

# ***Report to the Audit and Governance Committee***



**Epping Forest  
District Council**

**Report reference: AGC-021-2017/18**

**Date of meeting: 26 March 2018**

**Portfolio: Technology and Support Services**

**Subject: Internal Audit Monitoring Report - February 2018 to March 2018**

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

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

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## **Recommendations/Decisions Required:**

- (1) That the Committee notes the progress made against the 2017/18 Internal Audit Plan; and**
- (2) That the Committee approves the proposal to defer three audits and remove one audit from the 2017/18 audit plan.**

## **Executive Summary:**

This report updates members on the work completed by Internal Audit since the February 2018 Audit and Governance Committee, and also provides the current position in relation to overdue recommendations.

## **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

## **Other Options for Action:**

No other options.

## **Report:**

### 2017/18 Internal Audit Plan

1. Work is continuing to deliver the 2017/18 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 three audits and the removal of one audit as detailed below. With the exception of Anti-Social Behaviour these audits are included in next year's Audit Plan:

- **Safeguarding** – it is proposed to defer this audit until later in 2018/19 to allow the recent service restructure to fully embed.
- **North Weald Airfield: establishment audit** – due to capacity issues within Internal Audit as a result of unforeseen absences (sickness and jury service) and Internal Audit's involvement in preparing the Council for the General Data Protection

Regulations this audit has been deferred to 2018/19, with management's approval.

- **Governance: St. John's Road Development** – due to capacity issues as above, this audit has been deferred to 2018/19.
- **Anti-Social Behaviour (ASB)** – this audit was to ensure there is a joined up approach to ASB across the Council. Internal Audit's knowledge of the Council and discussions with senior management confirmed this is the case rather than any internal control concerns.

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

#### Internal Audit Reports

3. The following report has been issued since the Committee received its last update in February 2018:

- **Commercial Property Service Charges – moderate assurance**

This audit examined the controls in place to ensure all income due to the Council by way of service charges from commercial properties is fully collected, accurately recorded and regularly reconciled.

Service charges are currently charged on 86 properties (out of approximately 300 commercial properties) in accordance with the lease. The audit did not identify any properties where service charges should have been charged but were not. A number of weaknesses were identified:

- (i) Service charges for 2016/17 were based on 2015/16 costs as there was an outstanding query on 2016/17 expenditure, and some service charge invoices had not been sent out. Management was in the process of resolving this at the time of the audit.
- (ii) The need for service charge income to be reconciled to the commercial property management system Propman, to ensure that all income due has been received.
- (iii) Although only currently generating a small amount of income, management fees, which are currently only charged on 18 of the 86 properties, should be charged on all 86 properties in order to provide consistency.

#### Recommendation Tracker

4. The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not.

5. The current tracker is shown at Appendix 2 and contains one high priority recommendation (which has passed its due date), in addition to one medium priority and two low priority recommendations which have passed their due dates.

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

Table 1. Summary of tracker as at 5 March 2018.

Recommendation type	Number (March 2018)	Number (January 2018)	Number (November 2017)	Number (September 2017)
High Priority not passed its due date	0	0	1	0
High Priority passed its due date	1	1	0	0
Medium Priority passed its due date	1	1	1	2
Low Priority passed its due date	2	2	2	2
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

#### Other Internal Audit Activities

7. A number of assignments in the Audit Plan are included to provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion; but these do not result in an audit report. This includes Internal Audit representation on business groups and project teams in addition to less formal meetings. The main focus of Internal Audit's non-audit work has been GDPR.

- **General Data Protection Regulation (GDPR) Working Party**

Internal Audit is actively involved in assisting in the implementation of the GDPR, a key risk area for all Councils. Advice and assistance is being provided to the Working Party to progress the action plan, as well as sharing good practices seen across the three councils in the Internal Audit partnership (Epping Forest, Harlow and Broxbourne). There is a lot of work in progress across the Council to ensure Records of Processing Activities are completed, privacy notices are in place and relevant Council policies are fit for purpose, in addition to reviewing existing contract agreements to ensure compliance with GDPR. The project team is also developing a training and awareness programme for both staff and Members.

#### Compliance with the Public Sector Internal Audit Standards

8. In line with good practice, the Internal Audit service should on annual basis ensure it is compliant with the Public Sector Internal Audit Standards PSIAS, which were last updated in 2017, notifying the Audit and Governance Committee of any areas of non-compliance. The main change to the PSIAS in April 2017 was guidance on the Chief Internal Auditor's role beyond Internal Auditing. This is because Heads of Audit may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities.

9. In November 2016 the service was confirmed as being fully compliant with the PSIAS by an external assessor. This remains to be the case as there have been no significant changes in the way the Internal Audit service is delivered or operates, and the Chief Internal Auditor has not taken on any additional roles.

## Performance Indicators

10. Performance indicators are in place to monitor service performance and the current status, with a comparison against last year's year-end results, is reported below.

Aspect of Service	Performance Indicator	Target	As at end Feb 2018	Year-End 2016/17
Audit Plan	<ul style="list-style-type: none"> <li>Achievement of the annual Plan</li> </ul>	<ul style="list-style-type: none"> <li>95%</li> </ul>	<ul style="list-style-type: none"> <li>79%</li> </ul>	<ul style="list-style-type: none"> <li>84%</li> </ul>
Internal Audit processes	<ul style="list-style-type: none"> <li>Issue of draft report after closing meeting</li> <li>Issue of final report after agreement with client to draft</li> </ul>	<ul style="list-style-type: none"> <li>10 working days</li> <li>5 working days</li> </ul>	<ul style="list-style-type: none"> <li>5 days</li> <li>3 days</li> </ul>	<ul style="list-style-type: none"> <li>16 days</li> <li>4 days</li> </ul>
Effective management engagement	<ul style="list-style-type: none"> <li>Management responses within 10 working days of draft report</li> <li>Implementation of agreed audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>10 working days</li> <li>Within agreed timescales</li> </ul>	<ul style="list-style-type: none"> <li>7 days</li> <li>Largely met (as reported by the tracker)</li> </ul>	<ul style="list-style-type: none"> <li>21 days</li> <li>Largely met (as reported by the tracker)</li> </ul>

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

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

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

No.	Issue	Management response	Progress as at March 2018
1	<p><b>General Data Protection Regulations (GDPR)</b></p> <p>It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.</p>	<p>Work is already in hand to ensure Epping Forest is compliant with the requirements of the GDPR ahead of May 2018 and beyond.</p>	<p>A GDPR working group has been established and overseeing the delivery of the action plan. Each service area is completing a Record of Processing Activities and work is ongoing to ensure privacy notices are in place. The Data Protection Officer is undertaking a review of relevant policies. An awareness and training programme is being developed for both Officers and Members.</p>

2	<b>Corporate Policies</b> For the second year, Service Assurance Statements identified a need to raise awareness of, and communicate changes to, corporate policies in particular Officer Code of Conduct, data protection policies, anti-fraud and Whistleblowing.	A staff awareness campaign will be devised and implemented to address this and will include use of metacompliance to ensure staff have read relevant policies, articles in the monthly staff newsletter District Lines, and reminders at staff briefings.	The revised anti-fraud and corruption strategy was approved by Council on 27 July 2017. The revised whistleblowing policy was approved by Council on 21 December 2017. A staff awareness campaign of relevant policies is being devised.
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**Resource Implications:**

Within the report.

**Legal and Governance Implications:**

None.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

Corporate Governance Group.

**Background Papers:**

2017/18 Audit and Resource Plan.

**Risk Management:**

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 3 to the report.