

Supplementary Committee Agenda



**Epping Forest
District Council**

Audit & Governance Committee Monday, 27th July, 2020

Place: Virtual Meeting on Zoom

Time: 7.00 pm

Democratic Services: Gary Woodhall
Tel: 01992 564243
Email: democraticservices@eppingforestdc.gov.uk

4. MINUTES (Pages 51 - 58)

(Democratic & Electoral Services Manager) To confirm the minutes of the meeting of the Committee held on 25 June 2020 (attached).

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EPHING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit & Governance Committee **Date:** 25 June 2020

Place: Virtual Meeting on Zoom **Time:** 7.00 - 8.10 pm

Members Present: I Hadley, S Heap, R Jennings, P Keska and B Vaz

Other Councillors: R Brookes, J Philip, C Whitbread and J M Whitehouse

Apologies:

Officers Present: M Crowe (Corporate Fraud Team Manager), J Leither (Democratic Services Officer), S Linsley (Senior Auditor), S Marsh (Chief Internal Auditor), S Mitchell (PR Website Editor), A Small (Strategic Director) and G Woodhall (Democratic & Electoral Services Officer)

1. WEBCASTING INTRODUCTION

The Democratic & Electoral Services Officer made a short address to remind everyone present that this virtual meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

2. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

The Committee noted that it could not elect a Vice-Chairman this evening as there were currently no co-opted members eligible for appointment.

Resolved:

(1) That Councillor I Hadley be elected Chairman of the Audit & Governance Committee for the 2020/21 municipal year.

3. DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Member Code of Conduct.

4. MINUTES

Resolved:

(1) That the minutes of the meeting held on 25 November 2019 be taken as read and signed by the Chairman as a correct record; and

(2) That the minutes of the meeting held on 27 January 2020 be taken as read and signed by the Chairman as a correct record.

5. MATTERS ARISING

The Chief Internal Auditor reminded the Committee that it had, back in January, requested the Service Director for Planning Services to attend the next meeting to explain the risks involved with the current stance of Natural England on planning applications which affected the Special Area of Conservation within Epping Forest. The next meeting had been postponed due to the Covid-19 pandemic, and the Chief Internal Auditor enquired if the Committee still wished the Service Director to attend. The Committee confirmed that it did and requested that the Service Director attend its next scheduled meeting in July 2020.

6. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME

The Chief Internal Auditor presented the Committee's Work Programme for 2020/21.

Cllr S Heap commented that items might need to be added to the Work Programme as the municipal year progressed concerning the recovery from the Covid-19 pandemic and Qualis.

The Committee noted its Work Programme for 2020/21.

7. AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2019-20

The Chief Internal Auditor presented the Annual Report of the Audit & Governance Committee for 2019/20.

The Chief Internal Auditor reminded the Committee that the Annual Report outlined the Committee's work and achievements during the year ending 31 March 2020. The Annual Report also demonstrated to residents and other stakeholders the vital role carried out by the Audit & Governance Committee, and the contribution it made to the Council's overall governance arrangements.

Resolved:

- (1) That the Annual Report of the Audit & Governance Committee for 2019/20 be agreed for submission to the Council.

8. ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

The Chief Internal Auditor presented her Annual Report for the consideration of the Committee.

The Committee was reminded that the Accounts and Audit Regulations 2015 included a requirement for the Council to undertake an annual review of the effectiveness of its system of internal audit as part of a wider review of the effectiveness of the system of governance. This report supported the opinion of Internal Audit on the adequacy of the Council's internal control environment and summarised the work undertaken during 2019/20.

The Committee noted that, based upon the results of work undertaken during the year, it was the Chief Internal Auditor's overall opinion that the Council had adequate and effective governance, risk management arrangements and control processes. Where there had been significant issues, these had been accepted by Management and promptly corrected.

The Chief Internal Auditor explained that although only 12 assurance reviews were completed during 2019/20, in comparison to 25 in 2018/19, this was a result of Internal Audit undertaking more advisory work than previously and also completing assurance reviews in greater depth. The fact that only five of the twelve reviews attracted a 'substantial' assurance rating indicated that the right areas of the Council were being targeted for review. The performance indicators for the Internal Audit service in 2019/20 had been achieved or largely met throughout the year, although some management responses had taken longer than the target of ten days due to the complexity of the review. The Appendices of the report detailed the work carried out by the Internal Audit Service during the year, and listed the individual audit reports issued as part of the 2019/20 Audit Plan.

