relevant authorities have used their resources.

The Act also provides for the Audit Commission’s data matching powers, and therefore the National Fraud Initiative, to transfer to the Cabinet Office. The government has announced that the Commission’s counter-fraud function will transfer to a new public sector ‘Counter Fraud Centre’ to be established by the Chartered Institute of Public Finance and Accountancy.

Independence and objectivity

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for Epping Forest District Council for the financial year ending 31 March 2015, we are able to confirm that the Audit Commission’s requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.

RISK ASSESSMENT

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgement.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly.

If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know.

Summarised below are the significant audit risks that impact on our audit of which we are currently aware.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
MANAGEMENT OVERRIDE	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Financial statement level risk across all account headings and assertions.	We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.
REVENUE RECOGNITION	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the stated accounting policies or from an inappropriate use of estimates in calculating revenue. We consider that, due to the nature of the transactions, this risk is significant in respect of income from fees and charges where the revenue is generated from the raising of invoices and the collection of cash and direct payments arising from payments made for Council services.	Existence, completeness and accuracy of income.	We will substantively test an increased sample of income received and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income. This will focus on revenue generated by the raising of invoices, the collection of cash and direct payments made for Council services.
FAIR VALUE OF LAND AND BUILDINGS	The calculation of the fair value of land and buildings requires the use of judgement in determining the appropriate assumptions underlying the valuation, and this is susceptible to bias or error. As a result there is a risk of material misstatement if inappropriate or inaccurate estimates or assumptions are used in the calculation of these fair values.	Valuation of land and buildings.	We will review the estimates and assumptions used to calculate the fair value of land and buildings to ensure that those used by the valuer are reasonable. We will also use the work of an auditors' expert to compare the fair values used within the financial statements to industry suggested values, to ensure that the balances reported by the Council are reasonable.

USE OF RESOURCES SIGNIFICANT RISK		
RISK	RISK DETAIL	AUDIT RESPONSE
FINANCIAL RESILIENCE	Government continues to reduce funding for local government, and combined with additional pressures arising from demographic and other changes, will have a significant impact on the financial resilience of the Council in the medium term.	We will review the Council’s Medium Term Financial Strategy to assess the reasonableness of assumptions used in its preparation, and what process the Council has planned to identify how the anticipated net savings required to the Continuing Services Budget over the Medium Term Financial Strategy period will be addressed.

AUDIT TIMETABLE

The timetable for key reports, opinions and conclusions from the audit will be:

OUTPUT	DATES
FINANCIAL STATEMENTS	
Review of internal controls	March - April 2015
Final audit visit	July - August 2015
Audit report covering: <ul style="list-style-type: none"> • 'True and fair' opinion on the financial statements • Information in the Statement of Accounts being consistent with auditor's knowledge • Annual governance statement is prepared in accordance with guidance and not inconsistent with auditor's knowledge 	Clearance meeting to be held late August 2015 By 30 September 2015
Opinion on the Whole of Government Accounts return.	By 2 October 2015
USE OF RESOURCES	
Review of economy, efficiency and effectiveness	March - September 2015
Value for money conclusion	By 30 September 2015
GRANTS	
Audit of grant claims and returns	September to November 2015
REPORTING	
Report on any significant deficiencies in control (if required)	May 2015
Final report to those charged with governance	September 2015
Annual Audit Letter	October 2015

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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EPPING FOREST DISTRICT COUNCIL

Planning Letter 2015/16
March 2015

PROPOSED FEES

Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2015/16 financial year.

The existing Commission's Code of Audit Practice has been replaced by a new Code of Audit Practice issued by the National Audit Office for 2015/16. However, there is little change to the scope of the work required to be undertaken by auditors.

The Code audit fee covers:

- Audit of the financial statements
- Value for money conclusion.

There is a separate proposed fee for the certification of the Housing Benefit subsidy claim on behalf of the Department for Work and Pensions.

Indicative fees

The proposed fee is based on the consultation undertaken by the Audit Commission in October 2014. Although the Commission will close on 31 March 2015, the Department for Communities and Local Government (CLG) has asked the Commission to set fees for principal bodies before it closes. The Audit Commission will confirm the final 2015/16 work programme and scale fees in late March.

The indicative fee does not include any time required to investigate questions or objections from members of the public. Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

From 1 April 2015, Public Sector Audit Appointments Limited (PSAA) will oversee the Commission's contracts through to the end of 2017. It will also be responsible for setting fees in the future.

If we need to propose any amendments to the audit fee during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Resources and seek approval from PSAA for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

Fees

AUDIT AREA	PROPOSED FEE 2015/16 (£)	PROPOSED FEE 2014/15 (£)	ACTUAL FEE 2013/14 (£)
Code audit fee	64,672	86,229	85,329
Certification fee	18,533	24,710	24,884
Total fees	83,205	110,939	110,213

The Commission has consulted on rebasing the Code audit fee from 2014/15 for the work previously undertaken as part of the certification work and reviewed the additional work that we are required to undertake following the withdrawal of the audit requirement to certify Non Domestic Rate income. From 2014/15, we have therefore increased the Code audit fee by £900. The £900 increase has been included in the current published indicative scale fees.

The Commission completed a further audit procurement exercise in April 2014 which has enabled it to further reduce fees for the two years 2015/16 and 2016/17, and CLG may wish to extend these contracts to lock in the reduced fees for a further three years. This has allowed the Commission to reduce fees by 25%, resulting in combined Code and certification fee savings of £27,734 for the Council.

The proposed fees for 2015/16 remain at the scale rate published by the Commission.

AUDIT ARRANGEMENTS

Planned outputs

We plan to issue the following reports and opinions over the course of the 2015/16 audit:

REPORT	DATE
Audit plan	March 2016
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2016
Final report to those charged with governance	September 2016
Independent auditor's report including: Opinion on the financial statements Value for money conclusion Certificate	September 2016
Whole of Government Accounts assurance statement and report to the NAO	October 2016
Summary of findings from the audit in the annual audit letter	October 2016
Grant claims and returns certification report	January 2016

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Audit team

The key members of the audit team will be:

Engagement Lead - David Eagles

email: David.Eagles @bdo.co.uk

Tel: 01473 320 728

David will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Engagement Manager - Barry Pryke

email: Barry.Pryke @bdo.co.uk

Tel: 01473 320 793

Barry will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact David Eagles in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>. PSAA will put in place similar arrangements for receiving and investigating complaints from 1 April 2015.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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EPPING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION
Year ended 31 March 2014

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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified with the reasons for qualification set out in a letter to the grant paying body. Sample sizes used in the work on the housing benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report (page 6) shows the Council's progress against the action plan included in our 2012/13 Grant Claims and Returns Certification report (presented to the Audit and Governance Committee on 6 February 2014).

