Report to the Audit and Governance Committee

Report reference: AGC-010-2017/18
Date of meeting: 18 September 2017

Epping Forest District Council

Portfolio:	**Technology and Support Services**
Subject:	**Internal Audit Monitoring Report - June to September 2017**
Responsible Officer:	**Sarah Marsh** (01992 564446).
Democratic Services:	**Gary Woodhall** (01992 564470).

Recommendations/Decisions Required:

(1)   That the Committee notes the progress made against the 2017/18 Internal Audit Plan, the summary of the work of Internal Audit and the Corporate Fraud Team for the period June to September 2017.

Executive Summary:

This report updates members on the work completed by the Internal Audit Shared Service since the June 2017 Audit and Governance Committee, and the work of the Corporate Fraud Team for the period April to September 2017. It 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.   Good progress is being made against the 2017/18 Audit Plan as detailed in Appendix 1. An additional audit has been included for this year to follow up the Health and Safety at Townmead Depot audit which was carried out in September 2016. This should be reported to the November Committee meeting.

Internal Audit Reports

2.   Each audit report provides an opinion as to the adequacy of the control environment for the processes reviewed. As a reminder, the assurance levels used across the shared service were reviewed following the External Quality Assessment in November 2016. The following assurance levels are being used for 2017/18 and onwards across all three Councils:

- **Substantial** - Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.

- **Moderate** - Basically sound control, with areas of weakness, which put system/ service objectives at risk.

- **Limited** - There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.

- **No Assurance** - There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

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

- **Fire Risk Assessments - Moderate Assurance**

    This audit reviewed the policies and processes around Fire Risk Assessments (FRAs) in Council owned residential blocks of flats and communal areas.

    The audit found that the register of properties requiring FRAs was complete and accurate and FRAs had been completed within agreed timescales. FRAs in the Council's high risk buildings (temporary accommodation and sheltered housing schemes) will continue to be completed every two years. Following a review of fire safety after the recent Grenfell Tower incident, FRAs will now be undertaken every two years in all Council owned residential blocks of flats and communal areas (previously every five years in the low risk, general needs flats).

    Significant progress was made during the audit to substantially improve the recording and monitoring of fire safety improvement recommendations raised in FRAs to ensure that progress is tracked and recommendations are completed within agreed timescales. As it is too early to confirm whether this process is working in practice, this will be followed up by Internal Audit in due course. Recommendations have been made to ensure Housing Management (South) follow the same process as Housing Management (North) to record, monitor and report tenant related FRA recommendations, and that fire safety guidance issued in June 2017 should be formalised in a fire safety policy.

- **Cyber Security - Substantial Assurance**

    This review was a non- technical audit designed to assess the adequacy of the Council's framework in relation to both internal and external cyber threats.

    The audit found that the security of the Council's computer network and servers is well managed and there are effective controls in place to detect unauthorised access and suspicious activity. A multi-layered boundary of defences is in place to protect the internal computer network and these are monitored and reviewed by the ICT security team. Management Board are effectively engaged in ICT Security Governance and the Technology and Support Services Portfolio Holder provides Member oversight.

    Cyber security awareness training is given to new staff joining the Council and

refresher training and security updates ensure existing staff are kept informed of current threats. Incident management plans are in place to deal with potential security threats. User access management is well controlled and there are restrictions in place to block inappropriate emails and access to websites that could compromise the security of the network.

- **Planning Application Processes - Substantial Assurance**

  This audit reviewed the processes around the external publicity of planning applications submitted to the Council, and checked that planning applications are determined in accordance with the Council's Scheme of Delegation.

  The Council's policies in relation to the publicity for planning applications meet the statutory requirements and are available on the Council's website along with the processes for public participation in the Area Plans sub-committees. Where permitted by legislation, the Council favours the use of neighbour notification letters rather than site notices as the means of publicity and has robust processes to ensure that all relevant 'neighbours' are informed of planning applications.

  Planning applications processes are operating satisfactorily and planning applications are determined in accordance with the procedures in the Council's Constitution and Scheme of Delegation. It is recommended that the relevant policies and procedures and the Scheme of Delegation are reviewed ahead of adoption of the Local Plan to identify any areas where efficiencies can be made in order that processing times are not affected by any increase in the number of planning applications.

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 two medium and two low priority recommendations which have passed their due date (compared to one medium and two low priority recommendations in June 2017). There are no outstanding high priority recommendations.

6.   Three of the recommendations relate to the external transfer of data which are all being addressed through the General Data Protection Regulations working party, of which Internal Audit is a member.

