

Report to the Audit and Governance Committee



Report reference: C-016-2015/16
Date of meeting: 01 Feb 2016

**Epping Forest
District Council**

Portfolio: Governance and Development Management

Subject: Internal Audit Monitoring Report - December 2015 and January 2016

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) The Committee notes on the progress being made against the 2015/16 Internal Audit plan and by the Corporate Fraud Team; and**
- (2) The Committee agrees the suggestion to drop or defer a small number of audits.**

Executive Summary:

This report provides a summary of the work undertaken by Internal Audit between December 2015 and January 2016, progress against the 2015/16 Internal Audit plan and a summary of the work undertaken by the Corporate Fraud Team.

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:

2015/16 Internal Audit Plan

1. Work has continued on the 2015/16 Audit Plan as detailed in Appendix 1. In order to deliver this year's plan within the resources available, the Audit & Governance Committee is requested to approve the deferral of the audits detailed in the table below. Whether they will be included in next year's work plan will form part of the audit planning process for 2016/17 due to be reported to the March 2016 meeting of the Committee:

- Gifts and Hospitality – defer to next year to allow time for the introduction of a new electronic system.
- Grants to Voluntary Organisations – defer due to a bereavement within the section.

- Facilities Management Contracts – cover in next year’s proposed e-invoicing audit as Facilities are piloting the new system.
- Equality and Diversity – deferred at the request of management due to staffing vacancies and competing priorities within the section. Not deemed a high risk area by Internal Audit.
- ICT Asset Management – remove because the ICT department are undertaking their stock check of ICT assets following an internal theft.

2. It is important that sufficient audit work is undertaken in order that the Chief Internal Auditor can give their annual opinion. It is expected that despite the need to defer/slip a small number of 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 2015/16. This will be kept under constant review in conjunction with the Corporate Governance Group.

3. It is envisaged that the work for the remainder of this year’s Audit Plan will be completed in time for year-end reporting to the July Audit and Governance Committee.

Internal Audit Reports

4. The following four reports have been issued since the Committee received its last update in November 2015:

- **Community Partnerships** – substantial assurance – this report recommended the introduction of a Partnership Protocol to give guidance to staff on the key processes to follow when establishing or joining new partnerships, although officers have successfully created and maintained partnerships without such a document being in place. The definition of a community partnership used in the audit was a *formal joint working arrangement where the partners:*
 - *are otherwise independent bodies from any sector;*
 - *agree to co-operate to achieve common goals and outcomes for the community; and*
 - *share accountability, risks or resources.*
- **Council housebuilding programme** – substantial assurance – This audit confirmed the following:
 - Robust and transparent processes for monitoring and reporting on 1-4-1 Right To Buy receipts as the government allows these to fund the cost of new affordable housing as long as the receipts are spent within three years, otherwise they have to be returned with interest. As at 1 December 2015, a total of 125 Right to Buy properties have been sold since the scheme commenced. The Council are considering the purchase of properties on the open market to avoid returning 1-4-1 receipts to the Government in the near future because there have been delays (mainly planning approval and contractor performance).
 - Good oversight of the current house building programme and associated risks by Council Officers with phase 1 in progress (13 of 23 units have been completed), phase 2 at tender stage (51 units) and planning for phases 3-6 has commenced. Longer term the resource requirements and methodology for managing the overall programme needs to be considered to ensure Epping Forest District Council retain overall control rather than relying on the Development Agent.

- **Licensing** – substantial assurance – This audit focussed on the two highest licencing income streams for the Council: alcohol at £35K p.a. and taxis being £90K p.a. and found robust processes to ensure expected income is received and reconciled. In addition, the audit confirmed the necessary checks regarding taxi licenses take place including MOT, taxi tests and meter checks plus DBS (Disclosure and Barring Service) and medical checks.
- **Planning Fees** – limited assurance – between April and October 2015 over 2,000 planning applications have been submitted generating over £546k in fees, which have been charged in accordance with the fee structure. This audit has been given limited assurance because recommendations made in the 14/15 report have yet to be implemented; the main concern being the ability to ensure all income due is collected and accounted for.

The Development Control Team has yet to adopt a regular monthly reconciliation process. The ICT Team has been unable to devise a report to enable regular reconciliations between Planning's M3 system and the General Ledger, making reconciliations largely a manual process although the Section has raised this issue with Northgate, the IT system provider.

Recommendation Tracker

5. The Audit and Governance Committee receives details of all overdue recommendations, plus any priority one recommendations from final reports regardless of whether they are overdue or not. The current tracker (Appendix 2) contains one priority one recommendation passed its due date which was reported at the November 2015 meeting.

6. The priority one recommendation reported at the November 2015 Committee has been shaded out as it has been replaced with the one raised in this year's Planning Fees report, which also re-instated the 2014/15 recommendation about notifying applicants about returning of invalid applications and hence features on this tracker as overdue.

Recommendation type	Number (as at January 2016)
Priority one not passed its due date	0
Priority one passed its due date	1
Priority two passed its due date	1
Priority three passed its due date	1

Service Assurance Statements

7. On an annual basis each directorate undertakes their own review of the effectiveness of their governance; risk management and internal control arrangements through the completion of a standard checklist. Findings and key themes/common issues feed into the Annual Governance Statement.

8. The process is facilitated by Internal Audit who issue and review the checklists used to gather this assurance and, where applicable, challenge what is being presented.

9. The process has been modified this year in that each Assistant Director has to complete an assurance statement for their service, which has to be signed off by their Director. Assistant Directors are encouraged to complete the statements with their teams.

This helps promote greater accountability as previously only Directors had to complete the assurance statement, with one statement per directorate.

Corporate Fraud Team

10. The Corporate Fraud Team is continuing to focus on the large numbers of Right to Buy applications currently being received; maintaining a policy of visiting and interviewing all applicants. This has resulted in a further five applications being found as “suspicious” (and are therefore being investigated further) whilst an additional four tenants have not proceeded with their applications.

11. Following a long investigation, a sought after 3 bedroom semi-detached property in Ongar has been recovered. The tenant, who was found to have abandoned the property, surrendered the tenancy.

12. In December 2015 the Council successfully prosecuted an individual in relation to Local Council Tax Support fraud. Another prosecution relating to a housing fraud case is to be heard at Crown Court in February 2016 as, due to the serious nature of the charges, the magistrates declined jurisdiction.

13. The Team is also currently undertaking investigations for several housing fraud matters including illegal subletting.

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2015/16 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.

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
01/02/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.