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

FEES

	PLANNED SCALE FEE (£)	OUTTURN FEE (£)
Housing benefit subsidy	23,604	23,604
Pooled housing capital receipts return	1,280	1,280
TOTAL FEES	24,884	24,884

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	38,418,203	Yes	Yes	6,644 increase in the amount payable to DWP
Pooled housing capital receipts return	5,819,730	No	Yes	No impact

Detailed Findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2014. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan in respect of these matters is included at Appendix II of this report on page 7.

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Housing benefit subsidy	Findings and impact on claim
<p>Local authorities responsible for managing the housing benefit scheme are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions (DWP). We have no discretion over how this methodology is applied.</p>	<p>During our initial testing of a sample of cases, five errors were identified. These resulted in additional testing, as described below.</p> <p>The additional '40+' testing and 100% testing is required by the methodology agreed with the Department for Work and Pensions (DWP). For situations where errors are identified that cannot be concluded as isolated, we must carry out extended testing of an additional sample of 40 cases. Where there is a small population (less than 100) a 100% check is undertaken.</p> <p>It should be noted that underpayments of benefit are not considered to be errors for subsidy purposes (as the Council cannot claim subsidy for benefit expenditure which has not been incurred). Therefore, where the nature of an error is such that it will only ever result in an underpayment of benefit, the methodology does not require us to complete any additional testing.</p> <ul style="list-style-type: none">Non-HRA rent rebates ineligible meal costs: Testing of the initial sample of six cases identified one case where ineligible meal costs had been incorrectly included in the calculation of eligible rent (error of £2). As the population was small, all cases in the remaining population were tested. No further errors were identified. The affected case

was corrected and this will be reflected in the 2014/15 subsidy return. Therefore no adjustment was made to the 2013/14 subsidy return and the matter was reported in our qualification letter.

- **Rent rebates private pension income:** Testing of the initial sample of twenty cases identified one case where benefit had been underpaid because private pension income had not been correctly calculated. Given the nature of the population and the error identified, testing of an additional 40 cases was undertaken. This identified a further two claims where private pension income had been calculated incorrectly also resulting in an underpayment of benefit. This matter was reported in our qualification letter.
- **Rent Allowances ineligible support charges:** Testing of the initial sample of twenty cases identified one case where benefit had been underpaid due to a support charge being incorrectly deducted from the weekly eligible rent. The remaining sub-population was tested, identifying two further errors where benefit was overpaid because a support charge which should have been deducted was not (total error £547). The Council have corrected the affected claims and the associated overpayments will be reflected in the 2014/15 subsidy claim. Therefore no adjustment was made to the 2013/14 subsidy return and this matter was reported in our qualification letter.
- **Rent allowances misclassification of benefit expenditure:** Testing of the additional random sample of 40 cases selected to address the issue identified in relation to support charges (as described above) also identified one case where non-HRA rent rebate expenditure had been incorrectly classified as rent allowance expenditure (total error of £3,506). All cases in the remaining population of the relevant cell have been tested to confirm whether or not there are any further instances of misclassification. One further misclassification was identified (total error of £2,256). The Council have corrected the affected claims and the adjustment will be reflected in the 2014/15 subsidy claim. Therefore no adjustment was made to the 2013/14 subsidy return and this matter was reported in our qualification letter.
- **Rent allowances incorrect classification of regulated tenancies:** Testing of the initial sample of 20 cases identified two cases where benefit expenditure relating to deregulated tenancies has been incorrectly classified as benefit expenditure relating to regulated tenancies. The affected sub- population was tested to establish whether there were any further cases which have been misclassified. This identified a further nine cases where the claim has been incorrectly classified as a regulated tenancy. This error has no impact on the subsidy received by the Council. This matter was reported in our qualification letter.

The Capita system reconciliation was carried out, but there were unreconciled differences of

Housing benefit subsidy

Findings and impact on claim

£96 in relation to Rent Rebates. This was reported in our qualification letter.

As part of the subsidy return compilation process, the Council make adjustments to some totals on the subsidy return to address known issues with the subsidy reports generated by the system. During production of the 2013/14 return, two of these adjustments were made incorrectly (resulting in the Council over-claiming subsidy of £6,644). The final version of the claim has been amended for these errors.

Pooling of housing capital receipts

Findings and impact on return

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received. The information in these returns is subject to certification on an annual basis.

One issue was identified relating to the omission of new-build expenditure incurred during 2012/13 which required reporting in the 2013/14 return. The return was amended for this omission. This is a memorandum cell only and there is no impact on the value of the return.

Discussions with the Council during the course of our work identified errors in cells on the form that are not covered by our certificate. These amounts relate to the available buy back allowance. As they are outside the scope of our certificate we have not undertaken any further work. However, we have raised a recommendation regarding this matter (see Appendix II on page 7) as there may be an impact on future returns.



APPENDICES

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APPENDIX I: STATUS OF 2012/13 RECOMMENDATIONS

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Investigate any differences arising from completion of the subsidy reconciliation prior to claim submission.	Medium	The timescale to submit the claim is very tight. Within the time available, all significant variances will be investigated. Given the amount of expenditure and the size of the caseload, a reconciliation to the last penny will not always be a good use of resources.	Assistant Director of Finance & ICT (Benefits)	April 2014	The 2013/14 subsidy reconciliation process has identified one difference of £96. As per Management's response to the recommendation, this was not considered significant when compared to the overall level of expenditure so has not been investigated further.
Carry out refresher training for staff that specifically covers the correct treatment of rent liability, eligible rent and tax credits.	Medium	Agreed	Assistant Director of Finance & ICT (Benefits)	April 2014	Management have been unable to provide evidence to demonstrate that refresher training has been undertaken. This recommendation has been rolled forward to the 2013/14 action plan to reflect issues identified in the current year.

