



Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE Monday, 27th March, 2017

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping
on Monday, 27th March, 2017
at 7.30 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

Gary Woodhall (Governance Directorate)
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors J Knapman (Chairman), L Hughes, R Jennings, A Patel, and J M Whitehouse

Independent A Jarvis (Vice-Chairman) and N Nanayakkara

**PLEASE NOTE THAT, PRIOR TO THE START OF THE MEETING, PRIVATE BRIEFINGS
HAVE BEEN SCHEDULED FOR THE COMMITTEE WITH THE EXTERNAL AUDITOR AT
7.00PM AND THE INTERNAL AUDITOR AT 7.15PM.**

WEBCASTING/FILMING NOTICE

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The meeting may also be otherwise filmed by third parties with the Chairman's permission.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.

Therefore by entering the Chamber and using the lower public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for web casting and/or training purposes. If members of the public do not wish to have their image captured they should sit in the upper council chamber public gallery area or otherwise indicate to the Chairman before the start of the meeting.

If you have any queries regarding this, please contact the Public Relations Manager

on 01992 564039.

1. WEBCASTING INTRODUCTION

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

2. APOLOGIES FOR ABSENCE

(Director of Governance) To be announced at the meeting.

3. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

4. MINUTES

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 6 February 2017 (previously circulated).

<http://rds.eppingforestdc.gov.uk/documents/g8719/Printed%20minutes%2006th-Feb-2017%2019.00%20Audit%20and%20Governance%20Committee.pdf?T=1>

5. MATTERS ARISING

(Director of Governance) To consider any matters arising from the previous meeting.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2016/17 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme for 2016/17.

7. REPORTS OF THE EXTERNAL AUDITOR (Pages 7 - 42)

(External Auditor) To consider the attached reports (AGC-019-2016/17).

8. INTERNAL AUDIT STRATEGY 2017/18 (Pages 43 - 64)

(Chief Internal Auditor) To consider the attached report (AGC-020-2016/17).

9. CORPORATE FRAUD TEAM STRATEGY 2017/18 (Pages 65 - 72)

(Chief Internal Auditor) To consider the attached report (AGC-021-2016/17).

10. EFFECTIVENESS OF THE ARRANGEMENTS FOR RISK MANAGEMENT (Pages 73 - 98)

(Director of Resources) To consider the attached report (AGC-022-2016/17).

11. INTERNAL AUDIT MONITORING REPORT - FEBRUARY TO MARCH 2017 (Pages 99 - 118)

(Chief Internal Auditor) To consider the attached report (AGC-023-2016/17).

12. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

13. EXCLUSION OF PUBLIC AND PRESSExclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the

meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

Audit & Governance Committee Work Programme 2016/17

27 June 2016

- Internal Audit Annual Report 2015/16.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Internal Audit Progress Report.

19 September 2016

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Internal Audit Progress Report.

- ❖ Annual Governance Report 2015/16.

28 November 2016

- Treasury Management Mid-Year Report.
- Internal Audit Progress Report.
- Review of the Audit and Governance Committee Terms of Reference.
- Review of the Audit and Governance Committee Effectiveness.

- ❖ Annual Audit Letter 2015/16.

6 February 2017

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.
- Review of the Internal Audit Charter.

27 March 2017

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2017/18.
- Internal Audit Compliance with the Public Sector Internal Audit Standards
- Corporate Fraud Team Strategy 2017/18

- ❖ Planning Letter 2017/18.
- ❖ Audit Plan 2016/17.
- ❖ Grant Claims Audit Report 2015/16.

Unallocated Items

- Information Regarding the Whistle Blowing Policy.

Key

- EFDC Officer Report.
- ❖ External Auditor Report.

N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 27 March 2017 meeting in the Conference Room.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-019-2016/17

Date of meeting: 27 March 2017

Portfolio: Governance & Development Management

Subject: Reports from the External Auditor

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) To consider and note the reports of the external auditor.**

Executive Summary:

This Committee has within its Terms of Reference the considering of reports made by the external auditor.

The first report is the Audit Plan for 2016/17, which summarises the significant risks that impact on the audit and the key outputs from the audit. There are detailed sections setting out the scope of the audit, providing a risk assessment and the audit timetable.

The second report is the Planning Letter for 2017/18, which sets out the proposed fee and audit arrangements.

The final report is the Grant Claims and Returns Certification Report, which sets out the key findings from the external auditor's certification work.

Reasons for Proposed Decisions:

To comply with the Committee's Terms of Reference and ensure the proper consideration of these reports.

Other Options for Action:

There are no other options for action.

Report:

1. The reports will be presented to the Committee by Ms Zoe Thompson, Engagement Lead.

Resource Implications:

Sufficient allowance was made in the original estimates for 2017/187 to cover the fees for the 2016/17 audit year and so no additional resources are required.

Legal and Governance Implications:

There are no legal implications or Human Rights Act issues arising from the recommendations in this report.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

None.

Background Papers:

None.

Risk Management:

The documents identify areas of risk that the external auditors will address as part of their work.

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.

Date / Name	Summary of equality analysis
15/03/17 Director of Resources	The report relates to the work conducted by the external auditor and has no equality implications.

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EPHING FOREST DISTRICT COUNCIL

AUDIT PLAN TO THE AUDIT AND GOVERNANCE COMMITTEE

Audit for the year ending 31 March 2017

Date of issue: 10 March 2017

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INTRODUCTION

PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of Epping Forest District Council (“the Council”) for the year ending 31 March 2017. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Governance Committee.

In preparing this report, we do not accept or assume responsibility for any other purpose. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM

Core team	Name	Contact details	Key responsibilities
Zoe Thompson Engagement Lead	Zoe Thompson Engagement Lead	Tel: 01473 320734 zoe.thompson@bdo.co.uk	Oversee the audit and sign the audit report
Barry Pryke Project Manager	Barry Pryke Project Manager	Tel: 01473 320793 barry.pryke@bdo.co.uk	Management of the audit
Puyan Mani Senior	Puyan Mani Senior	Tel: 0207 893 3596 puyan.mani@bdo.co.uk	Day to day supervision of the audit team

Zoe Thompson is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

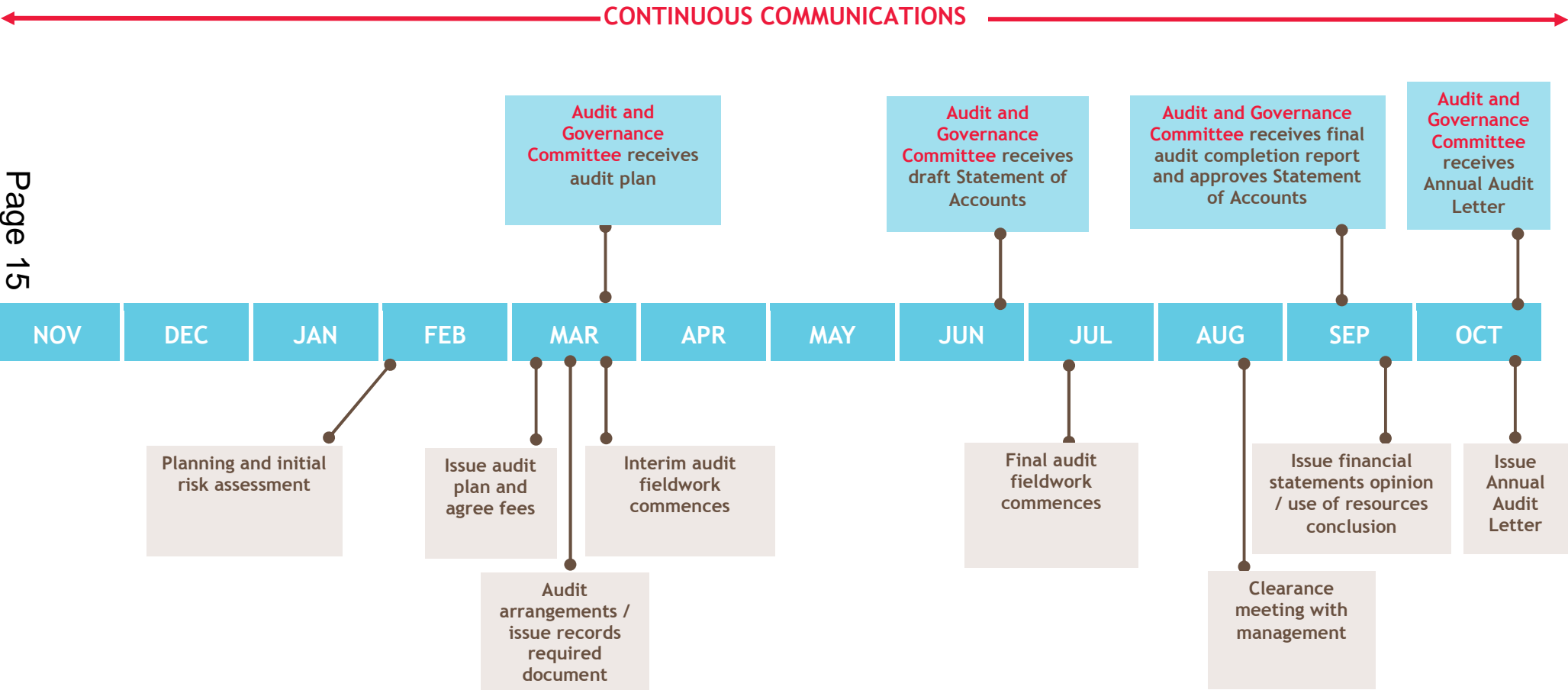
- the financial statements are free from material misstatement, whether due to fraud or error
- the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

She is responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

Our objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
1	The financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question.	3	4	5
2	The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).	The return required to facilitate the preparation of the Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.	The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

ADDITIONAL POWERS AND DUTIES

6	Where necessary: <ul style="list-style-type: none"> Consider the issue of a report in the public interest Make a written recommendation to the Council. allow electors to raise questions about the accounts and consider objections 	7	<ul style="list-style-type: none"> Apply to the court for a declaration that an item of account is contrary to law Consider whether to issue an advisory notice or to make an application for judicial review.
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MATERIALITY

COUNCIL MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Epping Forest District Council	£1,900,000	£38,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based on 2% of the budgeted gross expenditure. At this stage, the figure is based on the 2015/16 audited outturn gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the Council's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and Council-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

Audit risks and planned audit responses

For the financial statements audit, under International Standard on Auditing (ISA) 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement

uncertainty

- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided sub criteria which we will consider as part of our risk assessment process as follows:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Fraud risk assessment

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the Council's financial statements is low and that controls in operation would prevent or detect material fraud. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

We are required to discuss with those charged with governance their oversight of management's processes for identifying and responding to risks of all fraud.

We expect Audit and Governance Committee Members, as those charged with governance, to let us know if there are any actual, suspected or alleged instances of fraud of which they are aware.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<div>Management override</div> <div>Page 19</div>	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. 	Not applicable.
Revenue recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We also consider there to be a significant risk in relation to the existence of fees and charges and investment rental income recorded in the CIES.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Carry out audit procedures to gain an understanding of the authority's internal control environment for the significant income streams, including how this operates and ensure that income is recognised. • Substantively test an increased sample of income streams from source document to the general ledger, testing income to supporting documentation. 	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment valuations Page 20	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The fair value for land and buildings, including Epping Forest Shopping Park, in PPE and investment properties is a management estimate based on market values or depreciated replacement cost (DRC). Management use external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. For investment properties the council use an in house RICS qualified valuer.</p> <p>There is a risk over the valuation of land and building as the valuations are based on assumptions that are uncertain by nature, if inappropriate or inaccurate assumptions are used in the calculation of fair values.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert Confirm that the basis of valuation for assets valued in year is appropriate based on their usage Confirm that an instant build modern equivalent asset basis has been used for assets valued at DRC Review valuation movements against indices of price movements for similar classes of assets and follow up valuation movements that appear unusual against indices. 	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>
Pension liability assumptions	<p>The net pension liability comprises the Council's share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate</p>	<p>We will:</p> <ul style="list-style-type: none"> Agree the disclosures to the information provided by the pension fund actuary. We will contact the administering authority and request confirmation of the controls in place for providing accurate membership data to the actuary. We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data. 	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
	membership data or uses inappropriate assumptions to value the liability.		
Changes in presentation of the financial statements Page 21	<p>The Code requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) • Change to the format of the Movement in Reserves Statement (MIRS) • New Expenditure and Funding Analysis (EFA) note • Change to the Segmental Reporting note • New Expenditure and Income analysis note. <p>These changes will require a restatement to the 2015/16 CIES.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the draft financial statements and check these against the CiPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements. 	Not applicable.
Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	<p>We will:</p> <ul style="list-style-type: none"> • Document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. • Discuss with management and review councillors and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us. 	Companies House searches for undisclosed interests.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
	We have not identified any significant risks in relation to use of resources at the planning stage. We will notify the Audit and Governance Committee of any changes should our assessment change.		

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2017.

The threats we have identified are described below together with the safeguards we have put in place to mitigate those threats.

DETAILS OF RELATIONSHIP (INCLUDE ANY OTHER INFORMATION NECESSARY)	THREATS TO INDEPENDENCE CREATED	SAFEGUARDS PUT IN PLACE (AND WHY THEY ADDRESS SUCH THREATS)
The threat to auditor independence from Audit Related Services	Self interest threat	The threat to auditor independence from Audit Related Services is clearly insignificant therefore no safeguards required.

Other than the items identified above, we have not identified any potential threats to our independence as auditors.

On the following page, we have recorded details of any non audit services and have documented above where these potentially present threats to our independence and safeguards in place OR We do not plan to provide any non audit services.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED
Zoe Thompson - Engagement lead	1
Barry Pryke - Project manager	4

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2017 are:

	2016/17 Proposed fee £	2015/16 Actual fee £
Code audit fee	64,672	64,672
Certification fee (Housing benefits subsidy)	18,533	18,533
Total code audit and certification fees:	83,205	83,205
Fees for non audit services - audit related (see below)	TBC	2,000
Fees for non audit services - other	-	-
TOTAL FEES	TBC	85,205

NON AUDIT SERVICES FEES ANALYSIS

Audit related services:

Pooled capital receipts certification fee	TBC
Total	TBC

The above fees do not differ from those included in the fee letter that we issued 16 March 2016.