In respect of Business Continuity Planning, Cllr I Hadley asked if a recovery exercise had been undertaken involving setting up a centre away from the Civic Offices? The Chief Internal Auditor responded that this had not been done, and the Council would need to undertake this sort of exercise. There was some best practice available to share from Broxbourne Borough and Harlow District Councils. The Section 151 Officer added that the Covid-19 pandemic had tested the Council's disaster recovery plan, and had proved that the Council could provide its services without using the Civic Offices building.

Cllr S Heap highlighted that fines for breaches of Health & Safety legislation could be unlimited, and this area should be monitored very carefully. In addition, there were now a smaller number of people making the decisions for Qualis – the Council's newly established Group company – and the governance arrangements needed more openness and control.

Cllr I Hadley also emphasised the limited assurance for the Business Support Reconciliations audit, which would need to be improved in the future. The Chief Internal Auditor reassured the Committee that the audit report made recommendations which had been agreed and completed by Officers. The Committee also requested that metrics be used in future rather than descriptive words such as 'largely'.

Cllr J M Whitehouse commented that the Council's ability to continue to provide critical services during the Covid-19 pandemic reflected well on its business continuity arrangements. However, the Councillor also noted that a third of the audit reports were currently receiving a 'limited assurance' rating, which had increased from one to four during 2019/20, and wondered whether there were any common themes such as no procedure notes being left behind when critical members of staff left the Council. The Committee agreed that the Council's governance arrangements needed to be robust enough to cope if five members of staff left the Council in a short space of time. The Section 151 Officer stated that his role and remit was to bring robustness to the Council's processes and address these issues.

Resolved:

- (1) That the Annual Report of the Chief Internal Auditor for 2019/20 and the Assurance Level given be noted; and
- (2) That, for the twelve month period ending 31 March 2020, the confirmation by the Chief Internal Auditor that the Council had operated adequate and effective governance, risk management arrangements and control processes be agreed.

9. REVISED INTERNAL AUDIT PLAN 2020/21

The Chief Internal Auditor presented the revised Audit Plan for 2020/21 for approval by the Committee.

The Chief Internal Auditor explained that the Internal Audit Plan for 2020/21 had been revised due to the Covid-19 pandemic. It was based on a risk assessment of internal and external factors, including those related to the pandemic, which could affect the Council in achieving its objectives. It was important that sufficient work was undertaken by the Internal Audit Service for the Chief Internal Auditor to be able to give their annual opinion on the Council's internal control, risk management and governance arrangements.

The Chief Internal Auditor added that the initial focus of the revised Audit Plan would be the core financial controls, including Accounts Payable, Payroll and Treasury Management, and any lessons to be learnt from the Covid-19 pandemic would be captured to improve the Council's Business Continuity Planning in the future. It was explained that a number of audits were excluded if it was felt that they could be deferred until 2021/22, and it was emphasised that the Plan was not fixed and could be amended or revised if circumstances demanded.

Cllr R Jennings expressed some concerns and asked if the Chief Internal Auditor had sufficient qualified staff to undertake the proposed Plan and complete it? The Councillor did not want a repeat of the position of previous years where the Audit Plan was not completed. The Chief Internal Auditor explained that the Audit Plan was compiled on a needs assessment using staff availability and days, and it was also necessary to have a broad range of audits planned. The Audit Plan for 2019/20 would have been completed but for the Covid-19 pandemic, and the Chief Internal Auditor assured the Committee that the 2020/21 Audit Plan would be delivered.

The Chairman enquired what the effect of homeworking had been on the Internal Audit Service? The Chief Internal Auditor responded that the Service had been working flexibly anyway as it covered three distinct Councils. It had been impossible to undertake any physical testing during the pandemic, and some Officers had not been available as they had been busy dealing with Covid-19 related matters. However, now that the Council was entering the recovery phase, it was intended to engage more with Officers.

The Chief Internal Auditor informed the Committee that the governance audit of Qualis needed to be completed before any operational ones. The audit of Qualis Commercial would depend on how quickly their transactions started, but it would be undertaken at the appropriate time. In respect of the priority of the planned audits, the Chief Internal Auditor stated that there would be consultation with the Section 151 Officer and the views of the Committee would also be considered but it was necessary to perform the key financial audits followed by the Qualis Governance audit. However, the Plan was designed to be flexible and other audits could take priority later in the year. The Committee agreed that Qualis should be given a chance to start trading before it was audited.