APPENDIX II: 2013/14 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
During production of the 2013/14 return, manual adjustments to totals on the return were made incorrectly.	Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have applied correctly.	Medium	Agreed	Assistant Director (Accountancy)	Production of 2014/15 return
Our testing identified a small number of errors regarding ineligible meal costs, calculation of private pension income support charges, misclassification of benefit expenditure and classification of tenancy types.	Carry out refresher training for staff that specifically covers the correct treatment of rent liability, eligible rent and tax credits. Retain documentation to demonstrate training has been delivered.	Medium	Rent liability training has been undertaken and guidance issued on tenancy types. Further refresher training will be undertaken in March 2015. All Regulated tenancies are now regularly checked. Tax Credits are now taken from ATLAS which has eliminated the errors with amounts and dates, plus ATLAS training notes have been issued. Checking of claims for accuracy will continue and any errors will continue to be discussed with the individual staff members.	Benefits Manager	Throughout 2014/15 and ongoing
Rolling of housing capital receipts					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
New-build expenditure incurred during 2012/13 which required reporting in the 2013/14 return was omitted.	Review instructions for completing the return to ensure all relevant amounts are included prior to submission.	Medium	Agreed	Assistant Director (Accountancy)	Production of 2014/15 return
Discussions with the Council during the course of our work identified errors in cells on the form that are not covered by our certificate. These amounts relate to the available buy back allowance.	Contact DCLG to discuss the errors identified and establish whether or not these can be adjusted to ensure the correct values are carried forward to the following years form.	Medium	Agreed	Assistant Director (Accountancy)	March 2015

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Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-022-2014/15.

Date of meeting: 30 March 2015

Portfolio: Finance

Subject: Effectiveness of the Arrangements for Risk Management

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the effectiveness of the arrangements for Risk Management be considered.

Executive Summary:

The terms of reference for this committee include "To consider the effectiveness of the Council's Risk Management arrangements". This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required "To advise and make recommendations to the Cabinet on Risk Management and Insurance issues".

The internal audit of Risk Management for 2014/15 is currently being completed and so will form part of the fourth quarter report to the June meeting of this Committee. As the audit is still in progress no conclusion has yet been made on the level of assurance.

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council's arrangements for Risk Management to provide assurance to the Council on the functioning and adequacy of this important internal control.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

Previous Reviews

1. The review of the effectiveness of the Council's arrangements for Risk Management is an established part of the work programme for this Committee. Last year the Committee resolved:

(i) *That the review of the effectiveness of the arrangements for Risk Management be deferred until evidence of the process followed had been presented to and examined by members of the Committee.*

2. This concern arose from the consolidation of the risk register during the year and the desire of the Committee to see evidence for the process being carried out and how the scores were arrived at. To address these concerns members of the Committee were

provided with the agenda papers and minutes from the meetings of the Risk Management Group, which assisted members in reaching a positive conclusion.

Risk Management in Directorates

3. The internal arrangements for Risk Management have not changed during the year. It is common practice within directorates for risk assessments to be conducted on new or changed activities and capital projects. Each directorate has a nominated champion for risk management, usually at Assistant Director level. This individual acts as the lead on Risk Management for the directorate and represents their directorate at the Risk Management Group (RMG).

4. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.

5. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the RMG and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

6. The RMG meets quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to Management Board. During 2014/15 meetings were held in July, September, December and February. The Director of Resources - or in his absence the Senior Finance Officer (Risk and Insurance) - chairs the RMG. All of the group have received training in Risk Management.

7. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans.

8. The annual updating and approval of the terms of reference for the RMG is being considered by the Finance and Performance Management Cabinet Committee on 19 March 2015 and a report recommending their adoption will go to a subsequent meeting of Cabinet. The meeting on 19 March will also consider the Risk Management Strategy and the Risk Management Policy Statement.

Corporate Risk Register

9. As mentioned above, the RMG consider updates to the Corporate Risk Register and make recommendations to Management Board (which consists of the Chief Executive and the four Directors).

10. Management Board receive the minutes of the RMG and discuss in detail any proposed changes. A separate review of the Corporate Risk Register is then undertaken to ensure that all necessary changes have been captured by the RMG and that the Board is not aware of any other new risks for inclusion.

11. Finally, recommendations on updating the Corporate Risk Register are considered by

the Finance and Performance Management Cabinet Committee.

Updates to the Risk Register

12. Key points from the reviews by the Finance and Performance Management Cabinet Committee are given in the table below:

<u>Date of Meeting</u>	<u>Updates Considered</u>
28 July 2014	<p>Risk 5 – Economic Development – score increased from B2 to A2 (high likelihood/moderate impact to very high likelihood/moderate impact). This reflected concern over staffing levels and the likely failure to deliver an Economic Development Strategy by the target date of September.</p> <p>Risk 8 – Partnerships – score increased from D3 to C3 (low likelihood/minor impact to medium likelihood/minor impact). This was in response to audit reports raising issues about the procedures being used by the North Essex Parking Partnership.</p>
18 September 2014	<p>Risk 1 – Local Plan – detail expanded to include public funding of infrastructure.</p> <p>Risk 2 – Strategic Sites – North Weald Airfield and Oakwood Hill Depot included to enhance overview of key sites.</p>
19 January 2015	No changes to scoring but risks 1, 2, 3, 5 and 6 all updated to reflect either new key dates or changes in detail.
19 March 2015	<p>As the temporary arrangements for the management of Estates and Economic Development have concluded the risk owner for risks 2 and 5 changes from Colleen O’Boyle to Derek Macnab.</p> <p>To reflect the switch in emphasis on risk 6 (data/information) from IT systems to freedom of information and data protection the risk owner changes from Bob Palmer to Colleen O’Boyle.</p> <p>Risks 1, 2 and 4 also updated.</p>

13. For information, the current risk register is attached as Appendix 1.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council’s overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council’s commitment to the Nottingham Declaration for climate change, the Corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the District.

Consultation Undertaken:

No formal consultation has been undertaken.

Background Papers:

Reports to the Finance and Performance Management Cabinet Committee as set out above.

Risk Management:

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
17/03/15 Director of Resources	The report is about the effectiveness of the arrangements for risk management and relates to this process not the delivery of any particular service and so has no equality implications.

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Epping Forest District Council Corporate Risk Register

Date: 19 March 2015

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1.	Introduction	3
2.	The Process	4
Appendix 1	Risk Profile	6
Appendix 2	Corporate Risk Register /Action Plans	7 - 18

1. Introduction

A strategic risk management 'refresh' exercise was conducted on 15th May 2013 with assistance from Zurich Risk Engineering. This exercise was an opportunity for the Management Board to refresh (or update) through identification, analysis and prioritisation those risks that may affect the ability of the Council to achieve its strategic objectives and Corporate Plan. In doing so, the organisation is recognising the need to sustain risk management at the highest level.

The refresh exercise involved a workshop with Management Board to identify new business risk areas and to update and re-profile important risks from the existing corporate risk register.