Billing arrangements

We will raise invoices for the Code audit fee on a quarterly basis, at £16,168 per quarter, from June 2016. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for other services, including the certification of the housing benefits subsidy claim, will be raised as the work is completed.

In 2015/16, we were engaged by management to provide reporting accountant assurance on the pooling of housing capital receipts return. This work is outside of the framework which governs the Code audit work and certification of the housing benefit subsidy return. Should we be appointed to undertake similar work in 2016/17, we will report the fee to the Audit and Governance Committee once agreed with management.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Director of Resources. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee. At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

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In accordance with auditing standards, we will communicate to the Audit and Governance Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

- We will obtain written representations from the Audit and Governance Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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EPHING FOREST DISTRICT COUNCIL

PLANNING LETTER 2017/18

9 March 2017

PROPOSED FEES

Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2017/18 financial year.

Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office (NAO) and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2016. The consultation closed in January 2017 and no changes have been made to the overall work programme or scale fees for 2017/18 compared to 2016/17. PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available.

Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor. These are covered by separate engagement letters with the Council.

Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

Fees

AUDIT AREA	PROPOSED 2017/18 (£)	SCALE 2017/18 (£)	PROPOSED 2016/17 (£)
Code audit fee	64,672	64,672	64,672
Housing benefits subsidy claim	18,533	TBC	18,533
Total PSAA regime fees	83,205		83,205
Audit related services			
Pooling of housing capital receipts return	TBC	N/A	TBC
Other non-audit services			
None	-	N/A	-
Total fees	83,205		83,205

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Director of Resources. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit & Governance Committee. At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

Billing arrangements

We will raise invoices for the Code audit fee on a quarterly basis, at £16,168 per quarter, from June 2017. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for other services will be raised as the work is completed.

AUDIT ARRANGEMENTS

Planned outputs

We plan to issue the following reports and opinions over the course of the 2017/18 audit:

REPORT	DATE
Audit plan	March 2018
Report on any significant deficiencies in internal controls	June 2018
Audit completion report	July 2018
Independent auditor's report including: Opinion on the financial statements Use of resources conclusion Certificate of audit closure	July 2018
Consistency opinion on the summarisation schedules	July 2018
Annual audit letter	August 2018
Grant claims and returns certification report	December 2018

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Zoe Thompson in the first instance. Alternatively, you may wish to contact our Managing Partner, Paul Eagland. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW"). In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.

Audit team

The key members of the audit team will be:

Engagement Lead - Zoe Thompson

Email: zoe.thompson@bdo.co.uk

Tel: 01473 320734

Zoe will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Project Manager - Barry Pryke

Email: barry.pryke@bdo.co.uk

Tel: 01473 320793

Barry will manage and co-ordinate each aspect of the audit and will be the key contact with the finance team.

Senior - Puyan Mani

Email: puyan.mani@bdo.co.uk

Tel: 0207 893 3596

Puyan will lead the delivery of the financial statements audit.

Audit appointments for 2018/19 and beyond

Our current contract negotiated by the Audit Commission in April 2014 will end after the 2017/18 audit.

PSAA has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For external audits from 2018/19, PSAA will appoint an auditor to relevant principal local government authorities that have opted into its national scheme.

Those authorities that have not opted into this national scheme are required to make local appointments for external audit services for 2018/19 and beyond, in accordance with the Local Audit and Accountability Act 2014.

Audit appointments for 2018/19 must be made by 31 December 2017.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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EPHING FOREST DISTRICT COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



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INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant Departments, of the Pooling of housing capital receipts return for the year ended 31 March 2016.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

Fees

We reported our original fee proposals in our Audit Plan. The planned fee for the certification of the housing benefits subsidy claim was subject to finalisation by PSAA at the date our Audit Plan was drafted. The final fee below reflects the scale fee subsequently confirmed by PSAA.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
PSAA regime		
Housing benefits subsidy claim	18,533	17,691
Total PSAA regime fees	18,533	17,691

Other certification work		
Pooling of housing capital receipts return	2,000	2,000

Total certification fees	20,533	19,691
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KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing benefit subsidy	£37,136,299	YES	NO	N/A
Pooling of housing capital receipts	£3,178,537	NO	YES	£0

HOUSING BENEFIT SUBSIDY	FINDINGS AND IMPACT ON RETURN
<div> <div>Page 36</div> <div> <p>Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.</p> <p>The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.</p> <p>The draft subsidy return provided for audit recorded amounts claimed as subsidy of £37,136,299. No amendment was made to the draft claim.</p> </div> </div>	<div> <p>Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.</p> <p>Guidance requires auditors to undertake extended 40+ testing if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification letter.</p> <p>This resulted in 2 areas of 40+ testing, 1 area of additional testing.</p> <p>PSAA’s methodology requires auditors to reperform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. We were able to rely on the conclusions drawn by the Council.</p> <p>Our work was completed and the claim was certified on the Government’s deadline of 30 November 2016. Our audit certification was qualified and we quantified the effect of the errors identified on the Council’s entitlement to subsidy (based on our extrapolations) in a letter to the Department of Work and Pensions. The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year.</p> <p>A summary of our audit findings can be found on the next page.</p> </div>

DETAILED FINDINGS

Benefit type	Nature of error	Impact on subsidy return
Benefit software: reconciliation of benefit granted to benefit paid	<p>The Council uses benefit software supplied by Capita. The software supplier provides a method for the Council to reconcile benefit granted per the benefit software to benefit paid per the benefit software. The reconciliation resulted in a difference of £102.95 against cell 055 which could not be explained by the Council and was, therefore, not investigated further.</p> <p>Completion of the internal validation element of the reconciliation identified an imbalance for private tenants of £0.52. This difference could not be explained by the Council and was, therefore, not investigated further.</p> <p>The entry in the 'in-year reconciliation' cell for rent rebates, rent allowances do not agree with the corresponding total expenditure cell and there are £1 differences in RR and RA which is likely to be due to rounding</p>	These matters had no impact on the subsidy return but were reported in our qualification letter.
Rent Rebates	In our initial sample of 20 rent rebate cases we identified one claim where earned income used in the benefit assessment had been calculated incorrectly.	<p>The error identified in the initial sample resulted in an overstatement of subsidy of £0.54. We also identified an understatement of eligible overpayments of £0.04.</p> <p>We completed 40+ testing in respect of this error and identified two further claims where earned income had been incorrectly calculated.</p> <ul style="list-style-type: none"> In the first claim, this resulted in an underpayment and there was no impact on subsidy. In the second claim, there was no impact on subsidy as the claimant's income (after correcting for the error identified) was below the threshold above which earned income reduces the amount of housing benefit received. <p>In accordance with the methodology prescribed by PSAA and DWP, we extrapolated the errors identified in the initial sample across the corresponding sub populations. We reported the resulting £12 overstatement of subsidy and £1 understatement of eligible overpayments in our qualification letter.</p>

DETAILED FINDINGS

POOLING OF HOUSING CAPITAL RECEIPTS

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

DCLG requires that this return is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.

FINDINGS AND IMPACT ON RETURN

We identified that amounts included in the draft return submitted for audit in respect of mortgage receipts relating to right to buy properties were incorrectly analysed between quarters. The total amount recognised was correct. This was amended in the final version of the return.

APPENDICES

APPENDIX I: STATUS OF 2014/15 RECOMMENDATIONS

RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING	PROGRESS	STATUS
<u>Housing Benefits</u> Undertake independent review of subsidy return prior to submission to ensure that manual adjustments have been applied correctly.	Medium	Assistant Director of Resources	Production of 2015/16 claim	Our certification work has not identified any incorrect manual adjustments to the 2015/16 subsidy return.	Closed
<u>Pooling of capital receipts</u> Review quarterly amounts input into the form prior to submission of the final return to ensure they are consistent with supporting documentation maintained by the Council.	Medium	Assistant Director of Resources	Production of Q4 pooling return	We have identified the same issue during our work on the 2015/16 pooling of capital receipts claim. This recommendation has been raised again in 2015/16.	Open

APPENDIX II: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<u>Housing Benefit</u> We identified errors in the calculation of earned income.	Provide refresher training to all benefits assessors to ensure they are aware of how earned income should be calculated in accordance with the regulations.	Medium	Agreed - refresher training and advice will be provided.	Benefits Manager	June 2017
<u>Pooling of capital receipts</u> Quarterly amounts arising from the disposals of dwellings which took place before 1 April 2012 under Right to Buy were recorded in the wrong quarter on the Logasnet return.	Review quarterly amounts input into the form prior to submission of the final return to ensure they are consistent with supporting documentation maintained by the Council.	Medium	Agreed.	Assistant Director of Resources	Production of Q4 return.

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Report to the Audit and Governance Committee



Report reference: **AGC-020-2016/17**
Date of meeting: **27 March 2017**

**Epping Forest
District Council**

Portfolio: **Governance and Development Management**

Subject: **Internal Audit Strategy and Plan 2017/18**

Responsible Officer: **Sarah Marsh** **(01992 564446).**

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

Recommendations/Decisions Required:

- (1) The Internal Audit Strategy and Plan for 2017/18 be approved.**

Executive Summary:

Internal Audit supports and contributes to the achievement of the Council's objectives by supporting good governance, with the outcomes from Internal Audit work feeding into the Annual Governance Statement. The Internal Audit Strategy and Plan for 2017/18, and the indicative work programme for the subsequent two years (2018/19 and 2019/20) sets out how this will be achieved.

Reasons for Proposed Decision:

To approve the Council's Internal Audit Plan as required in the Audit and Governance Committee's Terms of Reference.

Other Options for Action:

None.

Report

Introduction

1. The Internal Audit function provides independent and objective assurance and consulting services to Epping Forest District Council. This Internal Audit strategy summarises the key principles for the Internal Audit Team for the period 2017/18, with some longer term aims. The strategy supports the Audit Plan which sets out the work of the Internal Audit function for the year.
2. Internal Audit supports and contributes to the achievement of the Council's 2015-20 strategic aims. These have been taken into account whilst developing the Internal Audit strategy and plan.
 - To ensure that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services whilst continuing to keep the Council Tax low.
 - To ensure that the Council has a sound and approved Local Plan and commences its

delivery

- To ensure that the Council adopts a modern approach to the delivery of its services and that they are efficient, effective and fit for purpose.

PURPOSE

3. The purpose of the Internal Audit Strategy and Plan is to document the Internal Audit team's approach to:
 - Provide independent and objective assurance to Members and senior management on the effectiveness of the Council's internal control framework.
 - Ensure the recognition of the key risks the Council faces in meetings its objectives when determining and allocating the use of internal audit resources.
 - Add value and support to senior management in providing effective control, whilst identifying opportunities for improving value for money.
 - Deliver an Internal Audit Service that is compliant with the requirements of The Public Sector Internal Audit Standards.

INTERNAL AUDIT MISSION AND CORE PRINCIPLES

4. In 2015 the Global Institute of Internal Auditors made some new additions to the International Professional Practices Framework (IPPF) which included for the first time a mission and ten core principles. These have been adopted by this Internal Audit Shared Service and are listed below.

Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Core principles:

1. *Demonstrates integrity.*
2. *Demonstrates competence and due professional care.*
3. *Is objective and free from undue influence (independent)*
4. *Aligns with the strategies, objectives, and risks of the organisation.*
5. *Is appropriately positioned and adequately resourced.*
6. *Demonstrates quality and continuous improvement*
7. *Communicates effectively.*
8. *Provides risk-based assurance.*
9. *Is insightful, proactive, and future-focused.*
10. *Promotes organisational improvement.*

THE INTERNAL AUDIT APPROACH

5. While Internal Audit provides assurance through completing a programme of planned work the service is also flexible and responsive to changing and emerging issues. Some audit work is delivered on a consultancy basis, contributing advice on risk and controls, for example ex-officio attendance at project meetings or undertaking a specific investigation of a newly identified issue.
6. The purpose, authority and responsibility of Internal Audit is formally defined in the Internal Audit Charter, which was approved at the March 2017 Audit and Governance Committee.

KEY DELIVERABLES

7. The key deliverables for the Internal Audit service during 2017/18 are:

- *Delivery of the Plan* - the Chief Internal Auditor will ensure there is sufficient audit coverage in order to provide an annual internal audit opinion and report, which feeds into the Council's Annual Governance Statement
- *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers including External Audit to prevent duplication of work
- *Management commitment* - Ensure agreed management responses to audit recommendations made are implemented thereby improving the overall control framework
- *Continually develop our approach* – To develop, improve and deliver a quality assurance and improvement programme for the service, including working more closely with the Audit and Governance Committee
- *Business insight* - working more closely with services to establish greater relevance to what matter most to the Council by contemplating current and future key risks and challenges.

PROTOCOL FOR AUDIT REVIEWS

8. We will conduct each review in line with our standard audit methodology which is aligned to the Public Sector Internal Audit Standards.
9. For each audit a Lead Auditee will be identified who will be involved in scoping to ensure the audit is appropriately focused on key risks areas, providing assurance and maximising added value. A terms of reference will be produced for each audit to ensure the scope, objectives and approach are agreed with the appropriate Director.
10. Following fieldwork a draft Internal Audit report will be issued for discussion with the appropriate levels of management which is normally set out in the terms of reference.
11. Final reports will be issued after the agreement of draft reports and contain completed management actions plans that identify those responsible for implementation and timescales.
12. Agreed actions or recommendations will be followed up through the Internal Audit tracker process. All high priority recommendations and any passing their original implementation date are reported to the Audit and Governance Committee.

