

**Report to the Audit and Governance  
Committee**



**Report reference:** **AGC-003-2015/16**  
**Date of meeting:** **29 June 2015**

**Epping Forest  
District Council**

**Portfolio:** Governance and Development Management

**Subject:** Audit and Governance Committee Annual Report for 2014/15.

**Responsible Officer:** Brian Bassington (01992 564446).

**Democratic Services Officer:** Gary Woodhall (01992 564470).

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**Recommendations/Decisions Required:**

- (1) That the attached draft Annual Report for the Audit and Governance Committee for 2014/15 be considered; and
- (2) That the Chairman and Vice-Chairman be authorised to agree the final draft in the event of any changes proposed at the meeting.

**Executive Summary:**

The Committee is invited to comment on the draft. Officers will then make the necessary amendments to the report. It is suggested that any substantive changes are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

**Reasons for Proposed Decision:**

This report is produced in accordance with the Terms of Reference for the Committee, which require an annual report to be submitted to Council each year.

**Other Options for Action:**

None.

**Report:**

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2. The Committee is invited to comment on the draft. Officers will then make the necessary amendments to the report. It is suggested that any substantive changes are agreed with the Chairman and Vice Chairman prior to the submission of the report to Council.

**Resource Implications:**

These have been included in the individual reports to the Committee throughout the year.

**Legal and Governance Implications:**

These have been included in the individual reports to the Committee throughout the year.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Corporate Governance Group, Anthony Jarvis.

**Background Papers:**

Minutes of Audit and Governance Committee.

**Risk Management:**

If the adequacy of the arrangements for Risk Management were not considered and reported regularly a significant weakness in the overall governance arrangements could occur and remain undetected.

# 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.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
1/5/15 Chief Internal Auditor	The report is a summary of the work reviewed in the year by the Audit and Governance Committee and has no equality implications.

**EPPING FOREST DISTRICT COUNCIL**

**ANNUAL REPORT**

**OF THE**

**AUDIT AND GOVERNANCE COMMITTEE**

**2014/15**

## **1. INTRODUCTION**

- 1.1 This Annual Report of Epping Forest District Council's Audit and Governance Committee covers the municipal year 2014/15.
- 1.2 Membership of the Committee comprises three District Councillors and two co-opted independent members.
- 1.3 At the beginning of 2014/15 Committee membership comprised Councillors Antony Watts (Chairman), Sharon Weston and Paul Keska; and co-opted members Robert Thompson (Vice Chairman) and Anthony Jarvis.
- 1.4 When his term of office expired Mr Thompson submitted his resignation and the recruitment process for his replacement commenced. At the end of the year the recruitment had not been completed.
- 1.5 At the 25<sup>th</sup> September 2014 meeting the Director of Resources thanked Mr Thompson for his efforts over the past five years and acknowledged the benefit to the Committee that his contributions had made. The Chairman added his own thanks and emphasised the contributions that Mr Thompson had made to the debates on Risk Management.

## **2. TERMS OF REFERENCE**

- 2.1 In summary, the purpose of the Committee is to provide assurance that:
  - 2.1.1 governance arrangements are adequate and operating effectively in practice; and
  - 2.1.2 where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.
- 2.2 Full details of the Committee's roles and functions are set out in the terms of reference in Appendix 1.

## **3. MEETINGS**

- 3.1 The Committee met five times during the year, as scheduled.
- 3.2 The Committee was supported by the Director of Governance and the Chief Internal Auditor, who attended the Committee meetings.
- 3.3 The Council's external auditors (BDO) are invited to attend meetings of the Committee and may, when they consider it appropriate, request a private meeting with the Committee, with other parties excluded.
- 3.4 A Corporate Governance Group (CGG), consisting of senior Council officers, chaired by the Chief Executive, meets regularly to consider governance issues across all of the Council's operations. This includes monitoring progress in implementation of high priority audit recommendations. The Committee reviews the CGG minutes, to ensure effective overview of governance arrangements and to maintain awareness of topics discussed and any actions required.

- 3.5 When it considers necessary, the Committee requests senior officers to attend its meetings, to aid the Committee's understanding of relevant issues and explain delays in implementing audit recommendations, especially high priority ones.

