

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Date of meeting: 15 February 2024

Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report February 2024

Responsible Officer: Sarah Marsh (01992 564446)

Democratic Services: Laura Kirman (01992 564243)

Recommendations/Decisions Required:

- (1) The Committee notes the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2023 to February 2024**
- (2) The Committee approves the revised Anti-Fraud and Corruption Strategy and refers it to Council for approval**
- (3) The Committee notes the revised Whistleblowing policy**
- (4) The Committee approves the Code of Corporate Governance**

Executive Summary:

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the November 2023 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

The Anti-Fraud and Corruption Strategy has been reviewed, updated, and is presented for comment and approval.

The Whistleblowing policy has been reviewed and updated and is presented for noting.

The Code of Corporate Governance is presented for approval.

This report gives an update on the progress of actions taken to address issues identified in the Annual Governance Statement.

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:

2023/24 Internal Audit Plan

1. Progress is being made on the 2023/24 Audit Plan as detailed in Appendix 1.
2. Two final reports have been issued since the Committee received its last update in November 2023. The first follows an investigation following an attempted bank mandate fraud, which was prevented due to staff vigilance.
3. Internal Audit was asked to undertake a review of the processes for changing bank details at the request of a supplier/customer. Overall, there were appropriate controls in place to help prevent fraud occurring. However, some of these needed tightening up.
4. In addition, Internal Audit investigated an external allegation of poor tendering practices. It was concluded that the allegation was unfounded, and the Council had complied with procurement legislation and its own Procurement Rules.

Recommendation Tracker

5. 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.
6. The current overdue tracker is shown at Appendix 2 and contains seven medium and two low priority recommendations which have passed their due date. There are two high priority recommendations which are not yet due for completion.

Table 1. Summary of tracker in February 2024

Recommendation type	Number (February 2024)	Number (November 2023)	Number (June 2023)	Number (March 2023)	Number (February 2023)	Number (November 2022)
High Priority not yet passed its due date	2	2	0	0	0	0
High Priority passed its due date	0	0	0	0	0	0
Medium Priority passed its due date	7	9	11	7	7	7
Low Priority passed its due date	2	3	1	1	1	0
Total	11	14	12	8	8	7

Other Internal Audit activities

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

Risk Management: Internal Audit continues to assist with the roll out of the new corporate risk management framework. In addition to the quarterly review of the

corporate risks by the Senior Leadership Team, an operational risk management group has been established (chaired by the Head of Internal Audit) to further embed risk management in the organisation. Risk management training for Members was provided in January 2024.

Review of Whistleblowing Policy

- 8. The Whistleblowing Policy (Appendix 3) has been reviewed and revised. Changes are shown in **bold underline** and are minor in nature. It will be disseminated to all staff.

Review of Anti-Fraud and Corruption Strategy

- 9. The Council’s Anti-Fraud and Corruption Strategy is attached at Appendix 4 with changes shown in bold and underlined. The strategy remains largely the same as last year and includes reference to the 2023-26 Economic Crime Plan. The Economic Crime Plan aim is for the public and private sectors to jointly deliver a holistic plan that defends the UK against economic crime, prevents harm to society and individuals, protects the integrity of the UK economy, and supports legitimate growth and prosperity.
- 10. The Audit and Governance Committee is requested to comment on and approve the revised Anti-Fraud and Corruption Strategy and refer to Council for approval.

Review of Code of Corporate Governance

- 11. The Code is a statement of the systems by which the Council 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 that 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.
- 12. This year’s review (Appendix 5) confirms the Code is still up to date, in line with good practice and fit for purpose. Changes have been identified using **bold underlined** wording or strikethrough.

Progress against the 2022/23 Annual Governance Statement

- 13. In July 2023, the Audit and Governance Committee noted 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 2023/24 is shown in the table below.