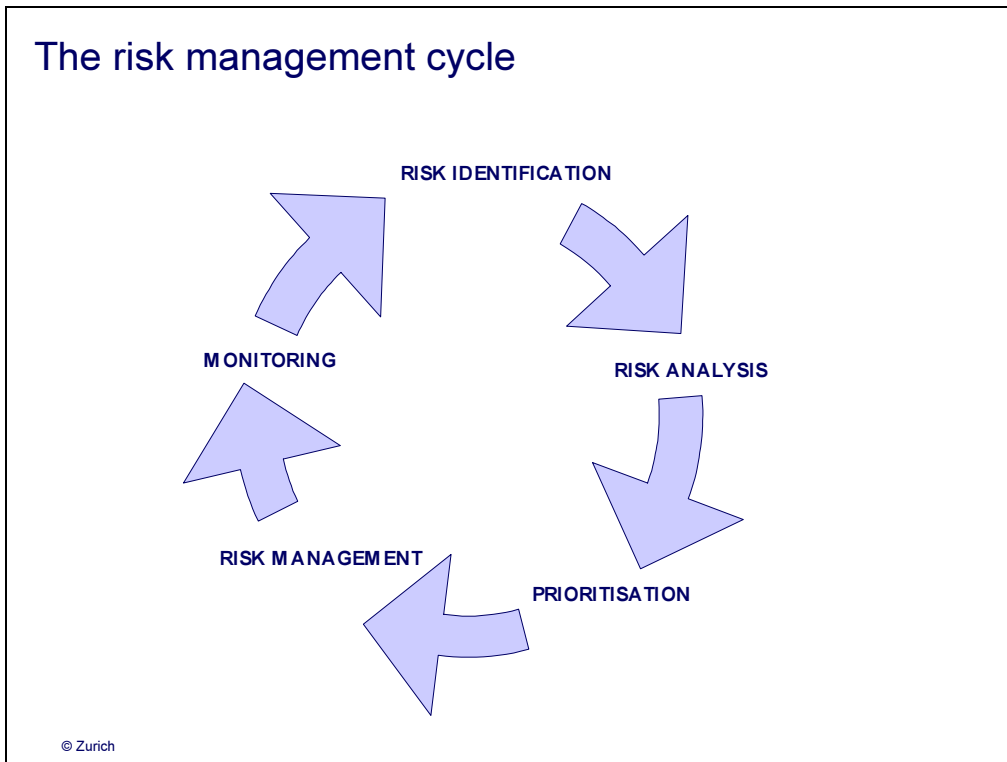
In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

Management Board agreed a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. Risks in the red zone will be monitored on a monthly basis and those in the amber zone on a quarterly basis.

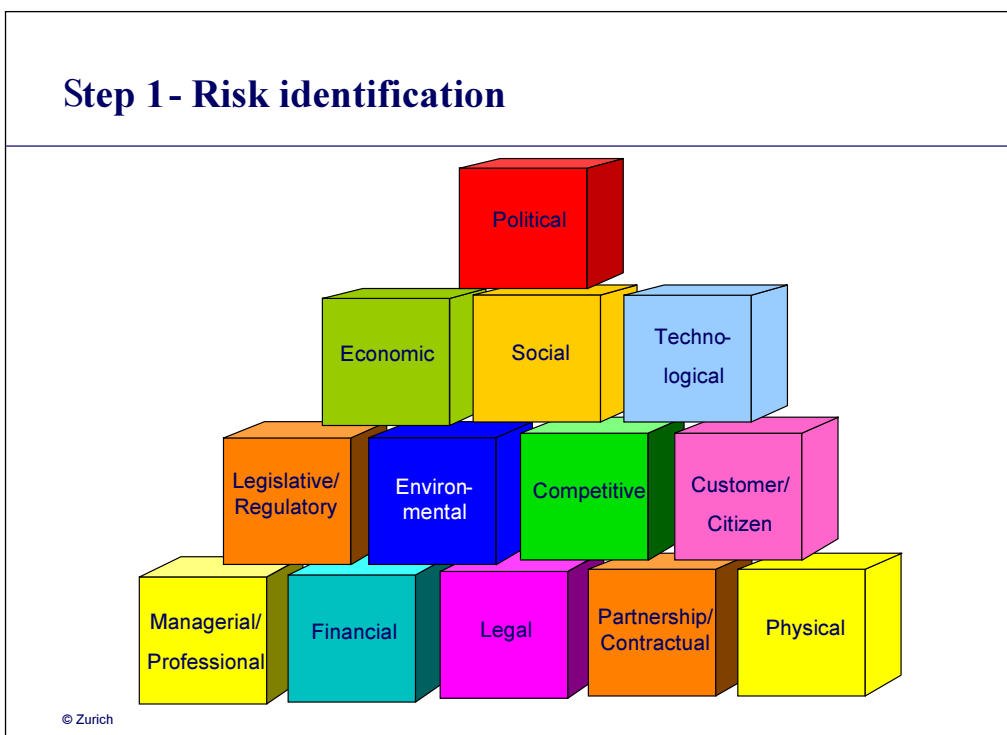
The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

2. The Process



Risk identification

The first of five stages of the risk management cycle requires risk identification. This formed the initial part of the workshop. In doing so the following 13 categories of risk were considered.



Risk analysis

During the workshop, the identified risks were discussed and framed into a risk scenario format, containing risk cause and consequence elements, with a 'trigger' also identified. This format ensured that the full nature of the risk was considered and also helped with the prioritisation of the risks.

Risk prioritisation

The discussion resulted in 8 risk scenarios being agreed (Appendix 2) and these were then assessed for impact and likelihood and plotted onto a matrix (Appendix 1). The likelihood of the risks was measured as being 'very high', 'high', 'medium', or 'low/very low'. The impact, compared against the key objectives and Corporate Plan was measured as being 'major', 'moderate', 'minor' or 'insignificant'.

Once all risks had been plotted the matrix was overlaid with red, amber and green filters, with those risks in the red area requiring further particular scrutiny in the short-term, followed by those in the amber area.

Risk management and monitoring

The next stage is to monitor the revised management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

A risk owner has been identified for each risk. It is vital that each risk should be owned by a member of Management Board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans. Risks should also be reviewed as part of the business planning process, in order to assess if they are still relevant and to identify new issues.

