

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-013-2017/18
Date of meeting: 27 November 2017

Portfolio: Technology and Support Services

Subject: Internal Audit Monitoring Report - September to November 2017

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That the Committee notes the progress made against the 2017/18 Internal Audit plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period September to November 2017; and

(2) That the revised Whistleblowing Policy and Procedure be recommended to the Council for approval.

Executive Summary:

This report updates members on the work completed by the Internal Audit Shared Service and the Corporate Fraud Team since the September 2017 Audit and Governance Committee, and also provides the current position in relation to overdue recommendations.

A summary of the requirements of the General Data Protection Regulations is provided at appendix 3 and updates members on the action being taken to implement these at Epping Forest District Council.

The revised Whistleblowing policy and procedure, attached at appendix 4, sets out the action that will be taken when concerns are raised.

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. Good progress is being made against the 2017/18 Audit Plan as detailed in Appendix 1.

Internal Audit Reports

2. The following reports have been issued since the Committee received its last update in September 2017:

- **Health and Safety - Lone Working (Substantial assurance)**

This audit reviewed the processes around ensuring the health and safety of lone workers in the Council, focussing on front line staff.

The audit found that the health and safety of lone workers is well managed with adequate policies, procedures and monitoring arrangements in place to ensure risks are identified and effective measures put in place to mitigate these risks. Localised procedure notes exist and are being followed by the respective teams, ensuring that safe working practices are in place.

Risk assessments are prepared by managers to ensure safety measures are in place when staff lone work and lone worker safety training is provided for those working alone or in vulnerable situations. It is recommended that risk assessments are regularly reviewed to ensure they remain relevant and up to date, and consideration should be given to making the training mandatory for those job roles identified as lone workers.

The Council's in-house lone worker monitoring system (Careline) is being out-sourced from November 2017. Tunstall Healthcare (UK) Limited has been awarded the contract as the Service Provider for the Council's Careline Alarm Monitoring Service.

- **Council Housebuilding Programme (Substantial assurance)**

Overall, the council house building programme is well managed with adequate officer and Member monitoring and oversight processes in place. The programme has progressed well since the previous audit in December 2015, with phases 1-3 in development and phases 4-6 at planning/feasibility stage.

Corporate and Directorate risks have been identified; however the programme wide risks (owned by the Development Agent) require review as they have not been updated since September 2015.

The use of 141 receipts continues to be monitored closely by Accountancy and Housing Assets to ensure this is in line with government requirements, with clear audit trails and reporting processes in place.

The Council has requested more detailed information from the Employers Agent to provide assurance that procurement and contract management processes are transparent and comply with the Council's Procurement Rules. In September, the Development Agent invoked the three month exit clause in the council housebuilding contract and has given notice to terminate their appointment. A way forward has been agreed with senior management.

- **Local Plan Staffing Resources (Substantial assurance)**

This audit reviewed the processes around managing the internal and external staff resource available to prepare the Local Plan to submission for examination. Overall, the staff resource required for the preparation of the Local Plan, the Council's top priority, is being well managed. Due to high staff turnover and vacancies within the team, staff resource is identified as a significant risk to the

delivery of the Local Plan, and is closely monitored and reported to both senior management and Members. Along with many other Local Authorities, the Council experiences considerable difficulty recruiting suitably qualified planners, and as a consequence, a range of approaches has been taken to engage appropriately qualified staff in order to minimise staffing gaps or lack of critical skills.

Resource has been provided through contracts with specialist firms, secondments and, more recently, the Council has been successful in recruiting an experienced planner as Projects Officer. Staff resource has been engaged in accordance with the Council's Procurement Rules and recruitment procedures as appropriate.

- **Health and Safety – Townmead Depot follow up**

In September 2016, Internal Audit issued a limited assurance report regarding Health and Safety arrangements at the Townmead Depot as depot management processes were lacking which presented safety and security risks for Council employees and other users of the depot.

A detailed action plan was drawn up and good progress has been made to address the issues raised. As part of this, an independent Fire Risk Assessment was undertaken in February 2017 which made recommendations around fire safety policy and procedures, staff fire training, fire drills and fire testing, waste disposal and storage arrangements. The majority of these have yet to be actioned compromising the health and safety of both users and visitors to the site, including fire fighters should they have to attend an incident. An interdisciplinary group has been established to address the issues identified in the Fire Risk Assessment.

The action plan includes other improvement works for the site. These have been postponed following the decision to relocate Pyrles Lane nursery to Townmead Depot and form part of that project plan which is being monitored through the Council's project management system.

The recommendation around formalising arrangements between Epping Forest District Council and Waltham Abbey Town Council requires negotiation on both sides. The Estates and Valuation department is currently assessing the most appropriate form of agreement and progress is being monitored by Internal Audit and reported to the Audit and Governance Committee through the tracker process.

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 is shown at Appendix 2 and contains one high priority recommendation which has not passed its due date, in addition to one medium and two low priority recommendations which have passed their due dates (compared to two medium and two low priority recommendations in September 2017).

5. The high priority recommendation relates to the implementation of an action plan to address the issues identified following the Fire Risk Assessment at Townmead Depot.

Table 1. Summary of tracker as at 15 November 2017.

