

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference:

**Date of meeting: 25 January
2021**

Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report January 2020

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Laura Kirman (01992 564273)

Recommendations/Decisions Required:

- (1) The Committee approves the revised Local Code of Governance**
- (2) The Committee approves the revised Anti-Fraud and Corruption Strategy**
- (3) The Committee approves the revised Whistleblowing Policy**
- (4) The Committee approves the revised Internal Audit Charter**
- (5) The Committee notes the outcomes of the member skills and knowledge analysis**

Executive Summary:

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the December 2020 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

A number of documents have been reviewed by the officer Corporate Governance Group as part of the annual review cycle and are presented here for approval being: Internal Audit Charter, the Local Code of Governance, Anti-Fraud and Corruption Strategy and Whistleblowing Policy.

In addition, a summary is given of the Committee's collective skills and knowledge, confirming there is no one area of the Committee's remit that lacks knowledge or experience.

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:

2020/21 Internal Audit Plan

1. Progress is being made on the revised 2020/21 Audit Plan as detailed in Appendix 1.
2. The following two reports have been issued since the Committee received its last update in December 2020:

Fixed Assets – Moderate assurance

The purpose of this audit was to assess the control framework for ensuring that fixed assets are properly safeguarded and accurately recorded in the Council's accounts. The review established that:

- A Fixed Asset Register is in place and sample testing confirmed that this is regularly updated for acquisitions, disposals, and the recording of depreciation.
- Sample testing of assets shown in the Corporate Asset Register confirmed that fixed assets are depreciated over the life spans set out in the accounts and that depreciation has been correctly calculated based on the expected life across the range of assets. Further, sample testing confirmed that residual values are correct calculated.
- There is a framework of controls in place to ensure that Council assets are safeguarded, and sample testing confirmed that these are adequate and are operating effectively.

However, the following areas require improvement:

- The arrangements for reconciling the Fixed Assets Register to the general ledger at the financial year-end are insufficient, with management being unable to evidence that this task was carried out at the 31st March 2020 year-end.
- There are no detailed procedures relating to the year-end processes, including the reconciliation of the Corporate Asset Register to the general ledger.
- Financial Regulations, which include a section setting out the Council's requirements relating to Fixed Assets, are dated October 2015 and require a review and, where necessary, updating.

Customer Services – Substantial assurance

The transformation of Customer Services commenced in early 2020 and this review focussed on the existing performance metrics used and how the Customer Service strategy is enabling the Council to improve customer services.

The Customer Services transformation plans are clearly defined as to actions and timescales and responsibilities. Plans have been updated to reflect to new working arrangements caused by Covid19 restrictions and the requirement for home working.

There has been ongoing performance measurements which supports activities that have been effective in delivering a reduction in 20 complaints received in quarter 1 2020/21, an increase in channel shift to online of 18%, and also improvements in call centre responses where the matter is resolved on first contact, where quarter 1 2020/21 performance exceeded the 45% target set.

There is now a need to build upon the achievements already made through:

- Formal evaluation of the benefits and savings already achieved by the Customer Services Transformation plans;
- Set a deadline for the 23 Managers to complete and return the outstanding Customer Services Health checks for their services; and
- Address the long-term solution for the cash office arrangements, where demand remains high, 35% of customers do not want to switch, but the long-term solution work is yet to be confirmed as to date and planned completion.

Recommendation Tracker

3. 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.
4. The current tracker is shown at Appendix 2 and contains one high and two medium priority recommendations which have passed their due dates (the same as reported in December 2020)
5. The high priority recommendation relates to Health and Safety where good progress is being made to implement the recommendations, being spearheaded by the Strategic Safety Group, of which the Chief Internal Auditor is a member.

Table 1. Summary of tracker as at January 2021.

Recommendation type	Number (January 2021)	Number (December 2020)	Number (September 2020)	Number (July 2020)	Number (June 2020)
High Priority not passed its due date	0	0	0	2	
High Priority passed its due date	1	1	2	1	
Medium Priority passed its due date	2	2	1	6	
Low Priority passed its due date	0	0	5	7	
Total	3	3	8	16	1

Other Internal Audit activities

6. Internal Audit has continued to provide advice and guidance in several business areas:

Covid-19 central government grants for businesses and individuals: Internal Audit and the Corporate Fraud Team continue in providing advice and practical assistance on the three current business grants schemes (National Restrictions Support Grant, Local Restrictions Support Grant and Additional Restrictions

Grant).

Finance related work: Internal Audit resource continues to be diverted to update the Revenue Account 2020/21 form submitted to central government and review the processes around the capitalisation of salaries costs within Housing.

Decision Making Accountability (DMA): Internal Audit is continuing to develop a schedule of corporate responsibilities for each layer of the management spine, reflecting the DMA principles used to design the Council's structure. This will ensure there is clarity and consistency of decision making at each management level and responsibility is attached to the role and not the individual. Discussions are ongoing with Service Managers to align processes with the DMA which will maintain operational effectiveness whilst ensuring accountability.

Corporate purchase cards: Internal Audit is facilitating discussions on the Council's approach to the use of purchase cards following the decision to use these routinely for low level spend.

