

Report to the Audit and Governance Committee



Report reference: AGC-011-2015/16
Date of meeting: 30 November 2015

**Epping Forest
District Council**

Portfolio: Governance and Development Management

Subject: Internal Audit Monitoring Report - September to November 2015

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee notes the progress being made against the 2015/16 Internal Audit plan and by the Corporate Fraud Team.

Executive Summary:

This report provides a summary of the work undertaken by Internal Audit between September and November 2015, progress against the 2015/16 Internal Audit plan and a summary of the work undertaken by the Corporate Fraud Team.

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:

2015/16 Internal Audit Plan

1. Work has continued on the 2015/16 Audit Plan as detailed in Appendix 1. The timings for each audit have been agreed with the relevant Assistant Directors to ensure a steady flow of reports throughout the year.
2. As the Internal Audit function currently has an auditor vacancy, a total of ten audits have been outsourced to Mazars, an outsource provider of Internal Audit services. All of these audits have been scoped and timings for these are being agreed with the relevant Assistant Directors.

Internal Audit Reports

3. The following four reports have been issued as final reports since the Committee received its last update in September 2015:

- *Bed & Breakfast Accommodation for Homeless Persons: (Limited assurance)* – At the request of management, the review of bed & breakfast accommodation for homeless persons was

carried out separately from Norway House (homeless person's hostel), which was reported at the last meeting. The main focus of this audit was to review the contracts in place for providing bed & breakfast accommodation and the processes in relation to monitoring and collecting bed & breakfast arrears. At the time of the audit (September 2015) the contracts had not been extended to cover the year to 31 March 2016, although this has since been carried out. The audit identified a weakness in relation to the systems for monitoring and collecting bed & breakfast arrears, which has now been addressed.

- *Members Allowances: (Substantial assurance)* – This audit reviewed the controls surrounding the payment and publication of Members Allowances and expenses. The systems were found to be sound and Members Allowances are published annually in accordance with legislation. A non-material error in the Members Allowances spreadsheet was identified and corrected during the audit.
- *Local Land Charges: (Substantial assurance)* – The focus of this audit centred on the systems and controls around the Local Land Charges Register. The processes around registering charges and completing search requests are robust. We found that fees are consistently applied in accordance with the published rates; however income reconciliations are not being carried out.
- *Grounds Maintenance: (Substantial assurance)* – The audit reviewed the systems and processes for the Grounds Maintenance service delivery throughout the district. The service was found to be operating well with processes in place for inspections of maintenance work completed. Fees and charges are reviewed annually and there are robust Health & Safety processes to safeguard operators.

Recommendation Tracker

4. The Audit and Governance Committee receives details of all overdue recommendations, plus any priority one recommendations from final reports, regardless of whether they are overdue or not.
5. There have been two priority one recommendations raised so far during 2015/16, both of which have been implemented. These relate to the contracts for the provision of bed & breakfast accommodation and the monitoring of bed & breakfast arrears.
6. The current tracker contains two recommendations (both priority ones) which are passed their due date. (Appendix 2). The reconciliation of the development control fees is in progress and resources are being concentrated on bringing these up to date. There were difficulties in recruiting a suitable person to the post within Human Resources earlier in the year so the process will be carried out again shortly.

Recommendation type	Number (as at 2 November 2015)
Priority one not passed its due date	0
Priority one passed its due date	2
Priority two passed its due date	0
Priority three passed its due date	0

Internal Audit Performance Management

7. The Internal Audit function has local performance indicator targets to meet in 2015/16 based on targets set in 2014/15. A new one on recommendations implemented is proposed in line with the new tracker process.

Description	Target 2015/16	Actual as at November 15
% planned audits completed	90%	n/a- reported annually
Productivity of staff	72%	75%
Implementation of agreed audit recommendations from 15/16 plan	Within agreed timescales	n/a

Other Internal Audit Activities

Project Groups

8. There is Internal Audit representation on a number of project groups in order to provide advice and challenge on internal controls, risk management and governance arrangements. This includes:

- Risk Management Group (which includes Business Continuity Planning) – The Chief Internal Auditor is supporting the Emergency Planning Officer in updating service business continuity plans and advising on good practice seen elsewhere.
- Contract Standing Orders Working Party – The Group has substantially completed its review of the Councils Contract Standing Orders and is in the process of drafting new Procurement Rules. Internal Audit is advising on the financial evaluations to be carried out as part of the selection of contractors.
- Personal Data Working Group – The Group is reviewing the way in which the Council manages employee's personal data. Internal Audit has advised on the both the pilot sickness absence and the monthly Certificate of Service e-forms.
- Corporate Debt Working Group – The Group has reviewed debt recovery processes across the Council and a number of recommendations have been made in relation to managing debts, the use of enforcement agents, write offs and to encourage regular monitoring within Services to improve debt recovery. Progress will be reported at Management Board and the Group will continue to meet quarterly. Internal Audit will ensure compliance as part of the next audit, planned for the last quarter of 2015/16.
- E-invoicing Group – The Council is in the process of implementing e-invoicing and Internal Audit attends meetings and provides advice as necessary.

Internal Audit Shared Service: Borough of Broxbourne, Harlow and Epping Forest District Councils

9. As a reminder, Epping Forest District Council's Chief Internal Auditor retired at the end of May and the Head of Internal Audit for the Shared Service between Broxbourne and Harlow Councils took on this role from the 1 June 2015. Epping Forest District Council currently shares the cost of the Chief Internal Auditor with their time split equally across all three Councils. A meeting with the leads from each Council is due to be held to consider the longer term options for the Shared Service.

10. A second joint team meeting with auditors from all three Councils was held in November where common working practices were further consolidated and the Team started thinking about Audit Plans for 2016/17. Regular dialogue between all the auditors continues, especially where similar audits are taking place at the other Authorities.

11. In the meantime, relationships initiated by Internal Audit through the shared service have continued to benefit all three Councils:

- Human Resources departments in Broxbourne and Harlow are liaising with Epping Forest on possible joint training arrangements.
- Epping Forest and Harlow are sharing insights from ongoing reviews of their respective customer service strategies.

Corporate Fraud Team

12. The Corporate Fraud Team has made significant progress since the last report with all officers now being more settled in their new roles. As well as the implementation of new procedures for the reporting of fraud within the Council, a set of administrative / operational procedures has been written and implemented, bringing a uniform approach to the way in which all referrals of corporate fraud are received, managed and investigated.

13. The team has already provided paid training on conducting Interviews under Caution to another Local Authority and is currently providing advice to Harlow Council on their approach to combatting housing fraud. One officer is due to give a presentation on Right to Buy fraud to a meeting of The London Borough's Fraud Investigators Group in November.

14. The team continues to investigate all Right to Buy applications, the numbers of which have increased over the last 2-3 months due to a combination of higher discounts and shorter eligibility criteria. A further four applications have been stopped due to reasons such as suspicion of money laundering etc., resulting in potential maximum savings of £311,600 (based on the maximum discount of £77,900).

15. Two more housing fraud prosecutions have been authorised and are currently with Legal Services awaiting the issue of summonses. Two convictions for benefit fraud were obtained by the team during October (these cases having been retained for action following the transfer of the benefit investigation team to the DWP).

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2015/16 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.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date/Name	Summary of equality analysis
30/11/15 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.