Recommendation type	Number (November 2017)	Number (September 2017)	Number (June 2017)
High Priority not passed its due date	1	0	0
High Priority passed its due date	0	0	0
Medium Priority passed its due date	1	2	1
Low Priority passed its due date	2	2	2
Total	4	4	3

Other Internal Audit Activities

6. A number of assignments in the Audit Plan are included to 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; but these do not result in an audit report. This includes Internal Audit representation on business groups and project teams in addition to less formal meetings. Significant items are included below for Members' information:

- **General Data Protection Regulation (GDPR) Working Party** – Internal Audit is actively involved in assisting in the implementation of the GDPR, a key area for all Councils. Further details and a summary of GDPR requirements are provided in Appendix 3.
- **Programme and Project Management** - Internal Audit continues to be an active member of this project group which is drawing to a close as the system solution, Covalent (now called Pentana), has now been rolled out across the Council. The group is now reviewing the service and directorate business planning process for 2018/19.
- **Personal Data (Payroll/HR)** – Internal Audit is a member of this project group which is reviewing the processes and forms associated with the new iTrent payroll/HR system. Advice is provided to ensure that appropriate controls are retained in the new processes which are being developed as the new system is being implemented.
- **Corporate Debt Working Party** – Internal Audit is providing advice to this group over processes and controls as the Council reviews its approach to debt management, including exploring options for a corporate debt management system.
- **Risk Management Group** – Internal Audit is actively involved in improving risk management processes throughout the Authority. The risk management strategy has been revised and was approved by Finance and Performance Cabinet Committee on 14 September 2017. The revised strategy provides clearer operational guidance to Officers on the risk management process and the criteria

for assessing risks has been updated.

The new risk register template developed for directorates has been implemented in the Governance and Resource Directorates and is being rolled out to Communities and Neighbourhoods.

National Fraud Initiative

7. The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include the Department for Works and Pensions (DWP), police, fire and rescue authorities as well as local councils and a number of private sector bodies.

8. The review of the 2016/17 data matches is in progress and Internal Audit is providing training and guidance to Officers to enable a review of their matches. Previous exercises have found many NFI matches are not fraudulent and there is usually a simple explanation for matches (for example inaccurate data). Internal Audit is a key contact for the NFI, coordinating the submission of the Council's data and ensuring there is a process for reviewing data matches in accordance with the Council's available resources and the requirements of the Cabinet Office. No significant frauds have been identified to date.

Corporate Fraud Team

9. Since September 2017, a further three Right To Buy applications have been stopped / withdrawn as a result of Corporate Fraud Team (CFT) intervention resulting in a discount saving of approximately £234,000 and ongoing rent revenue streams of around £137,000.

10. A further council property, which was the subject of a succession fraud, has been recovered. Investigations by the CFT discovered that there was no entitlement to the property. The property is in the process of being re-let to someone on the waiting list, saving around £18,000.

11. A former tenant has been convicted of two counts of fraud (under the Fraud Act 2006) relating to subletting. A guilty plea was also entered to a charge of illegal subletting (under the Prevention of Social Housing Fraud Act 2013) prior to the trial commencing. The defendant was sentenced to 12 months imprisonment for each count, suspended for 12 months, along with 150 hours of unpaid work in the community. In addition they will also have to pay a victim surcharge to EFDC and the Council's prosecution costs. A Proceeds of Crime Act action relating to this case is still ongoing.

12. A further Social Housing fraud prosecution is still scheduled to go to trial early in 2018.

13. From the middle of September, the Corporate Fraud Team has entered into a joint working arrangement with Brentwood Borough Council to provide a fraud service to them for 2 days per week on a paid for basis.

Revised Whistleblowing Policy

14. The Council's whistleblowing policy and procedure has been revised and attached as Appendix 4. Only minor changes have been made to the previous version (dated October 2014) and have been approved by the Corporate Governance Group. The main changes being two procedural additions:

- (i) Timescales – setting out expectations on how long an investigation may take;
- and

- (ii) Investigating procedures – to guide staff members who may be nominated as an Investigating Officer.

15. Staff will continue to be reminded about the Council's whistleblowing policy and procedure on a periodic basis in the staff newsletter, District Lines, as well as through poster campaigns (Appendix 5).

Review of significant issues identified in the 2016/17 Annual Governance Statement

16. In June 2017, the Audit and Governance Committee approved the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts. The AGS outlines the proposed actions to be taken to deal with significant governance issues identified. The Corporate Governance Group monitors the actions set out in the AGS on a regular basis. The progress made to date on addressing the issues identified for improvement during 2017/18 is shown in table 2.

Table 2. Areas for improvement or monitoring during 2017/18

No.	Issue	Management response	Progress as at November 2017
1	<p>General Data Protection Regulations (GDPR)</p> <p>It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.</p>	Work is already in hand to ensure Epping Forest is compliant with the requirements of the GDPR ahead of May 2018 and beyond.	A GDPR working group has been established, chaired by the Director of Governance. A Council-wide Information Asset register has been prepared and work is ongoing to establish the basis for all processing activities.
2	<p>Corporate Policies</p> <p>For the second year, Service Assurance Statements identified a need to raise awareness of, and communicate changes to, corporate policies in particular Officer Code of Conduct, data protection policies, anti-fraud and Whistleblowing.</p>	A staff awareness campaign will be devised and implemented to address this and will include use of metacompliance to ensure staff have read relevant policies, articles in the monthly staff newsletter District Lines, and reminders at staff briefings.	<p>The revised anti-fraud and corruption strategy was approved by Council on 27 July 2017.</p> <p>The whistleblowing policy has been revised and approved by the Corporate Governance Group.</p>

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 at Appendix 6 to the report.