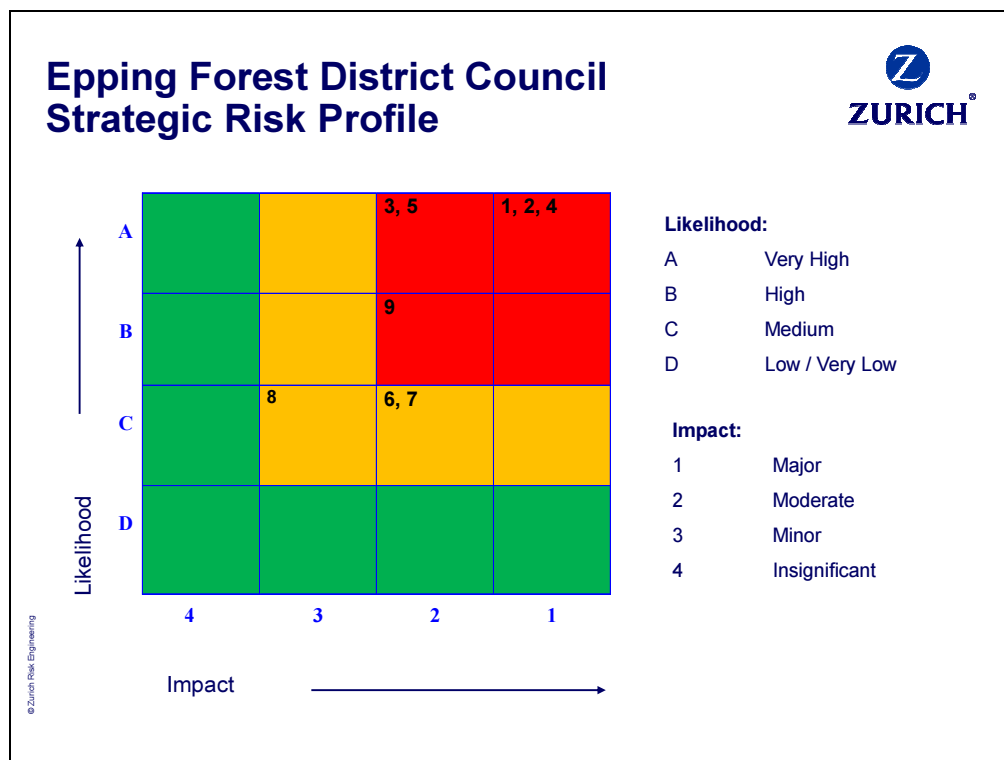
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting an additional risk on Safeguarding was added to the register in January 2014.

Appendix 1 – Risk Profile

Risk profile

During the workshop, 8 risks were identified and framed into scenarios. The results are shown on the following risk profile.



Appendix 2 details all of the above risks.

It is important that an action plan element is written for each of the risks, with particular focus on those with the highest priority, as it is this which will allow them to be monitored and successfully managed down.

An opportunity was also taken as part of this refresh to ‘spring clean’ the risk numbers, and they were numbered in priority order as follows:

New risk number	Short name
1	Local plan
2	Strategic sites
3	Welfare reform
4	Finance – income
5	Economic development
6	Data/ information
7	Business continuity
8	Partnerships
9	Safeguarding

Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1	Local Plan	A1		
Vulnerability	Trigger	Consequence	Risk Owner	
<p>On-going changes to Planning system increase importance of having up to date Local Plan.</p> <p>Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors eg Duty to Co-operate, release Green Belt.</p> <p>Difficulties in implementing “Duty to Co-operate” may make it difficult or impossible to achieve “sound” Local Plan in timely fashion</p> <p>Failure to make timely progress increases likelihood of “planning by appeal”</p> <p>Lack of adopted Plan reduces ability to obtain developer contributions.</p> <p>Loss/sickness of key staff and recruitment difficulties or inappropriate resource provision hold back progress.</p>	<p>Failure to make timely decisions and adhere to Local Development Scheme Project Plan.</p> <p>Failure of Council to approve a draft plan in line with National Planning Policy Framework.</p> <p>Inability to agree, particularly on amount and distribution of objectively assessed development needs.</p> <p>Failure to adhere to Local Development Scheme leads to developers making significant planning applications in advance of new Plan.</p> <p>Developers exploit inadequacies in S106/CIL arrangements.</p> <p>Loss/long term absence of key staff.</p>	<p>Reduced ability to manage development in line with local priorities. Failure to provide strategic direction for future development, and housing etc for future needs.</p> <p>Plan not “sound”, leading for further delay, wasted resources, and vulnerability to planning appeal decisions.</p> <p>As above</p> <p>Significant diversion of professional resources to appeals. Risk of costs awards against Council. Potential lost opportunity for infrastructure and other provision due to outdated/National Planning Policy Framework non-compliant policies Development which is inappropriate in location/scale/type</p> <p>Additional demands put on public funding of infrastructure.</p> <p>Delay in progress Potential need for rework due to loss of “corporate memory”.</p>	<p>Derek Macnab</p>	

Risk No 1 Local Plan – Action Plan

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Project management approach in place including regular updates, resource planning.	Project plan needs to incorporate more time for political engagement at key decision points.	Agree mechanisms and timing with lead members, incorporate in revised project plan	Derek Macnab	Future adherence to project plan.	Project plan ongoing. MB review 6 weekly	Management Board to ratify the updated strategic timetable during March 2015. A date for Cabinet review to be established.
Local Development Scheme revised July 2014.	Local Development Scheme adopted by Cabinet 21 July 2014.	Review Local Development Scheme on basis of new project plan, (see above)	Derek Macnab	Local Development Scheme remains robust	As necessary	Review likely within 12 months
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful but not a mechanism for strategic decision making.	Supplement workshops with other forms of briefing to EFDC members as agreed with leading members.	Derek Macnab	Timely decision making in line with project plan.	As necessary	
Engagement with other key stakeholders eg ad hoc meetings with Town/Parish councils, Resident Associations and website.	Limited, as tends to be reactive, resource intensive, and consistent messages difficult to develop in light of uncertainties over project plan	Consider hiring a PR firm to assist in delivering the next statutory consultation.	Derek Macnab	Stakeholders feel well informed about process and decisions. Informed responses to public consultation. Less need for reactive communications.	As necessary	

Risk No 1 Local Plan – Action Plan

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Systematic approach to Duty to Co-operate, engaging public bodies and developing Memorandum of Understanding with key councils in the Strategic Market Housing Area.</p> <p>Page 57</p> <p>Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, masterplanning.</p> <p>Temporary posts resourced. Budget available.</p>	<p>Difficulties and delay in engaging councils in serious discussion re Memorandum of Understanding, however progress now being made. meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Inspectorate local plan decisions re Duty to Co-operate.</p> <p>Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult.</p> <p>Review of Staffing undertaken.</p>	<p>Important that key decisions do not precede Duty to Co-operate ie “fait accompli”- needs to be accommodated in project plan and Local Development Scheme. Progress Memorandum of Understanding, engaging members and using Planning Advisory Service support as necessary. Engage further key bodies eg Lee Valley Regional Park. Discuss informally with Planning Inspectorate as necessary.</p> <p>Review of Strategy agreed by Management Board. Implementation.</p>	<p>Derek Macnab</p> <p>Derek Macnab</p>	<p>Submitted plan passes legal test of Duty to Co-operate.</p> <p>No delays to timetable due to staffing gaps or lack of critical skills</p>	<p>MB review six weekly</p> <p>As above</p>	<p>Officer Meetings – monthly now underway..</p> <p>Member briefings held by PAS 25 March and September 2014.</p> <p>Governance arrangements agreed. “Duty to Co-operate” Member meetings now ongoing.</p> <p>New Staffing Structure implemented. Interviews taking place early March 2015.</p>