QUALITY ASSURANCE AND PERFORMANCE MANAGEMENT

13. The Internal Audit Quality Assurance and Improvement Programme ensures the work of the Internal Audit function conforms with the Public Sector Internal Audit Standards, operates in an efficient and effective manner and is adding value and continually improving Internal Audit activity. This is achieved through internal and external assessment, monitoring, and reporting on performance.
14. In November 2016 the internal audit function underwent an External Quality Assessment (EQA) which, in line with the PSIAS, must be conducted every five years by a qualified independent assessor or assessment team from outside the Council. The EQA, which covered all three councils in the shared service, confirmed the Internal Audit service complies with the Public Sector Internal Audit Standards.
15. To achieve planned coverage, deliver a high standard of customer care and demonstrate

effectiveness of the service, performance targets have been established based on best professional practice and cover the following aspects:

- Coverage
- Productivity and process efficiency
- Compliance with professional standards

16. The following service performance targets will be reported on in 2017/18:

Aspect of Service	Performance Indicator	Target
Audit Plan	<ul style="list-style-type: none"> • Achievement of the annual Plan 	<ul style="list-style-type: none"> • 95% minimum
Internal Audit processes	<ul style="list-style-type: none"> • Issue of draft report after closing meeting • Issue of final report after agreement with client to draft 	<ul style="list-style-type: none"> • 10 working days • 5 working days
Effective management engagement	<ul style="list-style-type: none"> • Management responses within 10 working days of draft report • Implementation of agreed audit recommendations 	<ul style="list-style-type: none"> • 10 working days • Within agreed timescales

DEVELOPING THE INTERNAL AUDIT PLAN

17. The methodology for developing the Internal Audit Plan is focused on the quantification of the risks associated with the Council's objectives in consultation with key officers. This process also takes into account:

- Knowledge and experience accumulated in Internal Audit, including the results of previous reviews
- A review of audit themes against the strategic risk register and Council priorities
- The work of other assurance providers both internally and externally
- The external environment including economic climate, government initiatives such as welfare reform and changes in funding
- Harmonisation of themes with Harlow and Broxbourne Councils to enable benchmarking and sharing of good practice with other local authorities

18. The recent External Quality Assessment identified a need for better alignment between the Internal Audit Plan and the risks facing each Council. Through this, Internal Audit's work will help inform each Council's risk management framework, enabling greater recognition of key mitigating controls and other sources of assurances available. Where possible the risks identified in the Audit Plan (Appendix A) have been taken directly from the Council's risk register.

19. The Internal Audit Plan is indicative and changes may need to be made as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers and any significant changes brought to the Audit and Governance Committee for approval.

20. It is important for Internal Audit to plan ahead and allocate resources over the medium term but still maintain a flexibility of approach. This is achieved by documenting known risks over a three year period so that the three year plan includes an indication of proposed audit work for years two and three, based on current known risks if circumstances remain unchanged. However, as new risks emerge audit resources over

the medium term will be focused accordingly.

21. The sections of the Internal Audit Plan include:

- Corporate Framework – key risk areas including those defined in the Council's strategic risk register
- Strategic themes – including cross cutting issues some of which will be incorporated within operational audits or will be undertaken through consultative work.
- Service areas – review of services, systems and processes accordingly to an assessment and business priorities

PRIORITY AREAS FOR 2017/18

22. Having regard for the current risk profile of the Council the following have been identified as priority areas for Internal Audit work for 2017/18. These may not be audits in themselves, but cross cutting themes that will be fundamental to the scope of Internal Audit work undertaken.

- *Change Management* – Internal Audit assurances will aim to complement management's and those from other assurance providers. Areas will include project management, information management including data integrity and security and changes in business processes.
- *Information Governance and Management* - this includes data quality and security Internal Audit work will seek to provide assurances over the management information used for making key decisions.
- *Risk Management* – Internal Audit has a key role in promoting effective risk management and will continue to work with the Director of Resources and the Insurance and Risk Manager to help embed a robust risk management framework across the Council. Within individual audits Internal Audit will seek compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.
- *Fraud* – Internal Audit will support the Council's anti-fraud work and strategy and consider the potential for fraud within work.
- *Value for Money (VfM)* – a focus on VfM will be reflected in Internal Audit's work mainly as a cross cutting theme within operational audits. These will incorporate how the council makes the best use of resources and assets, the balance of cost and performance and meeting the needs of our residents; and providing challenge on whether services could be done differently.
- *Audit and Governance Committee Support* – Internal Audit will work with the Audit and Governance Committee in developing its role in relation to best practise and to contribute to effective corporate governance of the Council.

23. At the operational level the key priorities of Internal Audit work in 2016/17 include:

- *Transformation* – to ensure any new processes and ways of working are working in the best interest of the Council.
- *Key Financial Systems* – the effectiveness of controls and management of risks with the core financial systems remains a core part of the Internal Audit work. Audits have been scheduled on a three year cyclical basis so not all key financial systems will be undertaken each year.

RESOURCES

24. During 2016/17 the role and costs of the Chief Internal Auditor was shared equally between Epping Forest, Broxbourne and Harlow Councils as part of a formal agreement. Epping Forest has retained their own auditors, consisting of one senior auditor, two auditors and an auditor vacancy (all 1.0 f.t.e).
25. Broxbourne and Harlow have a formal shared service which consists of two senior auditors (1.8 f.t.e) and an auditor (1.0 f.t.e), all of whom are employed by Broxbourne with costs shared equally with Harlow.
26. Since 01 April 2016 auditors from all three councils have been working across all three Authorities as audit methodology, working practices and document templates have been aligned between each. On this basis there has been no need to fill the auditor vacancy at Epping.
27. Further progress is being made towards establishing a formal shared service between the three Councils, with Broxbourne being the host authority and employer of the shared internal audit staff from 01 April 2017. To oversee Internal Audit a Shared Services Board has been created comprising the Monitoring Officer for Epping Forest and the Section 151 Officers from Broxbourne and Harlow (as Internal Audit falls under their remit). The Board will oversee implementation and delivery of the function, assess quality and performance, manage risks and consider major changes to the service.

AUDIT PLAN 2017/18

28. The Audit Plan as detailed in Appendix A requires 500 days, as set out in the table below:

Thematic Area	Audit days (% in brackets)
Corporate framework including governance, assurance framework, fraud, value for money and risk management	73 (15%)
Information and performance management audits	35 (7%)
Projects, Joint Working and Partnership audits	37 (7%)
Financial audits	73 (15%)
IT Audits	16 (3%)
Cross cutting/themed audits	79 (16%)
Operational Audits	85 (17%)
Follow Ups	15 (3%)
Audit and Governance Committee support	22 (4%)
Advice and other engagement with the business	35 (7%)
Contingency (including investigations)	30 (6%)
TOTAL	500

Resource Implications:

No additional resources required.

Legal and Governance Implications:

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (2016) against which internal audit activity should be measured and determined.

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

Public Sector Internal Audit Standards, Internal Audit Charter, Internal Audit resource plan and risk assessment.

Risk Management:

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

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 B to the report.

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Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Internal Audit
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Report to Audit and Governance Committee seeking approval of the Internal Audit Strategy and Plan
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i>	If yes, state which protected groups:
If no, state your reasons for this decision. Go to step 7. <i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i>	If no, state reasons for your decision: The recommendations affect the operational delivery of the Internal Audit service and will help improve the effectiveness of the Audit and Governance Committee; individuals are not being targeted.

Step 3. Gather evidence to inform the equality analysis

What evidence have you gathered to help you understand the impact of your policy or service change or withdrawal on people? What does your evidence say about the people with the protected characteristics? If there is no evidence available for any of the characteristics, please explain why this is the case, and your plans to obtain relevant evidence. Please refer to Factsheet 2 '*Sources of evidence for the protected characteristics*'

Characteristic	Evidence (name of research, report, guidance, data source etc)	What does this evidence tell you about people with the protected characteristics?
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Marriage and civil		

partnership		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Steps 4 & 5 Analyse the activity, policy or change (*The duty to eliminate unlawful discrimination*)

Based on the evidence you have analysed, describe any actual or likely adverse impacts that may arise as a result of the policy decision. Where actual or likely adverse impacts have been identified, you should also state what actions will be taken to mitigate that negative impact, ie what can the Council do to minimise the negative consequences of its decision or action.

<i>Characteristic</i>	<i>Actual or likely adverse impacts identified</i>	<i>Actions that are already or will be taken to reduce the negative effects identified</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Marriage and civil partnership		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Step 6.

The duty to advance equality of opportunity

Can the policy, service or project help to advance equality of opportunity in any way? If yes, provide details. If no, provide reasons. (*Note: not relevant to marriage and civil partnership*)

<i>Characteristic</i>	<i>Ways that this policy, service or project can advance equality of opportunity</i>	<i>Why this policy, service or project cannot help to advance equality of opportunity:</i>
Age		
Dependents / caring responsibilities		
Disability		

Gender reassignment		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

The duty to foster good relations

Can the policy, service or project help to foster good relations in any way? If yes, provide details. If no, provide reasons. *(Note: not relevant to marriage and civil partnership)*

<i>Characteristic</i>	<i>How this policy, service or project can foster good relations:</i>	<i>Why this policy, service or project cannot help to foster good relations:</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	Name and job title of responsible officer	How and when progress against this action will be reported
1. None		
2.		
3.		

Name and job title of officer completing this analysis:	Sarah Marsh
Date of completion:	22/02/17
Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and	Chief Internal Auditor

support are available from the Performance Improvement Unit)	
Date of authorisation:	
Date signed copy and electronic copy forwarded to PIU equality@eppingforestdc.gov.uk	

Step 8. Report your equality analysis to decision makers:

Your findings from this analysis (and any previous analysis) must be made available to a decision making body when it is considering the relevant service or policy.

Therefore you must:

- reflect the findings from this analysis in a 'Due Regard Record' (template available), and attach it as an appendix to your report. The Record can be updated as your policy or service changes develop, and it exists as a log of evidence of due regard;
- Include this equality information in your verbal report to agenda planning groups or directly to portfolio holders and other decision making groups.

Your summary of equality analysis must include the following information:

- if this policy, service change or withdrawal is relevant to equality, and if not, why not;
- the evidence base (information / data / research / feedback / consultation) you used to help you understand the impact of what you are doing or are proposing to do on people with protected characteristics;
- what the evidence base (information / data / research / feedback / consultation) told you about people with protected characteristics;
- what you found when you used that evidence base to assess the impact on people with the protected characteristics;
- whether or not your policy or service changes could help to advance quality of opportunity for people with any of the protected characteristics;
- whether or not your policy or service changes could help to foster good relations between communities.

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 <i>(to be finalised when the work is scoped)</i>
Corporate Framework					
Governance and Probity	<p>The Council's governance framework underpins everything it does; therefore, robust arrangements are key in managing this risk.</p> <p>Strategic sites features on the corporate risk register.</p> <p>.</p>	Governance – St Johns Road Transformation	Governance – Garden Town Transformation	<p>Governance – Council house building programme</p> <p>Conflicts of interest with third parties (partnerships, significant contracts and shared services)</p>	<p>Ex-officio member of the Corporate Governance Group.</p> <p>In 17/18 examine the robustness of the decision making process for the St Johns Road development.</p> <p>Transformation – during 17/18 continue to provide advice and guidance as Transformation projects are delivered, ensuring internal controls, governance and risk management processes remain robust during the change programme</p> <p>In 18/19 Internal Audit (IA) will look at the collaboration between Epping Forest, Harlow and East Herts to deliver the government's Garden Town initiative.</p>

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 <i>(to be finalised when the work is scoped)</i>
<p>Fraud, including proactive fraud work</p> <p>Any loss through fraud is a drain on resources which, in turn, reduces the amounts available for service delivery</p>	<p>Financial resilience and providing services are key in relation to the corporate risk register and achievement of the Council's corporate plan</p>	✓	✓	✓	<p>Co-ordinating data matching (National Fraud Initiative), training and awareness, interaction with corporate fraud initiatives and the corporate fraud team. Potential for fraud considered in all audits.</p>
<p>Assurance Framework including Risk Management and support to Audit Committee</p>	<p>Risk in achieving corporate priorities as these are underpinned by sound leadership, management of resources, and governance.</p>	✓	✓	✓	<p>Coordination of year end assurance reporting and Audit Committee support and attendance. Ex Officio member of Corporate Governance Group and Risk Management Group. Assistance to Director of Resources in developing and embedding risk management</p>

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 <i>(to be finalised when the work is scoped)</i>
<p>Information Management and Governance</p> <p>Data protection and security. Data sets, owners and protocols. Governance and data sharing. Training and awareness</p>	<p>Data/information features on the strategic risk register</p> <p>Breach of data protection and other legislation related risks which could lead to significant fines and reputational damage.</p>	Preparation for GDPR – Information Asset Register	<p>Data Protection and third party data</p> <p>Environmental Information Regulations (EIR)</p>	<p>Freedom of Information</p> <p>Data retention and disposals</p>	<p>IA will continue its work from 16/17 in helping the Council prepare for the new EU General Data Protection Regulation (GDPR) which comes in effect May 2018. This includes construction and population of a corporate Information Asset Register and review of data related policy and procedures.</p> <p>EIR in 18/19 will ensure there is a joined up Council approach for Environmental Information requests which UK public authorities must release by statute.</p>
<p>Performance Management</p> <p>Data integrity and quality (collection, collation, analysis and validation). Use of performance targets.</p>	Risk of non-achievement of corporate priorities	Corporate Performance Indicators (PIs)	Communities	Neighbourhoods	PIs considered within operational audits. In 17/18 Internal Audit will provide advice and guidance as the Council revamps its performance indicators (PIs) and Corporate Plan.

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 <i>(to be finalised when the work is scoped)</i>
Value for Money Guiding principle of the Council.	Financial resilience and providing services are key in relation to the corporate risk register and achievement of the Council's corporate plan	Agency staff (last audit 14/15)	Facilities Management	Use of consultants	VfM considered within operational audits. Specific vfm reviews could be undertaken e.g. printing and energy. In 17/18 focus will be agency staff.
Income Streams To ensure financial resilience the Council needs to protect and maximise its income streams	Finance – income features on the strategic risk register	Community Halls Card Payments	Langston Road Retail Park	Commercial rents (last audited 15/16) Leisure Management contract – to ensure expected benefits are being realised.	Each year a portion of IA work will focus on ensuring key income streams for the Council are maintained and adequately controlled. The 17/18 community halls review will also consider whether the Council is making best use of these facilities. The card payment audit will ensure there are robust controls in place where card payments are taken regardless of location.