Cllr S Heap enquired whether a small group of Councillors could have oversight of any fraud allegations against staff, to open up this aspect of work to proper scrutiny and to identify any trends. The Chief Internal Auditor reminded the Committee that the Internal Audit Service was independent of the Council, and the Corporate Fraud Team would investigate all incidents of staff fraud and if anything significant arose then there would be a conversation with the Chairman of this Committee. Similar arrangements were also in operation at Broxbourne Borough and Harlow District

Councils, and there was also the 'Whistle Blowing' policy and the Fraud hotline. The Chief Internal Auditor was cautious of starting any perceived witch hunts against staff. Cllr S Heap clarified that he was thinking in terms of another level of oversight, not the whole Committee but perhaps a small group of three Councillors from the Audit & Governance Committee. The Section 151 Officer suggested that it might be preferable to bring the matter to the attention of the Chairman first and then to the wider attention of the Committee. The Chief Internal Auditor felt that the current process could be reconsidered when a new case arose.

Resolved:

- (1) That the revised Internal Audit Plan for 2020/21 be approved.

10. CORPORATE FRAUD TEAM ANNUAL SUMMARY 2019/20

The Corporate Fraud Team Manager presented the Corporate Fraud Team Annual Summary for 2019/20, which summarised the key achievements of the Corporate Fraud Team during the year.

The Corporate Fraud Team Manager stated that 232 investigations were closed during 2019/20 with 53 closed as 'Fraud Proven' (30%); although if the 109 Student Council Tax Exemption cases were extrapolated, this figure rose to 43%. The Team had so far examined over 100 of the Student Council Tax Exemption cases, and had found the process to be resilient to fraud. A total of 46 applications were received by the Council under the 'Right-To-Buy' scheme, all of which were investigated by the Corporate Fraud Team, and of these 24 were stopped or withdrawn. This has resulted in approximately £2million of potential 'Right-To-Buy' discount being saved by the Council.

The Corporate Fraud Team Manager highlighted the joint working initiative with Brentwood Borough Council, and the informal joint working arrangements with Chelmsford City Council. Not only did the Council receive revenue for providing these services, but it also allowed best practice to be shared between the Councils which had been of benefit to this Council as well. The other activities undertaken by the Team during the year were highlighted, as well as the current structure of the Team.

In response to questions from the Committee, the Corporate Fraud Team Manager explained that Right-To-Buy applications were not suspended during the pandemic, but the number received did reduce. In respect of the joint working arrangements, the Committee was informed that the revenue for this had amounted to approximately £19,000 per annum, which the Team intended to use for other anti-fraud/corruption work. The Team did not employ any additional staff to provide this service, and it usually amounted to two days per week for Brentwood Borough Council; the arrangement with Chelmsford City Council was more informal. However, if the Team could not provide any resource for Brentwood Borough Council then no work would be undertaken for them.

Resolved:

- (1) That the Corporate Fraud Team Annual Summary for 2019/20 be noted.

11. CORPORATE FRAUD TEAM STRATEGY 2020/21

The Corporate Fraud Team Manager presented the Corporate Fraud Team Strategy for 2020/21, which set out the focus and approach of the Corporate Fraud Team for

the municipal year 2020/21.

The Corporate Fraud Team Manager explained that the purpose of the Strategy was to document the Team's approach to provide independent and professional investigations into all aspects of fraud affecting the Council, supporting the Council's anti-fraud culture and framework, and deliver a corporate anti-fraud service that was innovative, professional and compliant with legislation. The Strategy then set out the work that would be undertaken by the Team during 2020/21, including: proactive work; reactive work; work in relation to the National Fraud Initiative exercise; the exploring and pursuing of further joint working / shared service arrangements; other areas of work not already covered; and proposed continuing staff development. There were also three longer-term projects that the Team would continue to progress throughout the year.

The Corporate Fraud Team Manager drew the Committee's attention to the impact that the current Covid-19 pandemic had had on the Team. This included a revision of a number of its normal working practices, including the suspension of any visits to property or premises to carry out investigations. However, the Strategy was designed to be flexible, and any significant changes to it due to the pandemic would be highlighted to the Chairman of this Committee in the first instance and then reported to the Committee itself at the next available meeting.

The Corporate Fraud Team Manager confirmed that an internal transfer of funds was completed for any work undertaken on behalf of the Council's Monitoring Officer. It was not known at the current time if more resources would be required to investigate Covid-19 related fraud. The Team was just beginning to examine the applications for the Government's Business Grants, and if it was felt necessary then additional resources would have to be considered.

