

Report to the Audit and Governance Committee

Report reference: AGC-012-2018/19
Date of meeting: 28 January 2019



Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report December 2018 to January 2019

Responsible Officer: Sarah Marsh (01992 564446)

Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

- (1) The Committee notes the progress made against the 2018/19 Internal Audit plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period December 2018 to January 2019.**
- (2) The Committee approves the revised Internal Audit Charter.**
- (3) The Committee approves the revised Code of Corporate Governance.**
- (4) The Committee notes the revised Whistleblowing policy and procedure.**

Executive Summary:

This report updates Members on the work completed by the Internal Audit Shared Service and the Corporate Fraud Team since the November 2018 Audit and Governance Committee, and provides the current position in relation to overdue recommendations.

The Internal Audit Charter has been updated to reflect the revised reporting lines following the recent restructure and is attached at appendix 5.

The Code of Corporate Governance has been reviewed with only minor changes required and is attached at appendix 6.

The Whistleblowing policy (appendix 7) has been revised to ensure the list of Officers that staff can contact with a concern is current.

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:

2018/19 Internal Audit Plan

1. Work continues on the 2018/19 Audit Plan and timings have been agreed with Senior Management to ensure a steady flow of reports throughout the year.
2. Progress with the plan had been hampered because the Internal Audit service is currently carrying a vacancy (and the recent recruitment campaign was unsuccessful) and one team member is long term sick. In the short term, specialist services have been brought in to undertake a set number of audits. The situation is being closely monitored by the Internal Audit Shared Service Board.
3. The current audit plan has been reviewed and Appendix 1 sets out the current status and the priority in which the audits will be completed based on their risk profile.
4. As requested by the Committee the current risk register is attached at Appendix 2. This is currently being updated ready for presentation to the 24 January 2019 Finance and Performance Management Cabinet Committee.
5. In addition, Appendix 3 provides an assurance map for the current corporate risks. Assurance maps are useful tools that provide a structured way to identify the main sources and types of assurance in an organisation, and to ensure they are coordinated.

Internal Audit Reports

6. The following three reports have been issued since the Committee received its last update in November 2018:

System access and mobile working – Substantial assurance

At a technical level there are robust processes in place to ensure only authorised personnel have access to the Council's systems, including remote access, and over the security of data in transit. In addition, mobile devices are properly and securely managed centrally so their use can be monitored.

The internal audit review found the IT Strategy to be comprehensive and a commitment to the delivery of the content in terms of mobile devices and systems access therefrom. The roll-out of the strategy had been hampered by two significant events; firstly, some internal changes at senior management team level; and secondly, an issue which the Council is facing in terms of the estate's rationalisation within the accommodation review and which is a key feature of the technical strategy; i.e. remote working, working from home or on site etc.

There is now a clear effort to push forward the roll out of mobile devices. The Council needs to ensure it keeps up the momentum, not just with the hardware roll out but also with the applications that should follow. The knowledge that there is no imminent likelihood of staff being forced to work elsewhere than the office (due to the accommodation review), should not be used as a reason not to implement this programme.

Council Tax and Business Rates – Substantial assurance

There is effective management and administration of Council Tax and Business Rates with both teams having knowledgeable and experienced staff in their respective areas. There are effective controls in place over processing valuation listings, discounts, annual billing, refunds and arrears.

Recommendations have been raised in respect of the need to review and clear the Council Tax suspense account, recording and explaining arrears action taken on the Council's Advantage system, periodically reviewing the eligibility of businesses to claim reliefs and reviewing the level of delegation within Financial Regulations for approving business rates write offs as the level of delegation appears low, and does reflect current practice.

Staff Code of Conduct and Gifts & Hospitality (Staff and Members) - Moderate assurance

The Council's Staff Code of Conduct is supported by a framework of policies and procedures, and clearly sets out the ethical and behavioural framework for staff. Any breaches of the Code, of which there have been very few, are dealt with under the Council's disciplinary procedure to ensure standards of behaviour are maintained. The Code of Conduct is issued to all new employees, including casual and temporary staff, as part of the induction programme and is published on the intranet for future reference.

Testing identified that not all declaration forms, which employees sign as confirmation of having read the Code of Conduct, had been returned to Human Resources. Recommendations have been made to ensure agency staff and consultants are formally made aware of, and employees are periodically reminded about, the Staff Code of Conduct.

The processes around staff gifts and hospitality are generally operating well. Of the registers reviewed, gifts and hospitality declared by staff are fully recorded and appropriately authorised by the relevant manager or director, although one register (for the former Neighbourhoods directorate) could not be located during the audit. More detailed guidance should be issued to provide clarity around the types of gifts and hospitality which can be accepted, and a high level independent review of the registers to ensure compliance with Council policy and to identify any potential risk areas. As part of the update required to the registers to reflect the recent restructure, the Council should consider taking the opportunity to introduce an electronic gifts and hospitality register. This will facilitate prompt recording and approval of gifts and hospitality, prevent the loss of registers and improve corporate oversight.