#### **4. THE YEAR IN REVIEW**

##### **4.1 Effectiveness of governance and risk management arrangements**

- 4.1.1 Each year the Committee reviews the effectiveness of the Council's arrangements for risk management. At its March 2015 the Director of Governance presented a report on this topic and, after receiving satisfactory answers to a number of questions **the Committee agreed that the arrangements for Risk Management within the Council be considered effective.**
- 4.1.2 **The Committee approve the Annual Governance Statement ("AGS")** which is included in the Council's Annual report and Statement of Accounts. At its June 2014 meeting the Committee reviewed the AGS for the year 2013/14 and approved the statement.
- 4.1.3 At the November meeting the Committee was asked by the Council to comment on the review of the Council's current structure of Scrutiny Panels, which included details of possible options for the future structure, being undertaken by a Task & Finish Panel during 2014/15. This report had been provided for the Audit & Governance Committee to comment on the proposals which had a potential impact upon it. **The Committee discussed the report and requested that a further report on the future structure of the Council's Scrutiny Panels be submitted** to the next meeting scheduled for February 2015.  
The Committee received the further report and agreed that **the Committee support the recommendations of the Task and Finish Panel for the establishment of a new overview and scrutiny framework** based on a structure of four 'select committees' and that any action with regard to the combination of the Audit and Governance Committee and the Standards Committee be deferred but, if necessary, a further Task and Finish Panel be established in future to consider such combination in light of new legislative audit requirements.
- 4.2 **Effectiveness of Internal Audit**
- 4.2.1 At its April 2014 meeting the Committee approved the draft Internal Audit Plan for 2014/15. At the June 2014 meeting, having considered a report on the Corporate Governance Group's review of the matter, **the Committee confirmed its satisfaction with the effectiveness of the system for internal audit.**
- 4.2.2 **The Committee receives quarterly reports from the Chief Internal Auditor** on reviews undertaken by the internal audit team. These detail any internal control weaknesses identified and recommendations to correct them. Where a weakness is significant the recommendation may be assigned high priority (Priority 1). The timely implementation of Priority 1 recommendations is overseen by the Corporate Governance Group and monitored by the Committee.

4.2.3 The Committee received internal audit reports at its meetings in June 2014, September 2014, November 2014 and February 2015. **The Committee noted that the number of internal audit reviews giving cause for material concern continued to be encouragingly low through the year.**

#### 4.3 **Statement of Accounts**

4.3.1 At its September 2014 meeting, as required by its terms of reference, **the Committee reviewed the Council's draft Statement of Accounts for 2013/14.** The draft accounts were accompanied by the Director of Resource's detailed report explaining relevant matters. Having considered the draft accounts and accompanying report **the Committee recommended the draft Statutory Statement of Accounts 2013/14 for adoption by the Council.**

#### 4.4 **Treasury Management**

4.4.1 In accordance with its terms of reference, **the Committee reviewed the Council's Treasury Management Strategy and considered progress reports on the treasury management function** and performance against prudential indicators. The Committee received the annual outturn report for 2013/14 at its September 2014 meeting and a mid-year report for 2014/15 at the meeting in November 2014. A report on the Council's Treasury Management Strategy Statement and its investment strategy for 2015/16 to 2017/18 was presented to the February 2015 committee meeting. It was minuted that **the Committee's endorsement of the Treasury Management Strategy Statement and Investment Strategy be reported to the Council.**

#### 4.5 **Relationship with External Auditors**

4.5.1 During the year the Committee received a number of reports from the external auditors (BDO) who attended the June, September, November and March meetings:

Annual Governance Report 2013/14

Annual Audit Letter 2013/14

Audit Plan 2014/15

Planning Letter 2015/16

Grant Claims & Returns of Certification 2013/14

In reviewing these with BDO **the Committee considered the audit risks noted by the external auditors** that could impact on the preparation of the Council's annual Statement of Accounts. There were four recommendations for future action, all of which had been accepted by Officers. For the second recommendation in the 2013/14 Action Plan, the External Auditor stated that they would expect refresher training to be undertaken by Staff to cover those areas where differences had been found in the treatment of rent liability, eligible rent and tax credits. The Director of Governance undertook to report back to the committee whether the training had been undertaken.

4.5.2 **The Committee believed that the relationship between BDO and the Council was effective.**

## **5. CONCLUSION**

- 5.1 The Committee believes that it has fully and properly met its terms of reference during the municipal year 2014/15.**
- 5.2 During the year the Committee considered a range of governance, risk and audit issues and offered guidance on improvements in internal control. The number of internal audits that identified areas for concern had remained low, which the Committee believes is evidence of sustained improvement in the Council's internal control environment.**
- 5.3 The Committee's work is to ensure that the control environment, governance and risk management arrangements remain robust.**

### **Background Information**

Further information on the Audit and Governance Committee can be obtained from the Local Democracy / Committees / Audit and Governance Committee area of the Council's web site.