

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** Monday, 29 June 2015

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 7.30 pm

Members Present: J Knapman (Chairman), A Jarvis (Vice-Chairman), L Hughes, S Weston and N Nanayakkara

Other Councillors: J Philip and C Whitbread

Apologies: -

Officers Present: C O'Boyle (Director of Governance), S Marsh (Chief Internal Auditor), N Hook (Auditor), G J Woodhall (Democratic Services Officer) and S Tautz (Webcasting Officer)

Also in attendance: A Barnes (External Auditor)

1. WEBCASTING INTRODUCTION

The Director of Governance reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

The Director of Governance opened the meeting and reminded the Committee that, under Article 11.7 of the Constitution, the Chairman and the Vice-Chairman were appointed at the first meeting of the municipal year for a term of one year. The Director requested nominations for the role of Chairman. Following his acceptance by the Committee, a nomination was requested by the Chairman for the role of Vice-Chairman.

Resolved:

- (1) That Councillor J Knapman be elected Chairman of the Committee for the 2015/16 municipal year; and
- (2) That A Jarvis be elected Vice-Chairman of the Committee for the 2015/16 municipal year.

3. DECLARATIONS OF INTEREST

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

4. MINUTES

Resolved:

(1) That the minutes of the meeting held on 30 March 2015 be taken as read and signed by the Chairman as a correct record.

5. MATTERS ARISING

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

6. AUDIT & GOVERNANCE WORK PROGRAMME 2015/16

The Committee noted its Work Programme for 2015/16, and accepted that other matters might arise throughout the municipal year for consideration.

The Vice-Chairman requested that the Committee's Terms of Reference be placed on the agenda for the next meeting to be cross-referenced with the Work Programme for the benefit of the new Members. The Director of Governance agreed with the proposal and suggested that the Committee could also review its Terms of Reference to ensure that they were still relevant.

The Director introduced the newly appointed Chief Internal Auditor to the Committee.

7. INTERNAL AUDIT MONITORING REPORT - JANUARY TO MARCH 2015

The Chief Internal Auditor presented the Internal Audit Monitoring report for the final quarter of 2014/15, which provided a summary of the work undertaken by the Internal Audit Unit between January and March 2015. The report detailed the overall performance to date against the Audit Plan for 2014/15 and also enabled the Committee to monitor the progress of Priority 1 Actions issued in previous reports.

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

(a) Full Assurance:

- Council Tax;
- Business Rates;
- Payroll; and
- Main Accounting and Financial Ledger.

(b) Substantial Assurance:

- Overtime Claims;
- Committee Allowances and Subsistence Claims;
- ICT Access Controls;
- Treasury Management;
- Risk Management;
- Insurance (Fraud);
- Budgetary Control;
- Creditors;
- Housing Rents; and
- Cash Receipting & Income Control.

(c) Limited Assurance:

- Sundry Debtors.
- (d) No Assurance:
- None.

The Chief Internal Auditor also highlighted that there were a further two reports being drafted concerning: Housing Benefits; and Council Tax Reduction. The Committee's attention was drawn to the Outstanding Priority 1 Actions Status report, all of which would be reviewed in follow-up audits, and the Limited Assurance Audit Follow Up Status report. It was also noted that the Audit Plan for 2014/15 had been appended to the report to allow the Committee to monitor progress against the Plan.

In respect of the Limited Assurance audit report issued for Sundry Debtors, the Chief Internal Auditor stated that the Management Board had decided in October 2014 to not refer overdue debts under £500 to Legal Services as it was not a cost effective use of resources. The audit had found that not all Officers involved in Debt Recovery had been advised of this change, and there was no evidence of any process to monitor and pursue outstanding debts under £500 following the issue of three reminder letters. This was being reviewed by the Corporate Debt Working Group, and further recommendations would be made to the Management Board in due course. However, any new recommendations agreed should be communicated to the Officers responsible for debt recovery to ensure the process was implemented effectively.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's Local Performance Indicators for 2014/15:

• % Planned Audits Completed	Target 90%	Actual 94%;
• % Chargeable Staff Time	Target 75%	Actual 75%;
• Average Cost per Audit Day	Target £245	Actual £229; and
• % User Satisfaction	Target 90%	Actual 100%.

The Chief Internal Auditor added that the two audits listed in the report as being in progress had now been completed, and the Corporate Procurement issues highlighted in the Outstanding Priority 1 Actions List were being considered by the Corporate Working Group on Contract Standing Orders. The audits carried forward to 2015/16 were highlighted, and the 2015/16 Audit Plan would be available for the Committee at its next meeting. The audit of the Waste Management contract was currently scheduled for quarters 2 and 3 of 2015/16. The Committee welcomed the report but requested that, in future, the measures actually taken be detailed for the Outstanding Priority 1 Actions List, rather than bland comments such as "*...work underway...*"

Resolved:

(1) That the following issues arising from the Internal Audit Monitoring Report for the second quarter of 2014/15 be noted:

- (a) the Audit reports issued between January and March 2015 and significant findings therein;
- (b) the Priority 1 Actions Status Report;
- (c) the Limited Assurance Audit Follow-Up Status Report; and
- (d) the 2014/15 Audit Plan Status Report.