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 <i>(to be finalised when the work is scoped)</i>
<p>Joint Working, Shared Services, Outsourcing and Partnerships</p> <p>Opportunities for cost savings and improved value for money through joint working is a feature of the Corporate Plan.</p>	<p>Partnerships feature on the corporate risk register</p>	<p>Community Safety (deferred from 16/17)</p>	<p>Museum and cultural services</p>	<p>✓</p>	<p>Ensuring arrangements are working in the best interest for the Council with appropriate governance and monitoring arrangements in place. For 17/18 this will include Community Safety, looking at the key partnerships in place and, linking with the safeguarding audit.</p>
<p>Projects</p> <p>Business case, project methodology, governance arrangements, contract management and viability</p>	<p>Poor project management increases risk of projects not being delivered on time, to budget or does not meet the needs of the Council</p> <p>Strategic sites features on the corporate risk register</p>	<p>Customer Services</p> <p>Capital projects programme</p>	<p>St Johns Road Development</p>	<p>Accommodation review</p>	<p>Internal Audit in 17/18 will ensure satisfactory progress is being made in the new way customer services is being delivered.</p> <p>Time has also been put aside in 17/18 for Internal Audit to provide advice and guidance to other Transformation projects.</p> <p>In 17/18 will also assess the bid process for capital projects, use of equality impact assessments and how progress in terms of budget, timescales and quality are assessed.</p>

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 (<i>to be finalised when the work is scoped</i>)
Contingency	Annual provision for responsive work, special investigations or key/emerging risk areas.	✓	✓	✓	Will also take into account themes/issues coming out of the Annual Governance Statement.
Themed/cross cutting audits					
Procurement Themed audits - compliance, vfm, fraud, goods and services. End to end processes (need, selection, appointment, contract management and exit strategies)	Risks include noncompliance with legislation, fraud and not achieving value for money.	Contract Register	Procurement and organised crime	Contract Management	The focus of IA work this year will look at the framework to identify, prepare for and tender contracts before they expire. In December 2016 the Home Office issued its Organised Crime Procurement Pilot report. IA will use the suggested checklist in 18/19 to assess the Council's serious and organised crime risks relating to procurement.
Health & Safety (H&S)	Risk of compromising the health and safety of individuals and noncompliance with H&S legislation leading to fines or imprisonment.	Staff H&S – lone working.	Staff H&S of those located in the Council's satellite offices. Contractor H&S	Corporate H&S framework Staff wellbeing and stress management	Staff H&S in 17/18 will focus on front line staff working alone including Housing and Community Safety Officers.

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 (<i>to be finalised when the work is scoped</i>)
Business Continuity Planning (BCP)	Business continuity features on the strategic risk register	Business Continuity Planning	Emergency Planning	IT Disaster Recovery (last audit 16/17)	During 16/17 Internal Audit maintained oversight of BCP. 17/18 is a full assurance audit.
Key Financial Controls (KFC)	Finance – income features on the strategic risk register	Payroll (deferred from 16/17) Debtors Main accounting system/general ledger Housing Benefits	Creditors Fixed assets/asset management	Cash & Banking Business Rates Housing Rents Council Tax Treasury Management	Previously KFC audits took place annually mainly due to External Audit requirements. As this is no longer the case a rolling 3 year programme of KFC audits now takes place unless there is a major system or process change or significant concerns raised. The 17/18 payroll audit will take into account the new payroll/HR system iTrent.
IT Audits: IT Governance, IT Regulation, Security/Privacy, Business Systems, DRP/BCP, Network, Emerging Technologies e.g. mobile devices, IT Applications and Projects	Risks around data and asset security and loss of service. Opportunity for IT to be an enabler for delivering the Council's priorities.	Cyber security	Software Licencing Mobile working	IT Asset Management System specific system application audit (to be determined)	A specialist IT Auditor will be brought in as required for more technical audits. Cyber security is a non-technical audit to assess the adequacy of the Council's framework in preventing cyber-crime. The outcomes of which may help shape future IT related audits.

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 (to be finalised when the work is scoped)
Operational/service audits - Audits post 17/18 may change depending on the Council's risk profile					
Communities Housing Property Housing Operations Public Sector Housing and Communities Support	Housing capital, welfare reform and safeguarding feature on the strategic risk register	Safeguarding (carried forward from 2016/17) H&S – Fire Risk Assessments Anti-Social Behaviour (carried forward from 2016/17) Planned Maintenance and Major works	Leaseholders – Section 20 and major works Allocations Homelessness (last audit 15/16)	Housing Repairs (last audited 15/16) Right to Buy (last audited 15/16) Disabled Facility Grants (last audited 15/16) Garages Mutual Exchanges	17/18 safeguarding audit - focus not just within Communities but to ensure there is a joined up Council approach to protecting vulnerable children and adults. H&S- statutory testing and compliance will focus fire risk assessments in 17/18 as not previously audited. Anti-Social Behaviour (ASB) in 17/18 will to ensure there is a joined up approach to ASB across the Council (not just for our housing tenants). Planned maintenance and major works will ensure this high value investment for the Council maintains our housing stock at an acceptable standard

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 <i>(to be finalised when the work is scoped)</i>
Neighbourhoods Neighbourhood Services Technical Services Forward Planning & Economic Development	Local Plan and Economic Development features on the strategic risk register.	Asset Management Strategy (deferred from 16/17) Leisure Management (new contract) North Weald Airfield (establishment audit) Local Plan – staffing resources Commercial Properties – service charges	Off street parking (new arrangements) Recycling management (waste management last audit 15/16) Environmental Health North Weald Airfield - commercialisation	Grounds maintenance (last audited 15/16) Licencing (last audit 15/16) Estates and Valuations Fleet Operations	<p>Progress against the Asset Management Strategy will be assessed in 17/18.</p> <p>Internal Audit will examine the tender process for the new leisure contract and ensure robust contract monitoring arrangements in place to deliver the expected benefits.</p> <p>North Weald Airfield (NWA) is an 'establishment' audit to ensure key Council policy, processes and processes are being followed being remote from the Civic Offices. In 18/19 examine plans/proposals regarding the commercial viability of NWA.</p> <p>A revisit of the 16/17 Local Plan audit in 17/18 will assess the adequacy of staffing resources (internal and external) to deliver this following recent staff movements.</p> <p>Commercial properties will build on the 15/16 commercial rents (substantial assurance) audit focusing this time on service charges and lease agreements.</p>

Audit Area and Context	Corporate Risks	2017/18	2018/19	2019/20	Outline/Scope of work for 17/18 (to be finalised when the work is scoped)
<p>Governance</p> <p>Governance & Performance Management (see earlier for Performance Management)</p> <p>Legal Services</p> <p>Development Management</p>	<p>Risk of corporate priorities not being met should these service areas fail to deliver.</p>	<p>Equality Impact Assessments (deferred from 16/17)</p> <p>Complaints</p>	<p>S106 agreements and income</p> <p>Building Control & Planning Fees (last audit 15/16)</p>	<p>Members expenses and allowances (last audit 15/16)</p>	<p>IA will examine the framework in place ensure the Council is compliant with equality and diversity legislation, and in particular the robustness of Equality Impact Assessments.</p> <p>Complaints will examine the new process introduced during 2016/17.</p>
<p>Resources</p> <p>Human Resources</p> <p>Benefits and Revenues (both covered under KFC audits)</p> <p>Accountancy</p> <p>ICT & Facilities Management (IT audits covered elsewhere)</p>	<p>Finance – income features on the strategic risk register.</p> <p>Risk of corporate priorities not being met should these service areas fail to deliver.</p>	<p>New payroll/HR system</p> <p>HR: Absence Management</p>	<p>Insurance (last audited 14/15)</p> <p>HR - staff performance management incl appraisals</p>	<p>Budgetary control and financial management and links to service planning (last audited 15/16)</p> <p>Staff recruitment (last audit 16/17)</p>	<p>The payroll/HR system audit links with the key financial control payroll audit but will examine the HR side in more detail.</p> <p>Absence management will ensure there are adequate policy, procedures and tools available to managers in order for them to manage staff absences effectively.</p>
<p>Follow Up Audits</p> <p>Review of progress against recommendations on the tracker.</p>	<p>Tracker process ensures risks identified in audits have been managed to an acceptable level.</p>	✓	✓	✓	<p>Includes specific follow up audits especially where Limited assurance previously given. Includes maintenance of the recommendation tracker.</p>

Report to the Audit and Governance Committee



Report reference: C-021-2016/17
Date of meeting: 27 March 2017

**Epping Forest
District Council**

Portfolio: Governance and Development Management

Subject: Corporate Fraud Team Strategy 2017/18

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Corporate Fraud Team strategy for 2017/18 be approved.

Executive Summary:

This report sets out to members the focus and approach of the Corporate Fraud Team for the year 2017/2018.

Reasons for Proposed Decision:

To approve the Corporate Fraud Team's strategy for 2017 / 2018 as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

Introduction

1. The Corporate Fraud Team became operational on 1 April 2015 with the intention of bringing a uniform approach to fraud investigation work within EFDC and ensure that the Council had adequate resources dedicated to anti-fraud activity.
2. This strategy summarises the key principles for the Corporate Fraud Team for the forthcoming 2017 / 2018 period along with some longer term aims.
3. The Corporate Fraud Team sits alongside the Internal Audit team and therefore both together supports and contributes to the achievement of the Council's 2015-20 strategic aims. These have been taken into account when developing the Corporate Fraud Strategy and Plan being:
 - To ensure that the Council has sufficient and appropriate resources on an ongoing basis to protect the delivery of its statutory duties and discretionary services from fraud, abuse and corruption.
 - To contribute to the commitment of keeping Council Tax low by preventing and detecting frauds which deliberately target and affect the Authority's tax base

- To ensure that the Council adopts a modern and innovative approach to the delivery of its services and that they are not comprised by fraud.

Purpose

4. The purpose of the Corporate Fraud Team Strategy is to document the Corporate Fraud Team's approach to:

- Provide independent and professional investigations into all aspects of fraud affecting the Council, preventing fraud and abuse and taking fair and consistent action against those committing offences.
- Supporting the Council's anti-fraud culture and framework.
- Deliver a corporate anti-fraud service that is innovative, professional and compliant with the relevant legislation.

The Corporate Fraud Team Approach

5. This strategy sets out the main focus of work that will be undertaken by the team during the period 2017 / 2018:

Proactive Work

6. The process of vetting 100% of Right to Buy Applications will continue into 2017 / 2018 due to the high levels of success already experienced in this area since its inception in 2014. It is envisaged that this process will become even more robust during the coming year due to the forthcoming availability of specialist software.

7. In line with the strategy of reviewing other areas of high fraud risk within the Council where any fraud and / or abuse represents a significant risk to the Council's financial position, for 2017/2018, the Corporate Fraud Team plan to embark on a proactive exercise targeting Non-Domestic Rates fraud such as falsely claimed exemptions for commercial properties with particular scrutiny of suspected so called "Phoenix" companies.

8. The team will seek the co-operation of its colleagues in the Housing department to undertake at least one tenancy audit focusing on properties and / or areas that are deemed to represent a higher level risk of social tenancy related fraud.

9. In addition to the above, the longer term process of engaging key stakeholders across the Council will continue in order to raise awareness and encourage the reporting of suspicions. Furthermore, this will enable the Corporate Fraud Team to have a better understanding of the various processes employed within each service area in order to identify potential areas of fraud risk with input into policy revisions where appropriate.

10. The implementation of a rolling fraud awareness programme providing coverage not just in significant areas of expenditure such as finance, procurement and payroll but for all staff including Members and contractors. The Corporate Fraud Manager has undertaken a limited amount of community engagement work, however the possibility of longer term activities in this area are to be explored.

Reactive Work

11. The team will review and risk assess 100% of the referrals it receives in order to ensure efficient allocation of resources and ensure the highest risk referrals are prioritised.

12. The team will be continuing with its programme of engaging with other teams within the Council in order to provide advice and training etc. Currently, plans are in place to provide

training packages to 2 separate departments within the Council.

13. The “Know a Cheat in your Street” advertising campaign will also continue for the forthcoming year in order to heighten awareness and encourage members of the public to report fraud and abuse. This is to be done once more by the enclosing of leaflets in the run of Council Tax / Non Domestic Rates Bills for the forthcoming year. The campaign will also make full use of other resources such as the EFDC website and the Council’s social media presence.

14. The team will also continue to publicise its work including successful prosecutions by maintaining a policy of utilising press releases, existing mediums such as “Housing News” and the corporate website and social media platforms.

15. In addition to the above, the Corporate Fraud Team also plans to undertake the following areas of work in the forthcoming year.

National Fraud Initiative Exercise 2017 / 2018

16. A review of the data matches that form part of the most recent National Fraud Initiative exercise is already underway with this area of work progressing into the new financial year. Any matches that potentially involve staff will be given priority closely followed by the remaining matches that are qualified as “high risk”.

Explore and pursue joint working / shared service arrangements

17. In the last couple of months, the team have entered into a joint working initiative with the anti -fraud team at Chelmsford City Council. Although to be operated on an informal basis in the first instance, the working relationship will focus on the sharing of investigative resources, exploring the potential for joint proactive initiatives and providing a “peer support” service for investigators. Initial contact has been made with a major social housing provider in the Chelmsford area with a view to exploring opportunities to advise them on social housing fraud and undertake Right to Buy verification work for them.

18. During 2016, the Corporate Fraud Team expanded its skillset by undertaking a Standards Investigation for which it was remunerated. Due to the success of this, the team will continue to make itself available to take on this type of work thus increasing its capacity for revenue raising activities.

19. The team will continue to provide training and advice to external organisations, however in addition to this; work has already commenced to identify areas where potential exists to engage in joint working and / or shared service protocols, with such agreements giving the possibility of revenue raising opportunities.

The use and promotion of Accredited Financial Investigator Services

20. Following this significant development which brings the ability for the Council to pursue any financial losses using The Proceeds of Crime Act, the Corporate Fraud Team have used this ability on three active criminal prosecutions. Furthermore, in line with last year’s strategy, the team’s Proceeds of Crime capabilities have been successfully marketed to other authorities with services currently being provided to a neighbouring Council. An appropriate Memorandum of Understanding has been drawn up (in association with Legal Services) which has been used on this particular occasion and will be the formal agreement for our provision of these services going forward.

21. The proactive use of Proceeds of Crime investigations will continue on EFDC

prosecutions where appropriate and continue to be actively promoted on a “bought in” basis to other Local Authorities and organisations.

To promote best practice, information sharing and support to the wider anti - fraud community

22. The Corporate Fraud Team, have in the past 12 months founded The Eastern Corporate Fraud Group, which is to meet 4 times a year. The group aims to bring together counter fraud professionals from local authorities in Essex, Suffolk and Norfolk in a meaningful forum to discuss and promote best practice, form agreements and partnerships for information sharing and offer support and resources to carry out investigations etc. three successful meetings have already been held at North Weald Airfield with plans to move the group forward in the next 12 months by looking at opportunities for cross authority training etc.