No.	Objective	
1	<p>Economic Issues</p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although</p>	<p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p>

	<p>there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p>	<p>This includes the Section 151 Officer's quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services, especially Revenues and Benefits, continue to prioritise and resource the delivery of the various support packages offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p> <p>The Council has a Cost of Living page on its website, which includes useful websites, organisations and advice to help with rising costs.</p>
2	<p>Statement of Accounts</p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector. Locally, the Council has an increasingly resilient Finance function, but a shortfall in External Audit resources has prevented the final sign off of the draft 2020/21 Accounts and limited audit work has been undertaken on the draft 2021/22 Accounts. Concerns include potential accuracy of rolled forward balances in the 2022/23 Accounts.</p>	<p>The Council is continuing to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer is also accessing professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>The delay in auditing accounts is a national issue and governance guidance is expected before Christmas on how to address the significant backlog of local government audits.</p> <p>The Audit and Governance Committee is being kept informed on progress.</p>
3	<p>Financial Management Code</p> <p>The assessment has carried over from the 2021/22 AGS action plan, although further progress was made in addressing the underlying principles of the Code in 2022/23.</p>	<p>The Code assessment will now be undertaken in 2023/24 to ensure that the Council can demonstrate compliance with the Code. If there are any remaining deficiencies, an action plan will be developed to address these.</p> <p>A template for the review has been identified and resource being identified to undertake the</p>

		review.
4	<p>Income Recovery</p> <p>The Income Recovery functions require improvement, with the Council experiencing a range of interlinked financial pressures as a consequence of sub-optimal performance (leading to increased revenue costs through additional bad debt provisions and lower returns from funding incentives such as the Essex “Council Tax Sharing Agreement” (CTSA). The Sundry Debtors function has a substantial backlog of outstanding cases (exacerbated by the recent installation of a new IT system) and the Council experienced higher Local Tax arrears than expected at the year end, due to a decline in both Council Tax and Business Rates collection performance in Quarter 4 of 2022/23.</p>	<p>Additional performance measures have been introduced in 2023/24 to monitor and capture the Council’s progress in tackling a backlog in outstanding Sundry Debts more closely. Additional resources are also being engaged within the Revenues function.</p> <p>Income collection and recovery systems (including performance), for both Local Tax and Sundry Debts, is being explored and benchmarked as part of the shared services partnership with Braintree District Council and Colchester City Council.</p>
5	<p>Financial Regulations</p> <p>The review has carried over from the 2021/22 AGS action plan, with the delay partly as a consequence of ongoing delays to the introduction of the new Management Structure.</p>	<p>The review has been scheduled in for 2023/24.</p> <p>The updated Financial Regulations will be systematically rolled out in a structured way to ensure that they are suitably disseminated and clearly embedded within frontline service areas.</p>
<p><i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i></p>		
6	<p>Risk Management</p> <p>Further work is required to develop and embed risk management processes.</p>	<p>A revised risk management strategy and policy has been developed and approved by Cabinet in December 2023. Risk management features quarterly at SLT to review strategic risks and an operational risk management group meets quarterly. Service risk registers are currently being developed. Member training on risk management was provided in January 2024</p>
7	<p>Business Continuity</p> <p>A Business Continuity project has been ongoing during 2022/23 which has included providing relevant training to services so that they can develop their business continuity</p>	<p>Business continuity arrangements are being strengthened through the completion of all Business Continuity Plans (corporate and service level).</p> <p>A business continuity exercise by the Wider Leadership Team was undertaken in</p>

plans.	November 2023, the outcomes of which are being used to help inform the Plans.
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Corporate Fraud Team (CFT) Update

- 14. Three Right to Buy applications have been withdrawn following interviews by CFT officers.
- 15. Investigations have been undertaken into the following:
 - a. allegations of false information given on a homeless application, whereby the applicant failed to declare ownership of a property,
 - b. an EFDC tenant who failed to declare ownership of a property whilst on the housing waiting list, and was subsequently awarded a tenancy, and
 - c. allegations an EFDC tenant was not resident at their supported housing accommodation. Work is currently ongoing with the tenant who wished to give up their EFDC tenancy.
- 16. The CFT worked with Internal Audit and the Council's Insurance Risk Lead Officer to investigate fraudulent insurance policies being set up using the Council's address.
- 17. The CFT has assisted Environmental Health Officers (EHOs) in an investigation focused on illegal Houses in Multiple Occupancy (HMO's) in the district, and following a formal interview conducted by EHOs and CFT officers, the company involved has received substantial monetary fines.

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2023/24 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.