8. INTERNAL AUDIT ANNUAL REPORT 2014/15 AND REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

The Chief Internal Auditor presented the Internal Audit Annual Report for 2014/15, incorporating the Review of the Effectiveness of the System of Internal Audit.

The Chief Internal Auditor stated that this report had been presented in support of the Internal Audit opinion on the adequacy of the Council's internal control environment. It provided a summary of the work undertaken by the Internal Audit Unit and detailed the overall performance against the Audit Plan for 2014/15. The Accounts and Audit Regulations included a requirement for the Council to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance. A review had been undertaken by the Corporate Governance Group and was presented to the Committee to assist it with assessing the effectiveness of the system of internal audit on behalf of the Council.

The Chief Internal Auditor advised the Committee that the work of Internal Audit continued to improve awareness of Governance requirements and promote improvement in the Council's systems. During the year, 35 audit reports had been issued, of which 4 had full assurance, 26 had substantial assurance and 5 had limited assurance. Therefore, it could be concluded that the Council's systems were generally operating satisfactorily and appropriate follow-up action had been taken where necessary to reduce the risk of error or fraud.

In respect of Performance Management for the year, the Chief Internal Auditor informed the Committee that the final figure for the planned audits completed (94% against a target of 90%) had been met, along with the targets for chargeable staff time (73% against a target of 72%), average cost per audit day (£218 against a target of £245 per day), and user satisfaction (98% against a target of 85%).

The Chief Internal Auditor reported that the Internal Audit Section could demonstrate that it had a good understanding of the functions of the Council and had achieved the Council's objective to identify improvements to its control systems. The performance of the Unit had remained close to or exceeded its key targets and all fundamental financial systems had been examined and reported on. The Council's External Auditors were able to place reliance on the work of Internal Audit when conducting their formal assessment of the Team's work as part of their review of the 2013/14 accounts, and the Internal Audit Unit fully met the Public Sector Internal Audit Standards introduced in April 2013. In addition, Officers felt that the support of the Audit and Governance Committee, particularly in insisting on timely and positive responses to audit report recommendations, was invaluable in maintaining sound governance throughout the Council.

The Chief Internal Auditor stated that, in her opinion, the Council had in place a satisfactory framework of internal control, which provided reasonable assurance regarding the efficient and effective achievement of its objectives in 2014/15. Consequently, having considered all the issues, the Corporate Governance Group was satisfied that the Council's System of Internal Audit had been effective during 2014/15.

The Committee noted that the report had indicated there were no causes for concern at the current time, and would continue to support Officers in maintaining sound governance. The Chief Internal Auditor reminded the Committee that 100% assurance could not be given without verifying every transaction undertaken, as only a sample was ever checked by the Auditors. The part-time Fraud Auditor post listed

in the report had been replaced with an Auditor post, but this post was currently vacant.

Resolved:

- (1) That the Audit Plan Status Report for 2014/15, as at 31 March 2014, be noted;
- (2) That, in the context of the Council's Governance Statement, the Review of the Effectiveness of the System of Internal Audit for 2014/15, as undertaken by the Corporate Governance Group, be noted; and
- (3) That the satisfaction of the Committee with the Effectiveness of the System of Internal Audit during 2014/15 be confirmed.

9. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2014/15

The Chief Internal Auditor presented the Annual Report of the Audit & Governance Committee for 2014/15.

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

Resolved:

- (1) That the draft Annual Report of the Audit & Governance Committee for 2014/15 be agreed; and
- (2) That the Chairman and Vice-Chairman of the Committee be authorised to agree any substantive changes to the final draft of the report prior to its submission to the Council.

10. ANNUAL GOVERNANCE STATEMENT 2014/15

The Chief Internal Auditor presented a report on the Annual Governance Statement for 2014/15.

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

The Committee welcomed the Statement and suggested, and agreed, that point 1 of “The Governance Framework” section should be amended to refer to “*The Corporate Plan covering 2011 – 2015...*”, not “*A Corporate Plan ...*”.

Resolved:

- (1) That an amendment be made to point 1 of “The Governance Framework” in the Statement, to read “*The Corporate Plan covering 2011 – 2015...*” not “*A Corporate Plan ...*”; and
- (2) That the draft Annual Governance Statement for 2014/15, as amended above, be approved.

11. ANY OTHER BUSINESS

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

The Chairman reminded the Committee that it was the purpose of Audit to ensure that the correct process was followed and not to judge the outcome of the decision. In addition, Members were encouraged to ask questions at any and every opportunity.

CHAIRMAN