Resources

23. The Corporate Fraud Team consists of a Corporate Fraud Manager, a Senior Investigator and two investigators. The investigator post which had remained vacant during the first year of operations whilst the team sought to establish itself was successfully filled in September 2016 with a fully qualified and experienced counter fraud investigator.

Resource Implications

None, Within the existing budgets.

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

Corporate Fraud Strategy

Risk Management:

The occurrence of fraud may expose the Council to financial loss and the substantive risks associated with an inadequate control framework. The Corporate Fraud Team assists the Council in managing the risk of fraud both internally and externally.

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 1 to the report.

Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Corporate Fraud Team Strategy 2017 / 2018
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Strategy report to set out the main approach and focus of the Corporate Fraud Team for 2017 / 2018.
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i>	If yes, state which protected groups:
If no, state your reasons for this decision. Go to step 7. <i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i>	If no, state reasons for your decision: The strategy affects the operational delivery of the Corporate Fraud Team's approach to its work for the forthcoming year. It will help improve the effectiveness of the Audit and Governance Committee; no groups or individuals are being specifically targeted.

Step 3. Gather evidence to inform the equality analysis

What evidence have you gathered to help you understand the impact of your policy or service change or withdrawal on people? What does your evidence say about the people with the protected characteristics? If there is no evidence available for any of the characteristics, please explain why this is the case, and your plans to obtain relevant evidence. Please refer to Factsheet 2 '*Sources of evidence for the protected characteristics*'

<i>Characteristic</i>	<i>Evidence (name of research, report, guidance, data source etc)</i>	<i>What does this evidence tell you about people with the protected characteristics?</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		

Marriage and civil partnership		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Steps 4 & 5 Analyse the activity, policy or change (*The duty to eliminate unlawful discrimination*)

Based on the evidence you have analysed, describe any actual or likely adverse impacts that may arise as a result of the policy decision. Where actual or likely adverse impacts have been identified, you should also state what actions will be taken to mitigate that negative impact, ie what can the Council do to minimise the negative consequences of its decision or action.

<i>Characteristic</i>	<i>Actual or likely adverse impacts identified</i>	<i>Actions that are already or will be taken to reduce the negative effects identified</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Marriage and civil partnership		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Step 6.

The duty to advance equality of opportunity

Can the policy, service or project help to advance equality of opportunity in any way? If yes, provide details. If no, provide reasons. (*Note: not relevant to marriage and civil partnership*)

<i>Characteristic</i>	<i>Ways that this policy, service or project can advance equality of opportunity</i>	<i>Why this policy, service or project cannot help to advance equality of opportunity:</i>
Age		
Dependents / caring		

responsibilities		
Disability		
Gender reassignment		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

The duty to foster good relations

Can the policy, service or project help to foster good relations in any way? If yes, provide details. If no, provide reasons. *(Note: not relevant to marriage and civil partnership)*

<i>Characteristic</i>	<i>How this policy, service or project can foster good relations:</i>	<i>Why this policy, service or project cannot help to foster good relations:</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	Name and job title of responsible officer	How and when progress against this action will be reported
1. None		
2.		
3.		

Name and job title of officer completing this analysis:	Sarah Marsh
Date of completion:	6/3/17

Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and support are available from the Performance Improvement Unit)	Chief Internal Auditor
Date of authorisation:	
Date signed copy and electronic copy forwarded to PIU equality@eppingforestdc.gov.uk	

Step 8. Report your equality analysis to decision makers:

Your findings from this analysis (and any previous analysis) must be made available to a decision making body when it is considering the relevant service or policy.

Therefore you must:

- reflect the findings from this analysis in a 'Due Regard Record' (template available), and attach it as an appendix to your report. The Record can be updated as your policy or service changes develop, and it exists as a log of evidence of due regard;
- Include this equality information in your verbal report to agenda planning groups or directly to portfolio holders and other decision making groups.

Your summary of equality analysis must include the following information:

- if this policy, service change or withdrawal is relevant to equality, and if not, why not;
- the evidence base (information / data / research / feedback / consultation) you used to help you understand the impact of what you are doing or are proposing to do on people with protected characteristics;
- what the evidence base (information / data / research / feedback / consultation) told you about people with protected characteristics;
- what you found when you used that evidence base to assess the impact on people with the protected characteristics;
- whether or not your policy or service changes could help to advance quality of opportunity for people with any of the protected characteristics;
- whether or not your policy or service changes could help to foster good relations between communities.

Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report Reference: AGC-022-2016/17

Date of meeting: 27 March 2017

Portfolio: Finance

Subject: Effectiveness of the Arrangements for Risk Management

Officer contact for further information: Bob Palmer (01992 – 564279)

Democratic Services Officer: Gary Woodhall (01992 – 564470)

Recommendations/Decisions Required:

(1) That Members consider the effectiveness of the arrangements for Risk Management.

Executive Summary:

The terms of reference for this committee include “To consider the effectiveness of the Council’s Risk Management arrangements”. This contrasts with the role of the Finance and Performance Management Cabinet Committee, which is required “To advise and make recommendations to the Cabinet on Risk Management and Insurance issues”.

As reported to the June meeting of this Committee, the internal audit of Risk Management for 2015/16 contained a rating of substantial assurance. There was just one recommendation that was scored as a priority 2 and this has now been actioned.

Reason for Proposed Decision:

Members are requested to consider the effectiveness of the Council’s arrangements for Risk Management to provide assurance to the Council on the functioning and adequacy of this important internal control.

Other Options for Action:

Members could ask for additional information or make recommendations to improve processes where they feel existing arrangements are inadequate.

Report:

Previous Reviews

1. The review of the effectiveness of the Council’s arrangements for Risk Management is an established part of the work programme for this Committee. Last year the Committee resolved:

- (i) That the arrangements for Risk Management be considered effective; and*
- (ii) That future reports to the Committee provide reassurance on the actions taken to mitigate large risks to the Council.*

Risk Management in Directorates

2. The internal arrangements for Risk Management have not changed during the year. It is common practice within directorates for risk assessments to be conducted on new or changed activities and capital projects. Each directorate has a nominated champion for risk management, usually at Assistant Director level. This individual acts as the lead on Risk Management for the directorate and represents their directorate at the Risk Management Group (RMG).

3. All directorates are required to have a section on Risk Management in their business plans. This section will contain details on the directorate's key risks, a risk matrix and action plans for dealing with the risks that are above the risk tolerance line.

4. All directorates are required to have Risk Management as a standing item on management team meeting agendas. This is to ensure that directorate risk registers are kept up to date with any new items and that existing action plans, both for directorate and corporate risks, are monitored. The regular discussion of risks allows directorate champions to report back on discussions at the RMG and also to bring forward items from their directorates that they feel should now be included, or if already included updated, on the Corporate Risk Register.

Corporate Risk Management

5. The RMG meets quarterly to discuss Risk Management issues and recommend alterations to the Corporate Risk Register to Management Board. During 2016/17 meetings were held in May, August, December and March. The Director of Resources, or in his absence the Senior Finance Officer (Risk and Insurance) chairs the RMG. All of the group have received training in Risk Management.

6. The agenda for the RMG has a number of standard items including, updates on service risk registers, updates on corporate risks and any changes in insurance information. This allows each member of the group to obtain feedback on any new or changing issues within their own area and benefit from the wider perspective of the group as a whole. In this way any changes to service items can be evaluated and assessed to see if they justify inclusion in the corporate register. The discussion then moves on to consider any changes in the descriptions, triggers and vulnerabilities of existing corporate risks and the updating of the action plans.

7. The annual updating and approval of the terms of reference for the RMG is being considered by the Finance and Performance Management Cabinet Committee on 30 March 2017 and a report recommending their adoption will go to a subsequent meeting of Cabinet. The meeting on 30 March will also consider the Risk Management Strategy and the Risk Management Policy Statement.

Corporate Risk Register

8. As mentioned above, the RMG consider updates to the Corporate Risk Register and make recommendations to Management Board (which consists of the Chief Executive and the four Directors).

9. Management Board receive the minutes of the RMG and discuss in detail any proposed changes. A separate review of the Corporate Risk Register is then undertaken to ensure that all necessary changes have been captured by the RMG and that the Board is not aware of any other new risks for inclusion.

10. Finally, recommendations on updating the Corporate Risk Register are considered by the Finance and Performance Management Cabinet Committee.

Updates to the Risk Register

11. Key points from the reviews by the Finance and Performance Management Cabinet Committee are given in the table below.

<u>Date of Meeting</u>	<u>Updates Considered</u>
16 June 2016	<p>Risk 1 – Local Plan – risk updated for Cabinet report scheduled for July with latest timetable and budget.</p> <p>Risk 2 – Strategic Sites – updates for four of the sites.</p> <p>Risk 6 – Data/Information – effectiveness of control amended to reflect no data losses so far in 2016/17.</p>
15 September 2016	<p>Risks 1, 2 and 5 updates to action plans, effectiveness of controls and required further management actions.</p> <p>Risk 7 – Business Continuity – following update of Corporate Business Continuity Plan and re-evaluation of likelihood risk score reduced from C2 (medium likelihood/moderate impact) to D2 (low likelihood/moderate impact).</p> <p>Risk 10 – Housing Capital Finance – due to management actions such as the purchase of street properties now less likely to have to hand back one-for-one receipts so risk score reduced from B2 (high likelihood/moderate impact) to C2 (medium likelihood/moderate impact).</p>
19 January 2017	<p>Risks 1 and 2 – updates to action plans, effectiveness of controls and required further management actions.</p> <p>Risk 4 – Finance Income – key date added for budget setting.</p> <p>Risk 9 – Safeguarding – vulnerability updated to include reference to care Act 2014.</p>
30 March 2017	<p>Risk Management Group met on 9 March and their recommendations are being considered by Management Board on 15 March.</p>

12. For information, the current risk register is attached as Appendix 1.

Actions taken to Mitigate the Highest Scored Risks

13. Last year Members of this Committee asked for more information on the actions taken to mitigate risks and it seems sensible to start with risk 1 from the Corporate Risk Register, which relates to the Local Plan. One of the actions to check on the management of this risk was to get Internal Audit to do a review. The review was reported to the June 2016 meeting of this Committee and provided substantial assurance.

14. Progress on the Local Plan is reported to Management Board and the Neighbourhoods Select Committee, including the operational risk register for the Local Plan. The most significant issue has been the recruitment and retention of staff, as there is a national shortage of qualified planners. Where it has not been possible to recruit appropriate staff use has been made of external contractors and specific pieces of evidence work have been put out to competitive tender.

15. Another significant risk is around the failure to get agreement from other neighbouring authorities who are part of the strategic housing market area. A district local plan is not set in isolation and in order to gain approval at inspection it is necessary to demonstrate that the duty to co-operate with neighbouring authorities has been discharged. Actions taken to mitigate this risk have included the joint commissioning of key pieces of work for the evidence base and establishing both officer and member co-operative boards. As a direct result of this work it has been possible to construct Memorandums of Understanding that the authorities have signed up to covering air quality, transport and the distribution of housing growth.

16. The Local Development Scheme (LDS) is a high level project plan covering the stages in the delivery of the local plan. This was updated in a report to Cabinet in July 2016 and included a public consultation in autumn 2016 (an updated LDS was approved by Cabinet on 9 March). The consultation duly took place between 31 October and 12 December and the responses are now being evaluated. This is significant progress and the Council is now at far lower risk of intervention by the Department for Communities and Local Government than it was at this time last year.

17. Risk 2 covers the Council's strategic sites and the delivery of the various projects. These projects are managed through the Asset Management and Economic Development Cabinet Committee. The largest project is the Epping Forest Shopping Park and risk on the delivery of the project has been mitigated through the use of a specialist external contract manager. The commercial risk around attracting tenants at appropriate rents has been addressed through the use of two agents with expertise in retail parks (Harveyspackfield and Colliers). The main risk to the park opening on schedule has been problems created by the highways authority and these have been mitigated through frequent and robust negotiations which it has been necessary to escalate within the County Council.

18. The final risk in the A1 (very high likelihood/major impact) category is risk 4 which covers the Council's income and finances. There is little that can be done to influence the reductions to local authority funding that continue as part of the programme of austerity. However, what the Council has been able to do over a period of time is to make better use of its funds through investing in capital projects which have a significantly higher return than could be achieved through bank deposits. The Council has also been effective in managing and reducing costs through efficiency programmes and the competitive tendering of services such as leisure management. These actions have been effective overall as the Council has been able to freeze council tax for seven years and has not had to resort to the large scale service reductions or redundancy programmes seen at many authorities.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

No legal implications. Risk Management is an important part of the Council's overall governance arrangements and that is why this Committee considers the adequacy of the overall arrangements on an annual basis.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

No formal consultation has been undertaken.

Background Papers:

Reports to the Finance and Performance Management Cabinet Committee as set out above.

Risk Management:

If the adequacy of the arrangements for Risk Management were not considered a significant weakness in the overall governance arrangements could arise.

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.

Date / Name	Summary of equality analysis
15/03/17 Director of Resources	The report is about the effectiveness of the arrangements for risk management and relates to this process not the delivery of any particular service and so has no equality implications.

Epping Forest District Council Corporate Risk Register

Date: 19 January 2017

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1. Introduction

A strategic risk management 'refresh' exercise was conducted on 15th May 2013 with assistance from Zurich Risk Engineering. This exercise was an opportunity for the Management Board to refresh (or update) through identification, analysis and prioritisation those risks that may affect the ability of the Council to achieve its strategic objectives and Corporate Plan. In doing so, the organisation is recognising the need to sustain risk management at the highest level.

The refresh exercise involved a workshop with Management Board to identify new business risk areas and to update and re-profile important risks from the existing corporate risk register.