Risk No 2 Strategic Sites A1						
Vulnerability		Trigger		Consequence		Risk Owner
<p>The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions.</p> <p>One key individual is driving forward the projects.</p>		<p>Not maximising the opportunity of the strategic sites either through decisions or delivery.</p> <p>Loss of key individual</p>		<ul style="list-style-type: none"> • Financial viability of Council harmed • Lack of economic development and job creation • External criticism <ul style="list-style-type: none"> • Project delayed or mismanaged 		Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.</p> <p>Page 58</p>	<p>Work is progressing on developing a number of sites:</p> <ol style="list-style-type: none"> 1. Developer has submitted planning application for Winston Churchill site; 2. Negotiations progressing on St Johns Road and both sides have instructed solicitors to complete documentation; 3. Negotiations have commenced with Polo Find to buy their half of the Langston Road site; 4. Marketing for an aviation business partner at North Weald to commence shortly; 5. Site clearance undertaken at Oakwood Hill and works should commence in June. 	<p>Reports to Cabinet Committee and Cabinet to obtain decisions on development options.</p>	Derek Macnab	<p>Development of strategic sites completed in accordance with Cabinet decisions.</p>	Monthly	None

Risk No 3 Welfare Reform A2						
Vulnerability		Trigger		Consequence		Risk Owner
The government is undertaking a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.		Welfare reform changes have a detrimental effect on the Council and community		<ul style="list-style-type: none"> • Tenants no longer able to afford current/new tenancies. • Increase in evictions and homelessness • Increased costs of temporary accommodation • Unable to secure similar level of income due to payment defaults • Increase in rent arrears • Public dissatisfaction • Criticism of the Council for not mitigating the effects for residents. 		Alan Hall
Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Joint Benefits and Housing working group established. Mitigation action plan developed.</p> <p>To address issues arising from the single fraud investigation service, Cabinet has approved restructures for both Benefits and Internal Audit.</p>	<p>Two thirds of the actions have been implemented and the remaining actions are in abeyance pending Government announcements on Universal Credit.</p> <p>The effectiveness of the new structures will only be apparent sometime after they have been implemented.</p>	<p>Working Group to continue and amend mitigation action plan as necessary.</p> <p>Implement new structure.</p>	<p>Alan Hall</p> <p>Bob Palmer Colleen O'Boyle</p>	<p>A smooth implementation of welfare reforms.</p> <p>Minimise number and cost of redundancies.</p> <p>Effectiveness of Benefit and Internal Audit maintained.</p>	<p>Monthly</p> <p>Six monthly</p>	<p>Start date for universal credit still unclear.</p> <p>30 September 2015</p>

Risk No 4 Finance Income A1						
Vulnerability		Trigger	Consequence			Risk Owner
<p>The Council has a reliance on major income generating contracts and fee earning services. Some of which have been adversely affected by the recession and some of which may be affected by legislative change.</p> <p>The Council has done well from New Homes Bonus and the Local retention NDR. These policies may be scraped or amended depending on the outcome of the general election.</p> <p>Welfare reform may require substantial change to the calculation and administration of benefits with a likely reduction in funding received.</p> <p>The medium term financial strategy requires substantial net CSB reductions over three years.</p>		<p>Unable to secure required level of income due to recession, reduced economic confidence or adverse change in funding</p>	<ul style="list-style-type: none"> • Council unable to meet budget requirements • Staffing and service level reductions • Increase Council Tax • Increase in charges • Greater use of reserves if required net savings not achieved • Higher level of saving in subsequent years. 			<p>Bob Palmer</p>
Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Monitoring of key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.</p>	<p>Effective to date as budgets have been achieved that meet the financial targets set by Members.</p>	<p>Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare.</p> <p>Continue to pursue opportunities to reduce net spending.</p>	<p>Bob Palmer</p>	<p>Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan.</p>	<p>Monthly</p>	<p>7 May 2015 General Election</p>

Risk No 5 Economic Development A2						
Vulnerability		Trigger		Consequence		Risk Owner
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.		Council performs relatively poorly compared to other authorities.		<ul style="list-style-type: none"> • Unable to secure sufficient opportunities • Local area and people lose out • Insufficient inward investment • Impact on economic vitality of area • Loss of revenue 		Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work has commenced on an updated Economic Development Strategy. Cabinet approved four new posts.	Too early to determine effectiveness of new management and new posts.	Completion of Strategy and allocation of appropriate resources. Recruitment of experienced staff.	Derek Macnab	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	None.

Risk No 6 Data / Information C2						
Vulnerability		Trigger		Consequence		Risk Owner
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.		Data held by the Council ends up in inappropriate hands.		<ul style="list-style-type: none"> • Breach of corporate governance • Increased costs and legal implications • Reputation damaged 		Colleen O'Boyle
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Rollout of a Data Protection e-learning module commenced Jan 2014, for completion by officers every two years.</p> <p>Data Protection formed part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy.</p> <p>Consolidation of Data Protection and Freedom of Information work in one area.</p> <p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access.</p> <p>Controls in systems have been strengthened in response to specific occurrences.</p>	Generally effective to date, with only minor lapses in 2014/15.	<p>Consider separation of Environmental Information Requests and ensure these are handled in accordance with the appropriate regulations.</p> <p>Consider purchase of new system for handling D.P./F.O.I. requests.</p> <p>Data sharing and fair processing notices to be reviewed and standardised.</p> <p>Maintain GCSx compliance and system controls.</p>	Colleen O'Boyle	<p>Continued security of personal data held by the Council in accordance with the Data Protections Act 1998.</p> <p>No criticism from the ICO over how requests are handled.</p> <p>No data loss or system downtime due to unauthorised access of EFDC systems or data.</p>	Quarterly	None

Risk No 7 Business Continuity C2						
Vulnerability		Trigger	Consequence			Risk Owner
<p>The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act.</p> <p>Following the consolidation into four directorates plans need to be updated and changes in responsibilities confirmed.</p>		<p>Unable to respond effectively to a business continuity incident (e.g IT virus/flu pandemic)</p>	<ul style="list-style-type: none"> • Services disrupted / Loss of service • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively 			Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.</p>	<p>The effectiveness of controls is assessed periodically through test and exercises</p>	<p>Both corporate and service business continuity plans are being updated.</p> <p>Implementation of Cabinet approved measures to enhance the resilience of ICT</p>	Derek Macnab	<p>Having plans in place which are proved fit for purpose either by events or external scrutiny.</p>	Quarterly	None

