Report to the Audit and Governance Committee

Report reference: AGC-003-2017/18
Date of meeting: 26 June 2017

Epping Forest District Council

Portfolio: Technology and Support Services.

Subject: Internal Audit Monitoring Report - March to June 2017.

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1)   That the Committee notes the progress being made against the 2017/18 Internal Audit plan and endorses the work of the Corporate Fraud Team for 2016/17.

Executive Summary:

This report updates members on the work completed by the Internal Audit Shared Service since the March 2017 Audit and Governance Committee and summarises the work of Corporate Fraud Team for 2016/17.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

2017/18 Internal Audit Plan

1.   Work has started on the 2017/18 Audit Plan as detailed in Appendix 1, although the majority of the time has been spent completing the 2016/17 Audit Plan.

Internal Audit Reports

2.   The following seven reports, all awarded substantial assurance, have been issued since the Committee received its last update in March 2017:

- **Electoral Registration –** This audit focussed on the processes for maintaining the electoral register and the controls over the integrity and security of electoral data. It was found that the electoral register is well managed and there are robust processes in place to ensure the data held within it is accurate and adequately protected from loss and unauthorised access. Verification checks ensure that new electors are only added to the register once their identity has been confirmed. The electoral and open registers are available for public view and purchase in

accordance with government regulations.

- **Langston Road Development project –** This follow up review of the Langston Road Development project concentrated on the financial systems and project management processes. There are strong financial arrangements including established procedures for the approval of project expenditure, and budget monitoring processes have improved since the previous audit with the Council now receiving enhanced finance information from the project cost consultants. Project management processes remain robust and continue to include the effective management of the project risks and timetable. Regular budget meetings should continue to be held to ensure the financial status of the project is properly monitored, and a final budget meeting held on completion to formally sign off the project.

- **Recruitment of Staff –** An audit of staff recruitment was undertaken to ensure the processes around engaging staff are robust. It was found that correct procedures are followed and full pre-employment checks, including verifying the candidate's right to work in the United Kingdom, are carried out before contracts of employment are issued. A review of methods for advertising job roles should be undertaken to ensure the Council is obtaining value for money. A recommendation relating to better retention of interview assessment and induction forms has been made.

- **Housing Rents –** This audit was completed through a high level review of the systems and controls surrounding housing rent collection and rent arrears management, and found that, overall, housing rents is well managed. Annual rent charges are correctly applied and monthly reconciliations of the rents system, OHMS, to the general ledger ensure income is correctly accounted for. Rent arrears management is effective. Comprehensive debt monitoring, along with regular contact between the Housing Management Team and tenants, ensures that all the necessary support is given where there are difficulties in paying rent. It is recommended that, where the payment source of suspense account items cannot be identified, these items should be written back.

- **Management of Housing Voids –** Overall, Council Housing voids are effectively managed and provide substantial assurance over the processes. There are established policies and procedures which ensure void properties are managed in a consistent manner, and void processes are robust and provide a coordinated approach which helps to keep void times within targets. Performance of key stages in the voids process is monitored and reported. Void re-let times at the start of the year were high, but various action taken during the year, including the appointment of a Void Coordinator, has improved processes and the Council has seen a significant reduction in void re-let times. Performance should be monitored during 2017/18 to assess the longer term impact of the changes made and consideration given to amending the performance indicator target for void re-let times in the light of the results.

- **Neighbourhoods Enforcement –** An audit of enforcement processes within the Neighbourhoods directorate was carried out to ensure the processes are robust. Routine food inspections and complaints are recorded and there is a complete management trail of the action carried out. Enforcement complaints are responded to promptly and any action taken is proportionate to the offence in accordance with legislation and Council policy. Planned routine food hygiene inspections for 2016/17 were not all completed due to staffing issues, but management are taking proactive action to ensure the backlog will be completed in 2017/18 and there is no significant

risk to the Authority as the staffing issues have now been resolved.