In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

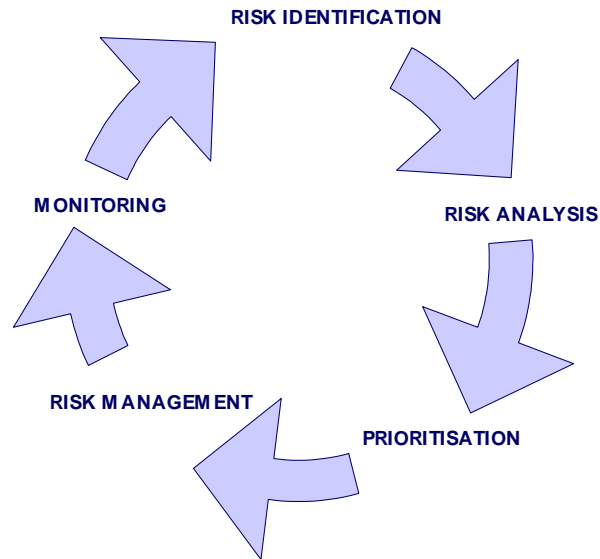
For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

Management Board agreed a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. Risks in the red zone will be monitored on a monthly basis and those in the amber zone on a quarterly basis.

The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

2. The Process

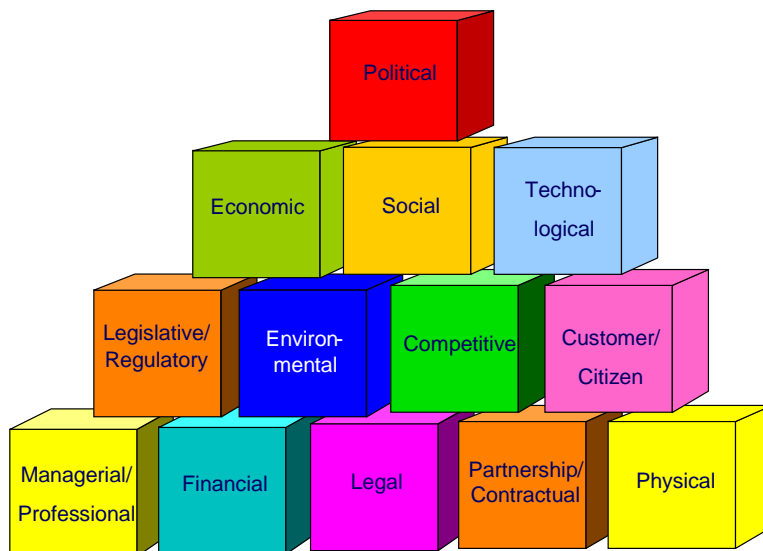
The risk management cycle



Risk identification

The first of five stages of the risk management cycle requires risk identification. This formed the initial part of the workshop. In doing so the following 13 categories of risk were considered.

Step 1- Risk identification



Risk analysis

During the workshop, the identified risks were discussed and framed into a risk scenario format, containing risk cause and consequence elements, with a 'trigger' also identified. This format ensured that the full nature of the risk was considered and also helped with the prioritisation of the risks.

Risk prioritisation

The discussion resulted in 8 risk scenarios being agreed (Appendix 2) and these were then assessed for impact and likelihood and plotted onto a matrix (Appendix 1). The likelihood of the risks was measured as being 'very high', 'high', 'medium', or 'low/very low'. The impact, compared against the key objectives and Corporate Plan was measured as being 'major', 'moderate', 'minor' or 'insignificant'.

Once all risks had been plotted the matrix was overlaid with red, amber and green filters, with those risks in the red area requiring further particular scrutiny in the short-term, followed by those in the amber area.

Risk management and monitoring

The next stage is to monitor the revised management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

A risk owner has been identified for each risk. It is vital that each risk should be owned by a member of Management Board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans. Risks should also be reviewed as part of the business planning process, in order to assess if they are still relevant and to identify new issues.

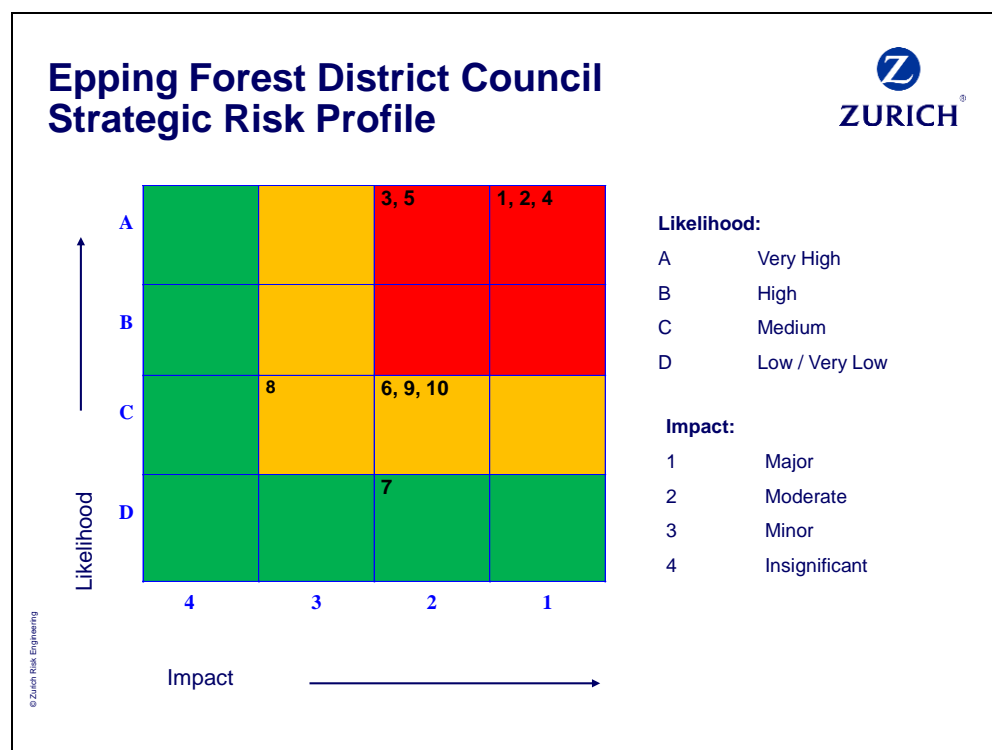
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting an additional risk on Safeguarding was added to the register in January 2014. The most recent addition was a risk covering various aspects of Housing Capital Finance and this was added in June 2015.

Appendix 1 – Risk Profile

Risk profile

During the workshop, 8 risks were identified and framed into scenarios. The results are shown on the following risk profile.



Appendix 2 details all of the above risks.

It is important that an action plan element is written for each of the risks, with particular focus on those with the highest priority, as it is this which will allow them to be monitored and successfully managed down.

An opportunity was also taken as part of this refresh to 'spring clean' the risk numbers, and they were numbered in priority order as follows:

Risk number	Short name
1	Local plan
2	Strategic sites
3	Welfare reform
4	Finance – income
5	Economic development
6	Data/ information
7	Business continuity
8	Partnerships
9	Safeguarding
10	Housing Capital

Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1 Local Plan A1			
Vulnerability	Trigger	Consequence	Risk Owner
On-going changes to Planning system increase importance of having up to date Local Plan, in particular, Central Government's announcement that Local Authorities must complete by 2017 or face sanctions	Failure to make timely decisions and adhere to Local Development Scheme Project Plan.	Reduced ability to manage development in line with local priorities and provide strategic direction. Possible Government intervention through designation as a failing authority, loss of control over the local plan process and loss of new homes bonus.	Derek Macnab
Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors e.g. Duty to Co-operate, release Green Belt.	Failure of Council to approve a draft plan in line with National Planning Policy Framework.	Plan not "sound", leading to further delay, wasted resources, and vulnerability to planning appeal decisions.	
Difficulties in implementing "Duty to Co-operate" may make it difficult or impossible to achieve "sound" Local Plan in timely fashion	Inability to agree, particularly on amount and distribution of objectively assessed development needs.	As above	
Particular vulnerability to delay in approvals from Highways England on strategic modelling delay and inability to understand impacts of delivering to objectively assessed need levels.	Failure to make timely decisions on Preferred Approach plan due to lack of required information	As above	
Protracted process of achieving local highway modelling	As above	As above	
Failure to make timely progress increases likelihood of "planning by appeal"	Failure to adhere to Local Development Scheme leads to developers making significant planning applications in advance of new Plan.	Significant diversion of professional resources to appeals. Risk of costs awards against Council.	
Planning policy recruitment and retention issues. Not considering alternative options of delivering work i.e outsourcing.	S106/CIL arrangements. Planning policy recruitment and retention issues. Not considering alternative options of delivering work i.e outsourcing	Delays in achieving timetable, loss of New Home Bonus revenue.	

Risk No 1 Local Plan – Action Plan

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Project management approach in place including regular updates, resource planning.	Project plan needs to incorporate more time for political engagement at key decision points.	Agree mechanisms and timing with lead members, incorporate in revised project plan	Derek Macnab	Future adherence to project plan.	MB review 6 weekly	None – process ongoing.
Local Development Scheme revised July 2016.	Local Development Scheme adopted by Cabinet 21 July 2016.	Review progress against key milestones.	Derek Macnab	Local Development Scheme remains robust	As necessary	
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful.	Supplement workshops with other forms of briefing to EFDC members as agreed with leading members.	Derek Macnab	Timely decision making in line with project plan.	As necessary	
Engagement with other key stakeholders e.g. ad hoc meetings with Town/Parish councils, Resident Associations and website, making positive use of external PR firm.	Utilising existing mechanisms including Local Council Liaison Committee and Forester. Intensive engagement takes place in lead up to formal consultations. Ongoing discussions being had around Neighbourhood Plans.	Assess responses to consultation.	Derek Macnab	Stakeholders feel well informed about process and decisions. Informed responses to public consultation.	As necessary	

Risk No 1 Local Plan – Action Plan						
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Systematic approach to Duty to Co-operate, engaging public bodies and developing Memorandum of Understanding with key councils in the Strategic Market Housing Area.	Difficulties and delay in engaging councils in serious discussion re Memorandum of Understanding, however progress now being made. Meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Inspectorate local plan decisions re Duty to Co-operate.	Important that key decisions do not precede Duty to Co-operate i.e. “fait accompli”- Group is exploring additional items to be included on discussion agenda. Engage further key bodies e.g. Lee Valley Regional Park. Discuss informally with Planning Inspectorate as necessary.	Derek Macnab	Submitted plan passes legal test of Duty to Co-operate.	MB review six weekly	Officer Meetings – monthly now underway. Governance arrangements agreed. “Duty to Co-operate” Member meetings now ongoing.
<p>Lobbying of DCLG and local MP's re Highways England delays together with SHMA partners. Pursuit of MoU with Natural England.</p> <p>Consistent close working with Essex County Council through relevant structures, and individual officers</p>	Effect as yet unknown	Joint letter from Leaders to local MPs	Derek Macnab	As above	As above	
Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, master planning.	Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult. EFDC is not offering the most competitive salaries compared to other Essex and London authorities.	Ongoing review of strategy by senior planners and Management Board.	Derek Macnab	No delays to timetable due to staffing gaps or lack of critical skills		

Risk No 2 Strategic Sites A1						
Vulnerability		Trigger	Consequence			Risk Owner
The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions.		Not maximising the opportunity of the strategic sites either through decisions or delivery.	<ul style="list-style-type: none"> Financial viability of Council harmed Lack of economic development and job creation External criticism 			Derek Macnab
One key individual is driving forward the projects.		Loss of key individual	<ul style="list-style-type: none"> Project delayed or mismanaged 			
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.	Work is progressing on developing a number of sites: <ol style="list-style-type: none"> 1. Winston Churchill, good progress being made on site; 2. St Johns purchase from Essex County Council completed; 3. Langston Road, work ahead of schedule; 4. Waltham Abbey Leisure Centre; 5. Pyrles Lane Nursery, DDMC granted consent for the redevelopment of the site in February 2015. 	Reports to Cabinet Committee and Cabinet to obtain decisions on development options. Identification of alternative Housing depot and re-location. Obtain detailed planning consent. Produce marketing strategy.	Derek Macnab	Development of strategic sites completed in accordance with Cabinet decisions.	Monthly	None

Risk No 3 Welfare Reform A2						
Vulnerability		Trigger		Consequence		Risk Owner
The government has pledged to make substantial savings from the overall welfare bill. This will require a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.		Welfare reform changes have a detrimental effect on the Council and community		<ul style="list-style-type: none"> Tenants no longer able to afford current/new tenancies. Increase in evictions and homelessness Increased costs of temporary accommodation Unable to secure similar level of income due to payment defaults Increase in rent arrears Public dissatisfaction Criticism of the Council for not mitigating the effects for residents. 		Alan Hall
Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Joint Benefits and Housing working group established. Mitigation action plan developed.	Two thirds of the actions have been implemented and the remaining actions are in abeyance pending Government announcements on Universal Credit.	Working Group to continue and amend mitigation action plan as necessary.	Alan Hall	A smooth implementation of welfare reforms. Minimise number and cost of redundancies.	Monthly	Start date for full version of universal credit still unclear.

Risk No 4 Finance Income A1						
Vulnerability		Trigger		Consequence		Risk Owner
<p>The Government are consulting on significant changes in responsibilities and financing. District Councils are likely to suffer large reductions in grant income and New Homes Bonus.</p> <p>A large number of rating appeals have been received and the outcome of these is uncertain.</p> <p>Welfare reform may require substantial change to the calculation and administration of benefits with a likely reduction in funding received.</p> <p>The medium term financial strategy requires substantial net CSB reductions over three years.</p>		<p>Unable to secure required level of income due to reduced demand for services, changes in legislation or adverse change in funding mechanisms.</p>		<ul style="list-style-type: none"> • Council unable to meet budget requirements • Staffing and service level reductions • Increase Council Tax • Increase in charges • Greater use of reserves if required net savings not achieved • Higher level of saving in subsequent years. 		Bob Palmer
Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Monitoring of key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.	Effective to date as budgets have been achieved that meet the financial targets set by Members.	<p>Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare.</p> <p>Continue to pursue opportunities to reduce net spending.</p>	Bob Palmer	Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan.	Monthly	Council 21 February for budget setting.