Risk No 8 Partnerships C3						
Vulnerability		Trigger		Consequence		Risk Owner
<p>The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, and these have a variety of governance arrangements.</p> <p>Localism act may cause transfer of Council services to providers with governance issues.</p>		<p>Key partnership fails or services provided via arrangements lacking adequate governance.</p>		<ul style="list-style-type: none"> Relationships with other bodies deteriorate Claw back of grants Unforeseen accountabilities and liabilities for the Council Censure by audit/inspection Adverse impact on performance 		Glen Chipp
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Active participation in key partnerships by appropriate Officers/Members.</p> <p>Structured reporting back to designated Scrutiny Panels.</p> <p>Members can request representatives on outside bodies to report to Full Council.</p>	<p>No significant issues to date. However, some concern exists about the working of the North Essex Parking Partnership.</p>	<p>Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships.</p>	Glen Chipp	<p>No significant impacts on service delivery or Council reputation from any partnership failures.</p>	Quarterly	None

Risk No 9 Safeguarding B2			
Vulnerability	Trigger	Consequence	Risk Owner
<p>The Council needs to demonstrate its ability to meet its duties under Sections 11 and 47 of the Children Act 2004.</p> <p>Although not yet a statutory requirement, the Council also needs to comply with best practise in regard to safeguarding vulnerable adults from harm.</p> <p>This is a Council –wide requirement which includes training and awareness of staff at all levels across the organisation and Elected Members.</p> <p>Effective systems and processes for safeguarding children, young people and vulnerable adults need to be in place.</p> <p>The Council needs to ensure that key contractors have systems in place, and that there are staff trained, to identify and report safeguarding concerns appropriately.</p>	<p>The Council fails to meet its duties in regard to safeguarding and information sharing</p> <p>Elected Member reluctance to undertake training results in the Council failing to meet a 'whole Council' approach</p> <p>Staff reluctance to be involved in referring safeguarding concerns due to lack of confidence and awareness.</p>	<ul style="list-style-type: none"> • A child, young person or vulnerable adult suffers significant harm • A child, young person or vulnerable adult suffers from exploitation • Avoidable death of a child, young person or vulnerable adult living in the District • Reputational risk for Council • Censure and special measures applied 	Alan Hall

Risk No 9 Safeguarding - Action Plan						
Existing Controls/ actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>The Council has a current and comprehensive Safeguarding Policy which is updated annually or in line with any changes within legislation.</p> <p>The policy details what is required of all staff and members, and contains clear instructions for the recording and processing of safeguarding concerns, incidents and allegations.</p> <p>Corporate Safeguarding Group is forum for sharing best practice and information across Directorates and identifying any weaknesses in the Council's work.</p> <p>Contractors safeguarding processes are included in the procurement process.</p> <p>All staff are required to undertake appropriate safeguarding training.</p> <p>The Council has a Safe Recruitment Policy.</p> <p>The Council has a dedicated senior safeguarding post for two years to enable the Council to meet all of the required standards.</p>	<p>The Council has reduced the risk of safeguarding issues going unnoticed by staff and members by providing clear procedures and requirements for training and awareness.</p> <p>This group is only partially effective, due to limited commitment by some Directorates</p> <p>Room for improvement.</p> <p>This will be effective subsequent to a training Plan being developed.</p> <p>Safe Recruitment assists the Council in reducing the risk of employing an unsuitable member of staff.</p>	<p>Leadership Team and Managers to ensure that all staff are aware of the Councils safeguarding policy and procedures</p> <p>The Council needs to ensure timely response to changes in legislation or local procedures.</p> <p>Directorates need to commit time for representatives to attend the Corporate Working Group.</p> <p>Need to ensure they have appropriate systems to address safeguarding issues.</p> <p>Staff require training in Safe Recruitment.</p>	<p>Alan Hall</p>	<p>The Council meets all of its duties under Section 11 and 47.</p> <p>The Council fully meets all aspects of the ESCB/ESAB Safeguarding self - assessment.</p>	<p>Monthly</p>	<p>Monthly</p>

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-023-2014/15
Date of meeting: 30 March 2015

Portfolio: Governance and Development Management

**Subject: Draft Internal Audit and Corporate Fraud Investigation Plan
2015/16**

Responsible Officer: Brian Bassington (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Decisions Required:

(1) That the Internal Audit and Corporate Fraud Investigation Plan for 2015/16 be approved.

Executive Summary:

The Audit and Governance Committee is responsible for the approval of the annual Internal Audit plan following consultation with Service Directors through the Corporate Governance Group and the External Auditors (BDO).

Reasons for Proposed Decision:

To approve the Council's Annual Internal Audit Plan as required in the Audit and Governance Committee Terms of Reference.

Other Options for Action:

None.

Report:

1. The Annual Internal Audit and Corporate Fraud Investigation Plan 2015/16 is submitted to the Audit and Governance Committee for approval. Once approved, the Annual Internal Audit and Corporate Fraud Investigation Plan will be appended to the Governance Directorate Business Plan.

2. In compiling the plan, all fundamental financial systems are included, to provide Management and Member assurance in the controls in place for good financial management. The annual audit of these systems is also a requirement of the Council's External Auditors (BDO) and the draft plan is submitted to them for comment.

3. The Corporate Risk Register was reviewed and time allocated for review of any high risk financial areas. The Annual Internal Audit Plan contains the risk identifier to ensure that risks highlighted by the Audit Commission, the External Auditors and the Corporate Risk Register are allocated audit time.

4. The plan contains a contingency provision for investigations and other unplanned

work during the year. There is also flexibility in the Plan so that audits can be substituted during the year in order to accommodate reviews of areas that are assessed as being of higher risk to the achievement of the Council's objectives.

5. The publication of "Protecting the Public Purse" by the Audit Commission in November 2014 has continued to identify current fraud risks and to address concerns over these risks time has been allocated to fraud prevention and detection in the 2015/16 audit plan. As from 1st April 2015 a Corporate Fraud Investigation Team will be formed consisting of four Investigators reporting to the Chief Internal Auditor. From the same date the audit team will consist of four auditors, the part time post having been made full time (see attached chart).

6. Regular meetings have continued to be held with the Chief Auditors of Uttlesford, Harlow and Broxbourne Councils on various joint working practices sharing best practice, expertise and audit findings and recommendations.

7. Progress against the approved Plan is kept under review during the year and any proposed amendments, once the Plan has been approved, would be subject to the approval of the Audit and Governance Committee, who will continue to monitor progress against the plan on a quarterly basis.