National Fraud Initiative (NFI) 2020/21: Internal Audit is coordinating preparations for the 2020/21 NFI exercise. A revised protocol has been agreed with submission of the data taking place in October 2020. Matches are due out in January 2021.

Independent Members of the Audit and Governance Committee: With the assistance of Democratic Services, Internal Audit has co-ordinated the process for appointing to the vacant Independent Member positions. The Council went out to advert in January 2020 and interviews were being set up for the five applications received but had to be postponed due to Covid-19. The interviews finally took place via Zoom at the end of November and beginning of December by the following panel members: Cllr Hadley, Cllr Heap, Cllr Jennings and Cllr Whitehouse supported by the Section 151 Officer and the Chief Internal Auditor. One appointment was made, Tony Jarvis, as the other candidates failed to meet sufficiently the criteria set out within the selection criteria. Work is in progress on a new recruitment process, with the intention to go out to advert in February 2021.

7. In addition, Internal Audit has spearheaded a review of three key governance related documents as set out below, which have been approved by the Corporate Governance Group before being presented here.

Local Code of Governance: Reviewed annually, only minor changes are proposed in (underlined in bold in the document) to reflect the impact of Covid-19. See appendix 3.

The Code is a statement of the systems by which it directs and controls the exercise of its functions and how it relates to the local community. It is intended to provide confidence in the activities of the Council and how it goes about its business, focus the minds of those involved in decision making and ensures those decisions are made in a proper and transparent way. The Code also seeks to ensure that the Council actively engages with local stakeholders, assist the constant improvement in service delivery and the minimisation of associated risks.

Anti-Fraud and Corruption Strategy: Also reviewed annually, with the main changes reflecting the outcome from the recently issued Fighting Fraud and Corruption (FFCL) Strategy and updated guidance on accepting cash as part of the Anti-Money Laundering Policy (see appendix 4).

The FFCL strategy outlines a governance framework for continuing national and

regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. The strategy is about creating a self-sustaining counter fraud response for the sector and how this can be achieved.

The Council's strategy is aligned to the FFCL strategy which focuses upon pillars of activity that summarises the areas local authorities should concentrate efforts on. There are 'acknowledge', 'prevent' and 'pursue', There are another two areas of activity that underpin each of these pillars. These are 'govern' and 'protect' with the pillar of 'govern' sitting before 'acknowledge'. It is about ensuring the tone from the top is consistent with the pillars and that they should be included in local counter strategy, which it is for Epping Forest.

Whistleblowing policy: Last reviewed in January 2019, this policy has been updated with the key contact details and revised timescales for reporting back on concerns raised (appendix 5) This policy, along with the anti-fraud and corruption strategy will be promoted amongst staff and members through an awareness campaign.

Review of the Internal Audit Charter

8. The Internal Audit Charter sets out the common practices of Internal Audit and requires annual review in accordance with the Public Sector Internal Audit Standards (PSIAS). This was last undertaken in January 2020.
9. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2018 edition states that an Audit Committee (the committee) should have a role in reviewing and approving the internal audit charter. In addition, the committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function.
10. A review of the current Internal Audit Charter (Appendix 6) confirms it is still fit for purpose and is fully compliant with the PSIAS. The only change (underlined in bold) is that the Section 151 Officer now has line management responsibility for the Chief Internal Auditor.

Corporate Fraud Team (CFT) update

11. Further to our last update in December, the CFT have continued to actively vet each Right to Buy (RTB) application received by the Council. Due to the Covid situation severely reducing the ability to visit homes interviews with RTB applicants are still taking place however the team is utilising Zoom in order to conduct them wherever possible, with the applicants' consent. Since December, a further two applications have been withdrawn following the vetting procedure taking place.
12. Video interviews are also being utilised in cases of suspected housing fraud with a successful outcome during November where a tenant was interviewed by video regarding a suspected fraudulent mutual exchange application. The tenant was found not to be utilising their council property as their main and principle home and the mutual exchange was cancelled and action is now being taken to recover the property.
13. An investigation was undertaken into a housing application whereby the applicant had been purporting to live with their partner and a baby within the EFDC area in shared and cramped conditions, thus giving them greater housing need priority. The investigation discovered that the applicant is (and has been) living in a

number of privately rented properties within a different district. They had also failed to declare on their application that they own another property. The application has been rejected on the grounds of being adequately housed and possible further action against them is being explored for making a false statement.

14. The team are also providing ongoing assistance to the Revenues team in respect of the Covid-19 business grants.

Skills and knowledge analysis

15. As part of the Audit Committee effectiveness review, as reported to the December 2020 Audit and Governance Committee, a skills and knowledge questionnaire has been completed by the majority of committee members and summarised in appendix 7. This confirms the committee has collectively a wide range of knowledge and experiences, including both public and private sector. There was no one area that lacked collective knowledge or experience.
16. Training for Audit and Governance Committee members is being reinstated as this had been stalled due to Covid-19 and will be open to all councillors. Risk management training has been arranged for just before the March 2021 Audit and Governance Committee meeting. In addition, bespoke informal training has been provided by the Chief Internal Auditor where it was requested in one of the questionnaires. This offer is available to any member of the Committee.

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2020/21 Audit Strategy and 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 8 to the report.