Risk No 5 Economic Development A2						
Vulnerability		Trigger		Consequence		Risk Owner
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.		Council performs relatively poorly compared to other authorities.		<ul style="list-style-type: none"> • Unable to secure sufficient opportunities • Local area and people lose out • Insufficient inward investment • Impact on economic vitality of area • Loss of revenue 		Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Work has commenced on an updated Economic Development Strategy.</p> <p>Cabinet approved four new projects.</p> <p>Economic Development and Employment Policies drafted for inclusion in the Local Plan.</p>	Too early to determine effectiveness.	Amend and update following consultation on Local Plan.	Derek Macnab	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	None

Risk No 6 Data / Information C2						
Vulnerability		Trigger		Consequence		Risk Owner
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.		Data held by the Council ends up in inappropriate hands.		<ul style="list-style-type: none"> Breach of corporate governance Increased costs and legal implications Reputation damaged 		Colleen O'Boyle
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Updated Data Protection policy agreed by Corporate Governance Group and rolling out through meta-compliance.</p> <p>Data Protection formed part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy.</p> <p>Consolidation of Data Protection and Freedom of Information work in one area.</p> <p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access.</p> <p>Controls in systems have been strengthened in response to specific occurrences.</p>	Generally effective to date, with no significant lapses so far in 2016/17.	<p>Update F.O.I. publication scheme and guide to information.</p> <p>New system for handling F.O.I. requests purchased and being implemented. Review after six months for extension to Data Protection.</p> <p>Data sharing and fair processing notices to be reviewed and standardised.</p> <p>Maintain GCSx compliance and system controls.</p> <p>A working group is reviewing data held by Directorates to eliminate duplication and any inadvertent Data Protection issues.</p>	Colleen O'Boyle	<p>Continued security of personal data held by the Council in accordance with the Data Protections Act 1998.</p> <p>No criticism from the ICO over how requests are handled.</p> <p>No data loss or system downtime due to unauthorised access of EFDC systems or data.</p>	Quarterly	None

Risk No 7 Business Continuity D2						
Vulnerability		Trigger		Consequence		Risk Owner
<p>The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act.</p> <p>Following the consolidation into four directorates plans need to be updated and changes in responsibilities confirmed.</p>		<p>Unable to respond effectively to a business continuity incident (e.g. IT virus/flu pandemic)</p>		<ul style="list-style-type: none"> Services disrupted / Loss of service Possible loss of income Staff absence Hardship for some of the community Council criticised for not responding effectively 		Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.</p> <p>The Corporate Plan has been updated and adopted.</p>	<p>The effectiveness of controls is assessed periodically through test and exercises</p>	<p>Guidance to be issued to services on updating plans.</p> <p>Arrange periodic tests and exercises.</p>	Derek Macnab	<p>Having plans in place which are proved fit for purpose either by events or external scrutiny.</p>	Quarterly	None

Risk No 8 Partnerships C3						
Vulnerability		Trigger	Consequence			Risk Owner
<p>The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, and these have a variety of governance arrangements.</p> <p>Localism act may cause transfer of Council services to providers with governance issues.</p>		Key partnership fails or services provided via arrangements lacking adequate governance.	<ul style="list-style-type: none"> Relationships with other bodies deteriorate Claw back of grants Unforeseen accountabilities and liabilities for the Council Censure by audit/inspection Adverse impact on performance 			Glen Chipp
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Active participation in key partnerships by appropriate officers/Members.</p> <p>Structured reporting back to designated Select Committee.</p> <p>Members can request representatives on outside bodies to report to Full Council.</p>	<p>No significant issues to date. However, some concern exists about the working of the North Essex Parking Partnership.</p> <p>Internal Audit conducted an audit of partnerships and gave a rating of substantial assurance.</p>	<p>Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships.</p> <p>Service areas need to ensure their own risk registers cover any significant partnerships they are involved with.</p>	Glen Chipp	No significant impacts on service delivery or Council reputation from any partnership failures.	Quarterly	None

Risk No 9 Safeguarding C2			
Vulnerability	Trigger	Consequence	Risk Owner
<p>The Council needs to demonstrate its ability to meet its duties under Sections 11 and 47 of the Children Act 2004 and the Care Act 2014, which refer to adults with needs for care and support. This includes a specific responsibility for safeguarding adults from self-neglect.</p>	<p>The Council fails to meet its duties in regard to safeguarding children, young people and adults with needs for care and support.</p>	<ul style="list-style-type: none"> • A child, young person or vulnerable adult suffers significant harm • A child, young person or vulnerable adult suffers from exploitation • Avoidable death of a child, young person or vulnerable adult living in the District • Reputational risk for Council • Censure and special measures applied 	<p>Alan Hall</p>

Risk No 9 Safeguarding - Action Plan						
Existing Controls/ actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>The Council has a Safeguarding Policy (2015), which is updated in line with new legislation. The policy details what is required of all staff and Elected Members and is supported by a set of procedures which set out the process for recording safeguarding concerns, incidents and allegations.</p> <p>A corporate Safeguarding Group ensures sharing of best practice and information across Directorates and enables the identification of any weaknesses in the Council's work.</p> <p>Council policies have been developed for all new and emerging safeguarding issues such as Child Sexual Exploitation (CSE).</p> <p>A Safeguarding Strategy and Action Plan has been adopted by Cabinet.</p> <p>The Safeguarding Officer and part time Admin. posts have now been proposed as CSB growth.</p> <p>Nursery Worker Accommodation Task Group established.</p>	<p>The Council has reduced the risk of safeguarding issues going unnoticed by staff and Elected Members by providing a range of training and production of the new Policy and procedures in 2015.</p> <p>This group has become an effective forum for sharing of best practice and commitment from all Directorates is shown.</p> <p>Several of these policies have been used across Essex as examples of best practice.</p> <p>The Safeguarding Strategy and Action Plan set out the areas requiring further improvement.</p> <p>These posts have enabled a Safeguarding 'Hub', which all EFDC safeguarding issues are filtered through. The number of concerns identified in the last year has increased significantly.</p>	<p>Leadership Team and Managers to continue to promote vigilance amongst staff.</p> <p>The Council needs to ensure timely response to changes in legislation or local procedures.</p> <p>Directorates need to continue to commit time for representatives to attend the Corporate Working Group.</p> <p>An ongoing rolling programme of training needs to be in place, to update and refresh staff and Elected Member awareness in the new and emerging issues.</p> <p>Finance Cabinet to agree proposal for CSB growth bid to make posts permanent.</p> <p>The group has developed an action plan which is submitted to Management Board.</p>	Alan Hall	<p>The Council meets all of its duties under Section 11 and 47.</p> <p>The Council meets the new duties of the Care Act 2014.</p> <p>The Council fully meets all aspects of the ESCB/ESAB Safeguarding self - assessment.</p>	Monthly	<p>ESAB (Safeguarding Adult) Audit to be submitted October 2016.</p> <p>ESCB (Safeguarding Children) Audit to be submitted October 2017.</p>

Risk No 10 Housing Capital Finance		C2				
Vulnerability		Trigger	Consequence			Risk Owner
<p>If the Council is unable to spend right to buy receipts in set timescale on qualifying capital schemes we will have to pay the money to the Government along with interest at a penalty rate.</p> <p>Changes to legislation which reduce income to the HRA.</p> <p>The Government is introducing right to buy for tenants of housing associations financed through the forced sales of Council properties as they become void. The initial piloted is being expanded in 2017/18 with funding from the Treasury. What will happen beyond 2017/18 remains unclear.</p>		<p>Schemes are delayed by either the planning process or unanticipated site problems.</p> <p>Imposition of rent reduction proposal.</p> <p>Imposition of right to buy scheme which requires the disposal of a large proportion of the Council's void properties.</p>	<ul style="list-style-type: none"> • Loss of capital resources • Revenues cost of penalty interest • Loss of rental income • Delays in provision of new social housing • Increase in housing waiting list • Current 30 year business plan may become unsustainable. 			Alan Hall
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Position being monitored by the House Building Cabinet Committee and a number of contingency options are available including purchasing on the open market.</p> <p>The Council belongs to the Association of Retained Council Housing which lobbies on such issues.</p>	<p>Effective to date as no loss of funds yet.</p> <p>Too early to comment yet as the policy is still being developed.</p>	<p>Continue close monitoring of financial position.</p> <p>Keeping Members fully informed of the potential consequences of their actions.</p> <p>Monitor policy development/announcements and participate in lobbying if appropriate.</p>	<p>Alan Hall</p> <p>Alan Hall</p>	<p>No loss of right to buy receipts.</p> <p>No loss of Council properties to support right to buy for HA tenants.</p>	<p>Monthly</p> <p>Monthly</p>	Ongoing

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-023-2016/17

Date of meeting: 27 March 2017

Portfolio: Governance and Development Management

Subject: Internal Audit Monitoring Report - February to March 2017

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) The Committee notes the progress being made against the 2016/17 Internal Audit Plan and by the Corporate Fraud Team; and**
- (2) The Committee agrees the suggestion to defer a small number of audits.**

Executive Summary:

This report updates members on the work completed by the Internal Audit service and Corporate Fraud Team since the February 2017 Audit and Governance Committee. The report also gives an update of progress against the 2015/16 Annual Governance Statement action plan.

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:

2016/17 Internal Audit Plan

1. Work has continued on the 2016/17 Audit Plan as detailed in Appendix 1. In order to deliver this year's plan within the resources available the Audit and Governance Committee is requested to approve the deferral of the audits detailed below. These audits are included in next year's work plan which is also reported elsewhere in the agenda:

- Safeguarding – Scoping for this audit has commenced but due to staffing constraints within Internal Audit fieldwork will not commence until early 2017/18. Early indications are there are a number actions already in place to reduce the risks associated with safeguarding and a self-assessment 'audit' has been completed during the year as part of the Essex Safeguarding Board.
- Joint Working: Community Safety – links with the safeguarding audit and the need to slip this to early 2017/18.

2. It is important that sufficient audit work is undertaken in order that the Chief Internal Auditor can give their annual opinion. Despite the need to defer/slip some 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 2016/17. This will be kept under constant review in conjunction with the Corporate Governance Group.

Internal Audit reports

3. The following two reports (both awarded substantial assurance) have been issued since the Committee received its last update in February 2017:

- **Grants to Voluntary Organisations** – The audit focused on the processes around the management of grant aid funding for voluntary groups, and included a review of the performance monitoring arrangements for grants awarded. It was found there are robust controls in place which ensure that grant aid is only awarded to eligible organisations, applications are fully evaluated, appropriately approved and payments are only made following proof of expenditure. Monitoring visits are carried out to ensure grant aid conditions are adhered to. Higher level grants awarded to the Epping Forest Citizens Advice Bureau and Voluntary Action Epping Forest are properly approved and there are effective monitoring processes in place to ensure performance objectives are met.
- **IT Disaster Recovery** – This audit reviewed the key controls surrounding IT Disaster Recovery and, at a higher level, how the IT Disaster Recovery processes align and are integrated with the Council's business continuity arrangements. Overall a good level of control was found over the IT Disaster Recovery process. Business continuity and disaster recovery plans are in place with clear roles and responsibilities. System and data backups are regularly taken and a disk failover process is in place. Logs and alerts are routinely produced and examined. It was found that the business impact assessments, which inform the recovery priority setting, are in need of updating. It was also noted that post incident debrief sessions, from which valuable lessons could be learned, are not routinely held.

Recommendation Tracker

4. The Audit and Governance Committee will continue 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 (Appendix 2) contains just one medium priority recommendation which has passed its due date (compared to four medium and one low priority recommendations in January 2017). Regular monitoring of recommendations demonstrates that, although not completed by the original implementation dates, progress continues to be made on agreed actions.

6. The recommendation concerning staff resilience in Grounds Maintenance has been completed. The detail is provided in the tracker for information.

Table 2. Summary of tracker as at 14 March 2017.

Recommendation type	Number (as at 14 March 2017)	Number (as at 25 January 2017)
High (Priority 1) not passed its due date	0	0
High (Priority 1) passed its due date	0	0
Medium (Priority 2) passed its due date	1	4
Low (Priority 3) passed its due date	0	1

Other Internal Audit Activities

7. A number of assignments in the 2016-17 Audit Plan are intended to provide advice and guidance on current issues to the Council throughout the year and also help to inform the Chief Internal Auditor's annual opinion. This includes Internal Audit representation on business groups and project teams. These assignments, which do not result in an audit report, are included below for Members' information:

- **Programme and Project Management** – A number of audits highlighted the need for a consistent methodology to be applied across the Authority, and project management has been identified as an improvement area in the Annual Governance Statement. Internal Audit has attended the monthly project team meetings to advise in the development of appropriate Council-wide project management processes.
- **Corporate and Business Planning** – Internal Audit has attended the project meetings to provide advice on business planning processes. The Chief Internal Auditor has shared ideas and good practice from the other authorities in the Internal Audit partnership which has led to streamlining processes and the introduction of new service plan templates for 2017/18.
- **Electronic invoicing** – Internal Audit has advised on the controls around the implementation of electronic invoicing and the impact on the purchase ordering and accounting systems. Further advice has been given on appropriate methods for rolling out electronic invoicing across the Authority.
- **Information Management** – There is a need for the Authority to introduce a Council-wide Information Asset Register ahead of the EU General Data Protection Regulations which are due to come into force in 2018. Internal Audit is assisting in the design and implementation of the Register and advising on policies and procedures relating to information management. This work replaces the proposed audit on data retention and disposals.
- **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.

8. Internal Audit has carried out an investigation in relation to procurement issues. This included a review of processes to identify control weaknesses and has made recommendations

to address the risks arising.

National Fraud Initiative

9. 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.

10. 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

11. The Chief Internal Auditor continues to oversee the delivery of Internal Audit services for Epping Forest District Council as well as Broxbourne and Harlow Councils, with the cost of the post being shared equally.

12. The formal shared service between the three Councils, with Broxbourne being the host authority, is still on target to commence 1 April 2017; with the Council's internal audit team transferring under TUPE to Broxbourne Council on that date. To oversee the implementation and delivery of the Internal Audit function, a Shared Services Board has been created. An inaugural meeting of the Shared Service Board was held on 13 February 2017.

External Quality Assessment

13. The findings from the recent External Quality Assessment (EQA) were reported to the committee in February 2017. The overall conclusion of the report was that Internal Audit complies with the PSIAS and provides an effective and efficient service to each Council (Epping Forest, Harlow and Broxbourne).

14. There were some actions identified by the external assessor which, although they do not affect the overall level of compliance with the PSIAS, would enhance service provision by ensuring that Internal Audit continues to develop and demonstrate best practice. An improvement action plan has been developed to address the issues identified and is shown in Appendix 3.

Corporate Fraud Team

15. Since the last report, a further two Right To Buy's have been stopped. The total discount saved as a result of this is approximately £156,000 and the value of retained rent revenue streams is around £90,000. One of the properties has been recovered, following the Corporate Fraud Team discovering the applicant was not living in it as their main or principal home, resulting in a saving of approximately £18,000.

