

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-017-2017/18

Date of meeting: 5 February 2018

Portfolio: Technology and Support Services

Subject: Internal Audit Monitoring Report - November 2017 to February 2018

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 November 2017 to February 2018;**
- (2) That the Committee approves the proposal to defer two audits from the 2017/18 Audit Plan; and**
- (3) That the Committee approves that no changes to the Code of Corporate Governance are required.**

Executive Summary:

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

The Code of Corporate Governance is presented for approval.

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. The Audit and Governance Committee is requested to approve the deferral of the two audits detailed below:

- **Complaints**

Management have requested that this audit is deferred as the process for managing complaints is being reviewed during 2018/19 and there are likely to be significant changes to the system.

- **Equality Impact Assessments**

Deferral of this audit will allow time for recent changes to be fully implemented.

2. It is important that sufficient audit work is undertaken in order that the Chief Internal Auditor can give their annual opinion. It is expected that, despite the need to defer these audits, there will still be sufficient coverage through the remaining audits, and Internal Audit's proactive work, to enable the opinion to be provided for 2017/18. This will be kept under constant review in conjunction with the Corporate Governance Group.

Internal Audit Reports

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

- **Fleet Operations Income (Substantial assurance)**

A review of the cash handling and banking arrangements for the Council's Fleet Operations service, based at Oakwood Hill Depot, was undertaken to ensure there are robust controls in place to protect cash received. The audit identified that cash is accurately recorded, banked and reconciled with adequate audit trails in place to support income received. Any discrepancy in cash income is promptly identified and investigated.

A number of safes and various security cameras in the workshop provide adequate security and monitoring, thereby ensuring that cash is securely held at the Depot.

In an effort to reduce the inherent risks associated with cash handling, the Council offers its customers other methods of payment (cheque and credit/debit card) at the Depot.

- **Community Safety – Joint Working (Substantial assurance)**

An audit of joint working within Community Safety has been carried out to ensure the Council has appropriate arrangements in place for key partnerships.

The audit found there are good arrangements in place for joint working between Community Safety and external organisations. Proper governance and monitoring arrangements exist for the Community Safety Partnership at board level, and there is regular oversight at Officer/Member level across the Council. Spending outcomes for Community Safety budgets and external funding for the Community Safety Partnership are monitored by Accountancy. Data sharing agreements exist to ensure data is held and shared securely between organisations in the Community Safety Partnership.

Recommendation Tracker

4. 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.

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

6. The high priority recommendation relates to the implementation of an action plan to address the issues identified following the Fire Risk Assessment (FRA) at Townmead Depot. Progress is being made through the formation of a multi-disciplinary group, which Internal Audit sits on.

Table 1. Summary of tracker as at 24 January 2018.

Recommendation type	Number (January 2018)	Number (November 2017)	Number (September 2017)	Number (June 2017)
High Priority not passed its due date	0	1	0	0
High Priority passed its due date	1	0	0	0
Medium Priority passed its due date	1	1	2	1
Low Priority passed its due date	2	2	2	2
Total	4	4	4	3

Other Internal Audit Activities

7. 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 risk area for all Councils. Advice and assistance is being provided to the Working Party to progress the action plan, as well as sharing good practices seen across the three councils in the Internal Audit partnership (Epping Forest, Harlow and Broxbourne).

- **Programme and Project Management/Corporate and Business Planning**

This project group is drawing to an end as the system solution, Pentana, has now been rolled out across the Council. Internal Audit continues to be an active member of the group which is now reviewing the service and directorate business planning process for 2018/19 in line with the new Corporate Plan 2018-2022.

- **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 new corporate debt management system.

- **Risk Management Group**

Internal Audit continues to enhance risk management processes through the Risk Management Group. 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

8. 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.

9. The annual Council Tax/ Electoral Register data matching exercise was completed in December 2017 and a review of data matches by the Council Tax section is in progress, with Internal Audit providing training and guidance to Officers as necessary. Previous exercises have found many NFI matches are not fraudulent and there is usually a simple explanation for matches (for example inaccurate data).

10. 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

11. Since November 2017 the Corporate Fraud Team have continued their proactive approach in tackling Right To Buy fraud, working closely with the Communities directorate to prevent tenancy fraud, as well as undertaking internal investigations. The team is preparing for a Crown Court trial due end of January which involves a number of charges relating to social housing fraud, including the suspected fraudulent obtaining of a Home Ownership Grant.

Review of the Code of Corporate Governance

12. The Code of Corporate Governance forms part of the Council's governance arrangements, and was last updated in February 2017 to reflect the new framework for corporate governance published by CIPFA (Chartered Institute of Public Finance and Accountancy) and Solace (Society of Local Authority Chief Executives) in 2016.

13. The Audit and Governance Committee approved the Council's revised Code of Corporate Governance in February 2017 and agreed that it would review the Code annually. It is considered that no changes to the Code, attached at appendix 3, are required as it still reflects current practice.

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

14. 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 February 2018
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>	<p>Work is already in hand to ensure Epping Forest is compliant with the requirements of the GDPR ahead of May 2018 and beyond.</p>	<p>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. The Data Protection Officer is undertaking a review of relevant policies. A awareness and training programme is being developed for Officers and Members.</p>
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>	<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>	<p>The revised anti-fraud and corruption strategy was approved by Council on 27 July 2017. The revised whistleblowing policy was presented to Council on 21 December 2017.</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 4 to the report.