Resolved:

- (1) That the Corporate Fraud Team Strategy for 2020/21 be approved.

12. RISK MANAGEMENT

The Chief Internal Auditor presented a report on the review of the Corporate Risk Register.

The Chief Internal Auditor reminded the Committee that formal responsibility for making recommendations to the Cabinet regarding risk management was being transferred from the Finance & Performance Management Cabinet Committee to this Committee. The attention of the Committee was drawn to the table in the report showing the results of the fundamental review of the Corporate Risk Register by the Risk Management Group at their meeting on 4 June 2020. It was noted that a new overarching risk in relation to the Covid-19 pandemic had been added to the Register. The Section 151 Officer added that the financial risk arising from the pandemic was probably greater than stated in the report; however, this was an emerging risk which would be better understood in the forthcoming weeks as more work was undertaken.

The Chairman felt that the risk rating for Financial Resilience seemed low given the onset of the Covid-19 pandemic, and the Section 151 Officer agreed that it would probably increase in future reviews. It was also accepted that the Register should outline more of the activities being undertaken by the Council to accelerate the approval of the draft Local Plan.

Cllr R Jennings also questioned the rating for the Climate Emergency risk and felt that it should be A1. Cllr S Heap pointed out that the Climate Emergency was an ever-present problem, and that if the environment became uninhabitable then nothing else mattered. The Section 151 Officer accepted the Committee's comments and acknowledged that the Council had declared a Climate Emergency; however, Officers would be better able to assess this risk when the new staff had been recruited and work had begun on this issue.

Resolved:

- (1) That the current Corporate Risk Register be noted; and
- (2) That there were no new or emerging risks for consideration by the Risk Management Group at the current time.

13. INTERNAL AUDIT MONITORING REPORT - JUNE 2020

The Senior Auditor presented the Internal Audit Monitoring report for the period January to June 2020.

The Senior Auditor reported that seven reports had been issued since the Committee's last meeting on 27 January 2020. The two reports on Houses in Multiple Occupation Licences and Housing Register & Allocations had been issued with substantial assurance, the two reports on Housing Rents & Arrears and Asbestos Management had been issued with moderate assurance, whilst the three reports on Data Retention & Disposals, IT Change & Patch Management and Health & Safety – Satellite Offices had been issued with limited assurance. The current Recommendation Tracker showed 14 audit report recommendations had passed their due date, of which one was high priority; this number had increased slightly but it was felt that there were legitimate reasons for this. The progress of all audit recommendations continued to be monitored by the Corporate Governance Group.

The Senior Auditor highlighted the other activities being undertaken by the Internal Audit Team, which included: providing advice and assistance on the Small Business Grant and Retail, Hospitality & Leisure Grant schemes introduced by the Government in response to the Covid-19 pandemic; finance related work, particularly in relation to the year-end processes; a review of payroll processes; and assisting with the production of Service Assurance Statements. It was proposed to defer the audit of the Infrastructure Delivery Plan as the Local Plan had yet to be adopted, and the Committee's attention was drawn to the full Audit Recommendation Tracker report which provided details on the progress of all overdue and high priority audit recommendations.

Cllr R Jennings enquired whether home working was causing the Auditors significant problems. The Chief Internal Auditor stated that home working had changed some Council processes, for example email approval rather than signatures, but no evidence of any fraud had been found as of yet; although the procedures would continue to be reviewed. Cllr S Heap commented that, in respect of the Asbestos Management audit, legally you had to assume that asbestos was present in any building built before 2004, which could reduce the number of buildings that had to be checked if this viewpoint was adopted.

Resolved:

- (1) That the progress made against the 2019/20 Internal Audit Plan and the summary of the work undertaken by Internal Audit and the Corporate

Fraud Team be noted; and

(2) That the deferral of the Infrastructure Delivery Plan audit from the 2019/20 Internal Audit Plan be approved.

14. ANY OTHER BUSINESS

The Democratic & Electoral Services Officer advised the Committee that the recruitment process for new Co-Opted members of the Committee had yielded a number of candidates, but that the process had been postponed until the Autumn due to the Covid-19 pandemic. The Committee currently had one full term vacancy and one casual vacancy.

15. EXCLUSION OF PUBLIC AND PRESS

The Committee noted that there was no business on the agenda which necessitated the exclusion of the public and press from the meeting.

CHAIRMAN