Table 1. Summary of tracker as at 6 September 2017:

Recommendation type	Number (as at 06 September 2017)	Number (as at 12 June 2017)
High Priority not passed its due date	0	0
High Priority passed its due date	0	0
Medium Priority passed its due date	2	1
Low Priority passed its due date	2	2

<u>Other Internal Audit Activities</u>

7.   A number of assignments in the Audit Plan are included to provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion; but these do not result in an audit report. This includes Internal Audit representation on business groups and project teams in addition to less formal meetings. Significant items are included below for Members' information:

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

  The General Data Protection Regulation will replace the existing Data Protection Act in May 2018. The Council is required to ensure compliance with the principles of the new legislation. Work is already in hand to ensure the Council is compliant with the requirements of the GDPR through the formation of a GDPR working party, chaired by the Director of Governance, which Internal Audit is a member of.

  Internal Audit is playing a key role in the preparation of a Council-wide Information Asset Register. This involves identifying the Council's information assets (manual records and electronic information) to ensure personal data is recorded and used responsibly. Internal Audit is also advising on the implementation of the Council's GDPR action plan, which has been shared with the other Councils (Broxbourne and Harlow) in the Internal Audit shared service.

- **Programme and Project Management**

  Internal Audit continues to be an active member of this project group which is drawing to a close as the system solution, Covalent, has now been rolled out across the Council.

- **Personal Data (Payroll/HR)**

  Internal Audit attends the project group reviewing the processes and forms associated with the new iTrent payroll/HR system, which is currently being implemented, and the controls around the new electronic time recording system. Advice has been provided to ensure that appropriate controls are retained in the new processes, which has most recently focussed on those around the payroll side of the system.

- **Corporate Debt Working Party**

  Advice over processes and controls has been given to this group which is reviewing the Council-wide approach to debt management. The group has worked to ensure directorates take ownership of debts within their service areas and options for a corporate debt management system are currently being explored.

- **Risk Management Group**

  Internal Audit is actively involved in improving risk management processes throughout the Authority and as part of this work has revised the risk management strategy. A new risk register template for directorates has been developed and, following its successful implementation in the Governance Directorate, will be rolled out to the other directorates with the assistance of the Chief Internal Auditor.

<u>National Fraud Initiative</u>

8.   The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include the Department for Works and Pensions (DWP), police, fire and rescue authorities as well as local councils and a number of private sector bodies.

9.   The review of the 2016/17 data matches is in progress and Internal Audit is providing training and guidance to Officers on their matches. Previous exercises have found many NFI matches are not fraudulent and there is usually a simple explanation for matches (for example inaccurate data). Internal Audit is a key contact for the NFI, coordinating the submission of the Council's data and ensuring there is a process for reviewing data matches in accordance with the Council's available resources and the requirements of the Cabinet Office. Internal Audit, in conjunction with the Corporate Fraud Team, assesses any data matches involving Council staff and Members.

Internal Audit Shared Service

10.   The Internal Audit Shared Service, which commenced formally on 1 April 2017, is overseen through quarterly meetings of the Shared Services Board. As the Service currently has an auditor vacancy, a tender exercise was undertaken and Mazars have been engaged to carry out a small number of audits at each Council to assist in achieving the 2017/18 Audit Plan.

11.   Staff work across all three Councils and are, therefore, able to apply their skills and knowledge to assignments at each Council. This has been particularly useful in the work around data mapping and the construction of Information Asset Registers where Internal Audit is assisting all three Councils in preparing for the General Data Protection Regulation.

12.   The Councils can also benefit from sharing good practice. For example, good practice points identified at Harlow District Council helped inform the Fire Risk Assessments audit and have been shared with the relevant Officers at Epping Forest.

Corporate Fraud Team

13.   Since April 2017, four Right To Buy applications have been stopped / withdrawn as a result of Corporate Fraud Team intervention, resulting in a discount saving of approximately £311,600 and ongoing rent revenue streams of around £183,000. In addition, two Council properties have been recovered and placed back into housing stock which has saved around £36,000.

14.   During the same period, one Housing application has been stopped due to fraud being discovered in the application process and one grant application stopped as a result of fraud, saving around £10,000.

15.   Two social housing fraud prosecutions are ongoing, both involving Proceeds of Crime action and will be going to trial.

16.   The team is now engaged in involvement in Operation Scorpion, an initiative being run by Kent & Essex Police Serious Crime Directorate, targeting organised crime (including fraud etc.). This includes, for example, intelligence sharing and providing mutual assistance.

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.