- **Business Rates and Council Tax -** This high level review found that Council Tax and Business Rates are well managed with adequate policies and procedure notes in place for the delivery of both services. There are effective controls which ensure both databases are complete and accurate, and the liability is correctly calculated. The Section has a number of measures in place to minimise the risk of awarding fraudulent applications for reliefs, discounts and exemptions, including robust application processes, property inspections and regular reviews of all reliefs, discounts and exemptions awarded. Income is maximised through effective recovery and enforcement action and refund processes are robust.

Recommendation Tracker

3.   The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.

4.   The current tracker (Appendix 2) contains one medium and two low priority recommendations which have passed their due date (compared to just one medium priority recommendation in March 2017). All recommendations are monitored on a regular basis and, although not completed by their original implementation dates, progress continues to be made on agreed actions.

    Table 1. Summary of tracker as at 12 June 2017.

Recommendation type	Number (as at 12 June 2017)	Number (as at 14 March 2017)
High Priority not passed its due date	0	0
High Priority passed its due date	0	0
Medium Priority passed its due date	1	1
Low Priority passed its due date	2	0

Other Internal Audit Activities

5.   A number of assignments in the Audit Plan do not result in an audit report but do provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion. This includes Internal Audit representation on business groups and project teams. These are included below for Members' information:

- **Programme and Project Management** – The need for consistent project management methodology was highlighted in a number of audits and as an improvement area in the Annual Governance Statement. Internal Audit continues to attend the monthly project team meetings and has provided advice in the procurement and implementation of a project management system (Covalent) and development of appropriate Council-wide project management processes.

- **Information Management** – To ensure the Council is compliant with the requirements of the General Data Protection Regulations, which come into force in May 2018, it is essential there is a Council-wide Information Asset Register. Internal Audit is assisting in the design and implementation of an Information Asset Register and advising on policies and procedures relating to information management.

- **Personal Data (Payroll/HR system)** – Internal Audit is involved in the project group reviewing the processes and forms associated with the new payroll/HR system, which is currently being implemented. Advice has been provided to ensure that appropriate controls are retained in the new processes.

- **Corporate Debt Working Party** – Advice over processes and controls has been given to this group which is reviewing the Council-wide approach to debt management.

National Fraud Initiative

6.   The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. Internal Audit continues to co-ordinate the extraction and uploading of the Council's data in relation to NFI, in addition to reviewing and co-ordinating the action to be taken on data matches identified. The relevant 2016/17 data has been uploaded to the NFI website and the matches have all recently been received.

7.   Internal Audit and the Corporate Fraud Team work together to assess the nature of the data matches and to prioritise and further investigate any matches that may warrant it. Priority is given to areas of potential fraud that may have a high direct impact on the Council (financial, reputational etc.) including any data matches involving Council staff and Members.

Internal Audit Shared Service

8.   The Internal Audit Shared Service between Broxbourne, Harlow and Epping Forest Councils, with Broxbourne being the host authority, commenced formally on 1 April 2017. To oversee the implementation and delivery of the Internal Audit function, a Shared Services Board has been created. An inaugural meeting of the Board was held on 13 February 2017 with quarterly meetings now booked for 2017/18.

9.   The Service comprises three Senior Auditors and two Auditors (with another vacant Auditor post) in addition to the Chief Internal Auditor. A tender exercise is currently underway to procure external services until the auditor position is filled.

10.   Staff work across all three Councils and are, therefore, able to apply their skills and knowledge to assignments at each Council. The Councils can also benefit from sharing best practice.

Corporate Fraud Team

11.   Appendix 3 provides a summary of the work of the Corporate Fraud Team for 2016/17.

Audit and Governance Committee Skills and Knowledge Analysis

12.   At its November 2016 meeting the Audit and Governance Committee agreed it would

be beneficial for the committee to evaluate its overall knowledge and skills, and a checklist to collate this information was approved at the February 2017 meeting. The checklist has been circulated to all members of the Audit and Governance Committee and will be distributed to any new members of the Committee following the meeting of the full Council in May. The results will be anonymised, collated and reported to the September 2017 Audit and Governance Committee.

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2017/18 Audit and Resource Plan.

Risk Management:

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided aa an Appendix to the report.