Full details of Members gifts and hospitality is recorded on their Register of Interests form, which is open for public inspection on the Council's website in line with legislation. Members are reminded through regular training, and annually through the Council Bulletin, of the requirement to notify the Monitoring Officer within 28 days of any amendments to their Register of Interests, including the receipt of gifts and hospitality.

Members should be reminded of the requirement to update their Register of Interests upon re-election to ensure they are current. Gifts and hospitality guidance for Members should be updated, published in the Council's Constitution and communicated to Members to ensure compliance with the Member Code of Conduct.

Recommendation Tracker

7. 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. This tracker does not feature those recommendations made in very recent reports as these are in the process of being finalised.
8. The current tracker is shown at Appendix 4 and contains six medium and three low priority recommendations which have passed their due dates (compared to four medium and five low priority recommendations in November 2018).

Table 1. Summary of tracker as at January 2019.

Recommendation type	Number (January 2019)	Number (November 2018)	Number (September 2018)	Number (July 2018)	Number (March 2018)
High Priority not passed its due date	0	0	0	0	0
High Priority passed its due date	0	0	0	0	1
Medium Priority passed its due date	6	4	2	2	1
Low Priority passed its due date	3	5	2	0	2
Total	9	9	4	2	4

Other Internal Audit Activities

9. 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. These do not result in a traditional audit report and are summarised here for information.

National Fraud Initiative: The mandatory biennial National Fraud Initiative (NFI) exercise for 2018/19 has commenced. Data has been extracted and uploaded to the NFI site. Officers within individual departments have been responsible for extracting their own data and uploading it with assistance from Internal Audit. All matches are expected to be released in January 2019.

Internal Audit plan 2019/20: The annual planning process has commenced. The Audit Needs Assessment is being reviewed and Service Directors across the Council have been contacted to ensure that all service areas are captured and audits planned in accordance with risk.

General Data Protection Regulation: Work is ongoing in conjunction with ICT to identify and implement effective IT solutions to further ensure General Data Protection Regulation compliance.

Corporate Fraud Team Update

10. Since November 2018, 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 £237,000 and ongoing rent revenue streams of around £150,000. A further two Council properties, which were the subject of tenancy related fraud investigations, have been recovered, saving around £186,000.
11. Work is continuing into several areas of potential fraud relating to Council Tax discounts and exemptions, which includes some joint working with the Council's Compliance Team.
12. The CFT is working with the Police Hub within the Safer Communities Team and the two Teams have established processes for information sharing to assist with one another's

investigations. Joint working regarding the investigation of social housing tenancy fraud and safeguarding concerns is currently ongoing.

13. The joint working arrangement to provide a fraud service, on a fee basis, for two days per week to Brentwood Borough Council is operating well with a number of successful investigations and outcomes being achieved for them. The prevention of a Business Rates fraud, through the identification of refund scam, has highlighted possible improvements to the control environment in this area with potential learning points for Epping Forest.
14. Work has begun on producing a new Corporate Fraud, Bribery and Corruption Prosecution and Sanction policy to complement the existing Corporate Enforcement policy.

Internal Audit Charter

15. The Internal Audit Charter sets out the common practices of Internal Audit and requires annual review in accordance with the Public Sector Internal Audit Standards. This was last undertaken in February 2018.
16. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2018 edition states that an Audit Committee (the Committee) should have a role in reviewing and approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function.
17. A review of the current Internal Audit Charter (Appendix 5) has been undertaken. Changes to reflect the revised reporting lines following the recent restructure are proposed. Internal Audit now reports into the Chief Executive; previously this was the Director of Governance and this post no longer exists.

Code of Corporate Governance

18. The Code of Corporate Governance forms part of the Council's governance arrangements, and was 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.
19. 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. No changes were required in February 2018. The only changes required to the Code, attached at Appendix 6 and minor (see underlined and bold narrative).

Whistleblowing policy

20. The Council's whistleblowing policy and procedure has been updated to ensure the names and contact details of Officers that staff can approach should they have a concern is current (see Appendix 7). This will be communicated to staff through a poster campaign and article in the staff newsletter, District Lines.

Progress against the Annual Governance Statement

21. In July 2018, 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 2018/19 is shown in table 2.

Table 2. Areas for improvement or monitoring during 2018/19

Key Improvement Area	Action to be taken in 2018/19	Progress at January 2019
1. General Data Protection Regulations	On 25 May 2018, the EU General Data Protection Regulations came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too. This will be delivered through the GDPR Working Group.	A GDPR action plan is being monitored by the Corporate Governance Group in conjunction with Internal Audit to address data protection issues and ensure compliance.
2. Transformation	<p>The Council is embarking on an ambitious transformation programme which involves the delivery of new people, IT and accommodation strategies and implementation of new processes, structures and technology.</p> <p>This is being delivered through the Transformation Board and overseen by Council.</p>	The transformation programme is being overseen by the new Leadership Team.

Resource Implications:

Within the report

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2018/19 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 8 to the report.