8. The plan will be presented to the Audit and Governance Committee on 30 March 2015.

Resource Implications:

None, within existing budget.

Legal and Governance Implications:

No specific implications.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group, BDO and Service Directors.

Background Papers:

Public Sector Internal Audit Standards, Audit reports, files and Corporate Risk register.

Risk Management:

The preparation of a risk based audit plan, as part of the audit strategy, is a key part of the Council's governance arrangements. In approving the annual programme of audits, the Audit and Governance Committee, in conjunction with the Finance and Performance Management Cabinet Committee, should be assured that there is sufficient and appropriate coverage to address any risks to the achievement of the Council's objectives.

Due Regard Record

This page shows which groups of people are affected by the subject of this report. It sets out how they are affected and how any discrimination they experience can be eliminated. It also includes information about how access to the service(s) subject to this report can be improved for the different groups of people; and how they can be assisted to understand each other better as a result of the subject of this report. S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
18 th March 2015 Brian Bassington Chief Internal Auditor	There are no equality implications arising from the recommendations of this report.

**AUDIT AND CORPORATE FRAUD INVESTIGATION PLAN
2015/16**

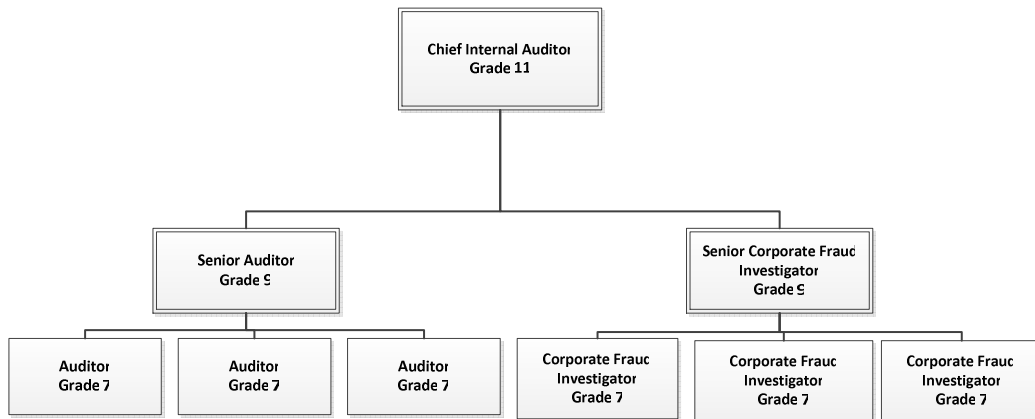
Key	Risk Identifier			
AC	Audit Commission / CIPFA (Protecting the Public Purse)			
FFS	Fundamental Finance System			
R no.	Risk Number in Corporate Register			
R	Reputation of Council			
Audit area	Audit type	Days allocated	Completed	Risk Identifier
Resources				
Accountancy				
Bank Reconciliation	system/follow up	15		FFS
Sundry Debtors	system/follow up	15		FFS
Creditors	system/follow up	15		FFS
Treasury Management	system/follow up	10		FFS/R4
Budgetary Control (capital and revenue)	system/follow up	10		FFS
Risk Management and Insurance	system/follow up	10		FFS
Main Accounting and Financial Ledger	system/follow up	15		FFS
Provision for 'top up' testing	systems	30		FFS
Benefits				
Housing Benefits	system/follow up	15		FFS
Council Tax Reduction	system/follow up	15		FFS
Revenues				
Council Tax	system/follow up	20		FFS/R4/AC
Business Rates	system/follow up	20		FFS/R4
Cash receipting and Income control	system/follow up	15		FFS
Human Resources				
Payroll	System/follow up	20		FFS
Recruitment and Selection	verification	10		R
Management of Sickness absence	verification	10		R
Overtime and Committee Allowances	verification	10		R
Travelling & Subsistence Claims	verification	10		R
Car Mileage claims	verification	10		R
Reprographics	System	10		R
ICT and Facilities Management				
ICT Procurement	ICT	10		AC/R6
Access controls	ICT	10		R6
Facilities Management Contracts	system	10		AC
Email, Internet and Telephone usage	Verification	10		R6
TOTAL		325		

Governance				
Governance and Performance Mgmt.				
Key and Local Performance Indicators	verification	15		R
Business Plans	verification	10		R
Data Protection Act /Freedom of Information	System	10		R6
Gifts and Hospitality (Members & Officers)	system/follow up	10		R
Members Allowances	System	10		R
Legal				
Debt recovery	Follow up	10		R4
Local Land Charges	System	10		R4
Development Management				
Planning Fees	System	20		R4
TOTAL		95		
Neighbourhoods				
Neighbourhood Services				
North Weald airfield	establishment	15		R
Technical Services				
Waste Management and Recycling	system	20		R
Car Parking Contract	system	10		R4
Licencing	system	10		R4
Grounds Maintenance	system	10		R
Forward Planning & Economic Devel.				
Commercial Property portfolio	Follow up	10		R2
Local Plan	System	10		R1
Economic Development	System	10		R5
TOTAL		95		
Communities				
Housing Property				
Housing Repairs Service	system	20		R
Council Housebuilding Programme	system	15		AC
Housing Operations				
Housing Rent Collection and Arrears	system/follow up	20		FFS/R4
Homelessness prevention inc. B&B	System	10		R
Rental Assistance Loans	system	10		R4
Private Sector Housing & Comm. Support				
Right to Buy	system	10		AC
Private Sector Housing - Grants	system	15		AC
Grants to Voluntary Organisations	System	10		AC
TOTAL		110		

CORPORATE FRAUD INVESTIGATION				
Housing Lettings / Right to Buy (HRA)	fraud	400		AC
Fraud Referrals (Non HRA)	fraud	310		AC
Contracts	fraud	15		AC
Procurement	fraud	15		AC
Council Tax Discounts	fraud	15		AC
National Fraud Initiative (NFI)	fraud	20		AC
Data matching and analysis (IDEA software)	fraud	25		AC
TOTAL		800		
CORPORATE				
Corporate Procurement	system/follow up	15		AC
Corporate Asset Register	system	5		FFS
Priority 1 Audit recommendations	follow up	10		R
Governance Statement	management review	5		R
Corporate Partnerships	System	10		R8
TOTAL		45		
TOTAL DAYS ALLOCATED				
		1470		
Contingency		40		
Corporate/Service Advice		65		
Data matching and analysis (IDEA software)		25		
TOTAL		1600		

Epping Forest District Council

Internal Audit and Corporate Fraud Investigation Unit



Agreed structure as from 1st April 2015
Cabinet 1/12/14

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