16. Three prosecutions are currently underway and all three individuals have entered not guilty pleas. The team is back in court with one of these cases when it is hoped a change of plea can be secured.

17. Work has commenced on this years "Know a cheat in your street" anti-fraud campaign.

New leaflets are going out with this year's Council Tax and Business Rates demands.

Audit and Governance Committee Skills and Knowledge Analysis

18. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member would be expected to be expert in all areas, but there are core areas of knowledge that committee members will need to acquire through training or briefings.

19. 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. The results will be anonymised, collated and reported to the June 2017 Audit and Governance Committee.

Review of progress against the significant issues identified in the 2015/16 Annual Governance Statement

20. In June 2016, 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 2016/17 is shown in table 3.

Table 3. Areas for improvement or monitoring during 2016/17

No.	Issue	Management response	Progress at March 2017
1	<p>Procurement Rules A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders. These had developed over time and were difficult to follow.</p> <p>On 26 April 2016 Council approved the new Procurement Rules, which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and are more responsive to the current and future procurement needs of the Council.</p>	Members of staff are currently being trained on the Council's new Procurement Rules and mechanisms are being developed to ensure compliance with these.	<p>Training sessions on the Council's new Procurement Rules have been carried out.</p> <p>The Procurement Rules and supporting guidance have been published on the intranet.</p> <p>Any significant control failings will be reported in the Chief Internal Auditor's annual report which will be presented to the June 2017 Audit and Governance Committee.</p>
2	<p>Corporate Policies A need to raise</p>	A review of the Council's anti-fraud and corruption	The Corporate Fraud Team is in the process of

	awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of this years' Service Assurance Statements.	framework will be spearheaded by the Corporate Fraud Team this year and will include a review of the Council's Whistleblowing Policy and Officer Code of Conduct; the results of which will be promulgated to staff.	reviewing and updating anti-fraud policies. These will be presented at June 2017 Audit and Governance Committee
3	Project Management Service Assurance Statements also identified a need to develop project management processes and provide training in this area.	A Project and Programme Management project team has been set up, sponsored by the Chief Executive, and is meeting regularly to address this issue.	The Programme and Project Management project group continues to meet monthly and is prototyping a potential project management system.

Service Assurance Statements

21. Internal Audit is co-ordinating the process to ensure service assurance statements are completed by each Assistant Director and signed off by the Director. The results of these will be analysed by Internal Audit and the results will feed into the 2016/17 Annual Governance Statement which will be reported to this committee in June 2017.

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2016/17 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.

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Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project: <i>be specific</i>	Internal Audit
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Update report to Audit and Governance Committee on the Internal Audit and Corporate Fraud service, seeking agreement to defer a number of audits
Relationship with other policies / projects:	None
Name of senior manager for the policy / project:	Colleen O'Boyle
Name of policy / project manager:	Sarah Marsh

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. <i>No</i>	If yes, state which protected groups:
If no, state your reasons for this decision. Go to step 7. <i>The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.</i>	If no, state reasons for your decision: The recommendations affect the operational delivery of the Internal Audit service and will help improve the effectiveness of the Audit and Governance Committee; individuals are not being targeted.

Step 3. Gather evidence to inform the equality analysis

What evidence have you gathered to help you understand the impact of your policy or service change or withdrawal on people? What does your evidence say about the people with the protected characteristics? If there is no evidence available for any of the characteristics, please explain why this is the case, and your plans to obtain relevant evidence. Please refer to Factsheet 2 '*Sources of evidence for the protected characteristics*'

Characteristic	Evidence (name of research, report, guidance, data source etc)	What does this evidence tell you about people with the protected characteristics?
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		

Marriage and civil partnership		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Steps 4 & 5 Analyse the activity, policy or change (*The duty to eliminate unlawful discrimination*)

Based on the evidence you have analysed, describe any actual or likely adverse impacts that may arise as a result of the policy decision. Where actual or likely adverse impacts have been identified, you should also state what actions will be taken to mitigate that negative impact, ie what can the Council do to minimise the negative consequences of its decision or action.

<i>Characteristic</i>	<i>Actual or likely adverse impacts identified</i>	<i>Actions that are already or will be taken to reduce the negative effects identified</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Marriage and civil partnership		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Step 6.

The duty to advance equality of opportunity

Can the policy, service or project help to advance equality of opportunity in any way? If yes, provide details. If no, provide reasons. (*Note: not relevant to marriage and civil partnership*)

<i>Characteristic</i>	<i>Ways that this policy, service or project can advance equality of opportunity</i>	<i>Why this policy, service or project cannot help to advance equality of opportunity:</i>
Age		
Dependents / caring		

responsibilities		
Disability		
Gender reassignment		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

The duty to foster good relations

Can the policy, service or project help to foster good relations in any way? If yes, provide details. If no, provide reasons. (*Note: not relevant to marriage and civil partnership*)

<i>Characteristic</i>	<i>How this policy, service or project can foster good relations:</i>	<i>Why this policy, service or project cannot help to foster good relations:</i>
Age		
Dependents / caring responsibilities		
Disability		
Gender reassignment		
Pregnancy and maternity		
Race / ethnicity		
Religion or belief		
Sex		
Sexual orientation		

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	Name and job title of responsible officer	How and when progress against this action will be reported
1. None		
2.		
3.		

Name and job title of officer completing this analysis:	Sarah Marsh
Date of completion:	22/02/17

Name & job title of responsible officer: (If you have any doubts about the completeness or sufficiency of this equality analysis, advice and support are available from the Performance Improvement Unit)	Chief Internal Auditor
Date of authorisation:	
Date signed copy and electronic copy forwarded to PIU equality@eppingforestdc.gov.uk	

Step 8. Report your equality analysis to decision makers:

Your findings from this analysis (and any previous analysis) must be made available to a decision making body when it is considering the relevant service or policy.

Therefore you must:

- reflect the findings from this analysis in a 'Due Regard Record' (template available), and attach it as an appendix to your report. The Record can be updated as your policy or service changes develop, and it exists as a log of evidence of due regard;
- Include this equality information in your verbal report to agenda planning groups or directly to portfolio holders and other decision making groups.

Your summary of equality analysis must include the following information:

- if this policy, service change or withdrawal is relevant to equality, and if not, why not;
- the evidence base (information / data / research / feedback / consultation) you used to help you understand the impact of what you are doing or are proposing to do on people with protected characteristics;
- what the evidence base (information / data / research / feedback / consultation) told you about people with protected characteristics;
- what you found when you used that evidence base to assess the impact on people with the protected characteristics;
- whether or not your policy or service changes could help to advance quality of opportunity for people with any of the protected characteristics;
- whether or not your policy or service changes could help to foster good relations between communities.

Appendix 1 - Audit Plan Monitoring 2016-17
March 2017

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Conflicts of interest	Governance	10	Final Report	n	n	n	Substantial	0	2	0
Depot Health & Safety	Neighbourhoods	12	Final Report	n	n	n	Limited	1	1	0
PIs - sickness absence (new audit)	Resources	6	Final Report	n	n	n	N/A	0	0	0
Corporate Procurement	Resources	15	Final Report	n	n	n	Substantial	0	1	1
Car Parking	Neighbourhoods	10	Final Report	n	n	n	Substantial	0	2	0
Cash and Banking	Resources	12	Final Report	n	n	n	Substantial	0	0	1
Housing Health & Safety - Gas Safety	Communities	12	Final Report	n	n	n	Substantial	0	1	1
Waste Management	Neighbourhoods	10	Final Report	n	n	n	Substantial	0	2	2
Treasury Management	Resources	10	Final Report	n	n	n	Substantial	0	0	1
Grants to Voluntary Organisations	Communities	8	Final Report	n	n	n	Substantial	0	0	2
IT Disaster recovery	Resources	10	Draft Report	n	n		Substantial	0	3	1
Housing Voids	Communities	10	In Progress	n						
Electoral Registration	Governance	10	In progress	n						
Project - Langston Road follow up	Neighbourhoods	5	In Progress							
Business Rates follow up	Key Financial Control	5	Scoping							
Council Tax follow up	Key Financial Control	5	Scoping							
Planning Application Processes	Governance	8	Scoping							
Recruitment and Selection	Resources	10	In Progress							
Project - New Homes	Communities	12	Scoping							
Enforcement	Neighbourhoods	10	Scoping							
Housing Rents follow up	Communities	5	Scoping							
Internal Audit work other than an audit										
Data Retention and Disposals	Corporate	15	In Progress							
Project - Transformation	Corporate	6	In Progress							
E-invoices	Resources	6	In Progress							
Contract Management	Corporate	15	Completed							

Payroll	Key Financial Control	12	In Progress								
Defer/drop (subject to approval)											
Safeguarding	Communities	12									
Joint Working - Community Safety	Communities	10									
Defer/drop already approved											
Asset Management Strategy	Neighbourhoods	10									
Energy Management vfm	Corporate	10									
Equality and Diversity	Governance	12									
IT Helpdesk	Resources	8									
Antisocial Behaviour	Communities	12									
Mutual Exchanges	Communities	8									
Performance Management - Neighbourhoods	Neighbourhoods	12									
									1	12	9

Appendix 2. Overdue and High Priority Recommendations Tracker

Last updated: 14 March 2017

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Grounds Maintenance Report No. 755 December 2015	2	Ensure there is adequate staff resilience to ensure there is not too much reliance on the Finance Officer. This could be achieved by ensuring someone else has been trained and there are documented procedures.	2	It is recognised the work of the GM technical support team form an essential part of the Service and that many of the processes and systems associated with their role are unique to this Service. As part of the GM 'workforce planning' this potential risk was identified and as a consequence, the team have been documenting the various key tasks & procedures. Therefore in agreement with the audit findings, this work will continue in order to help safeguard business continuity. Succession planning is also something management will consider to minimise potential risk to service provision.	General Manager (Neighbourhoods)	31/12/16	30/09/17	<p>Nov 16: The Grounds Maintenance Technical Team have been busy documenting their core duties since the audit and much progress has been made with numerous processes now set out in a 'walkthrough' type format. An office move has caused some delays to completing the recommendation and therefore an extension has been requested and agreed.</p> <p>Jan 17: I can confirm that this work is continuing as agreed in our recent communication, and now detailed in the revised Status Update. Numerous financial and admin processes associated with the work of the GM support team have now been catalogued and these can be evidenced. The GM Service is currently in the process of recruiting a new Tech/Finance officer and they are to be trained in all aspects of this work area in order to build further resilience into the section.</p> <p>Feb 17: The GM Service has now recruited a replacement Finance and Technical officer following the retirement of the previous post holder. The new officer started 13th Feb and is currently receiving relevant Service training. The now comprehensive financial and admin processes detailing the work of the GM support team are being used in the staff training process and are proving invaluable. The process of logging key/new tasks will continue</p>	Complete

Appendix 2. Overdue and High Priority Recommendations Tracker

Last updated: 14 March 2017

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
								as necessary.	
Sundry Debtors Audit Report No. 769 June 2016 <div>Page 114</div>	1	The Sundry Income and Debt Policy should be reviewed and updated to reflect the current debt collection procedures. In addition, the policy/process for refunds should be documented within the Policy.	2	Agreed. The Policy needs updating and expanding to cover refunds.	Risk Management & Insurance Officer	31/10/16	01/04/17	Sept 16: The recommendation will be incorporated together with other amendments previously agreed by Management Board into the policy and submit to the Management Board via the next Corporate Debt Working Group meeting. Oct 16: The next Corporate Debt Working Group meeting will take place in the next couple of weeks where the recommendation will be included (as mentioned above). Nov 16: The planned Corporate Debt Working Group meeting was cancelled. The recommendation will be included in the next meeting. Dec 16: The Corporate Debt Working Group will now take place on 20/12/16. Jan 17: The Sundry Income and Debt Policy was discussed in the Corporate Debt Working Group in December. The policy will be reviewed in Quarter 4. Feb 17: The Risk Management & Insurance Officer has updated the Sundry Debtor Policy and it is now with the Assistant Director (Revenues) who will be making amendments to the policy regarding cheque payments. Once all amendments are completed the policy will be taken to Management	Overdue

Appendix 2. Overdue and High Priority Recommendations Tracker

Last updated: 14 March 2017

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
								Board for agreement. March 17: The revised policy has been circulated to members of the Corporate Debt Working Group for agreement at their meeting on 20 March 2017; It will then be presented to Management Board for approval.	

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Appendix 3

Internal Audit Shared Service EQA Improvement Action Plan

Area for Improvement	Improvements Required	Action to be taken	Due Date
Working papers	Internal audit working papers to focus on major risks to the Council. This should include an assessment of the inherent risks in each area (regardless of whether or not these are specifically recorded with the risk management system) and other sources of assurances.	Revise the Terms of Reference to ensure there is a more explicit link between the Council's risk registers and assurances to be provided. Revise the control matrix (used to detail testing undertaken and conclusions drawn from it) so that it allows auditors to focus on the key controls and assurances which reflect the most material control risks to the area under review. Brief the Internal Audit team on the need for a greater emphasis of risk in audit reports.	All completed January 2017
Assignment reporting	To reduce the time taken to deliver final report	Undertake a team mapping exercise to help identify ways in which audit processes can be streamlined in order to reduce the time from scoping an audit to producing the final report.	Completed March 2017
Audit Opinions	The risk definitions used by Internal Audit to reflect the risk appetite within the Council	Review the audit opinions and definitions used at each Council and how these align with each Council's risk appetite and their own risk definitions Consult with senior managers in each Council on the findings of the review	Review completed. All three councils have the following audit opinion options for the 2017/18 Audit Plan: Substantial, Moderate and Limited.
Annual Audit Plan	Annual Audit Plan to provide a direct link to corporate risks and other available assurances	Annual plan will be constructed to provide an explicit link to the Councils risks and other assurances available to Internal Audit. This will be able to provide wider assurance to the Council in support of the Annual Governance Statement.	Completed - Annual Plan presented to the March 2017 Audit and Governance Committee
Annual Report	The Annual Report to provide an explicit link to risk and other assurances	The Internal Audit Manager's Annual Report to contain reference to all significant risks and considers the results of work performed by other assurance providers. Due regard will be given to the suggested example wording in the EQA report.	Annual Report to be presented to the June 2017 Audit and Governance Committee

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