

# ***Report to the Audit and Governance Committee***



**Epping Forest  
District Council**

**Report reference: AGC-002-2016/17**

**Date of meeting: 27 June 2016**

**Portfolio: Governance and Development Management**

**Subject: Internal Audit Monitoring Report - April to June 2016**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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## **Recommendations/Decisions Required:**

**(1) That the Committee notes the progress being made against the 2016/17 Internal Audit plan and by the Corporate Fraud Team.**

## **Executive Summary:**

This report provides a summary of the work undertaken by Internal Audit between April and June 2016, progress against the 2016/17 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:**

### **2016/17 Internal Audit Plan**

1. Work has started on the 2016/17 Audit Plan as detailed in Appendix 1, although the majority of the time has been spent completing the 2015/16 Audit Plan. Internal Audit staff are starting to work across all three Councils, thereby sharing best practice and expertise.

### **Internal Audit reports**

2. The following 15 reports have been issued since the Committee received its last update in March 2016:

## **Full assurance:**

- **Council Tax** – Council Tax is well managed and there are effective controls which ensure the database is complete and accurate, and the Council Tax liability is correct. The Section has a number of measures in place to minimise the risk of awarding fraudulent applications for discounts and exemptions, including robust application

processes, a cyclical review of all discounts and exemptions and property inspections. Income is maximised through effective recovery and enforcement action.

#### **Substantial assurance:**

- **Local Plan** – At an operational level the Local Plan is being well managed. The main area of concern is the lack of periodic (monthly) reporting to senior managers of progress against the timetable and the financial position of the Local Plan; this is now being addressed through regular reports to the Management Board. Transparency in the Local Plan process is essential given that it is such a high profile project, and is becoming more important as the Local Plan gathers pace.
- **Rent Assistance Loans** – There are robust controls in place which ensure that Rent Assistance Loans are awarded in accordance with the Council's policies and procedures. Loans and repayments are correctly recorded on a spreadsheet although no formal reconciliation to the general ledger is undertaken. Minor weaknesses in the monitoring of loan repayments were identified which could impact on the recovery rates achieved and therefore the level of funds available for further Rent Assistance Loans.
- **Email, Internet & Telephone Usage** – Email and internet usage is effectively monitored, and any excessive or inappropriate usage identified is successfully addressed. Telephone usage reporting and monitoring should be introduced to target any inappropriate telephone usage, and consideration should be given to making it a requirement for staff to reconfirm their agreement to internet, email and telephone acceptable usage policies on an annual basis.
- **Private Sector Housing Grants** – The processes around the management of Private Sector Housing Grants are operating effectively. Assistance is awarded in accordance with legislation and Council policy and there are effective controls which ensure works are completed to a satisfactory standard prior to payment. The List of Preferred Contractors, which includes undertaking appropriate vetting checks, requires updating to ensure that inappropriate contractors are not engaged to carry out work.
- **Legal Debt Recovery** – The systems surrounding the management of debt recovery in Legal Services are operating effectively. Where appropriate, debts are referred promptly to Legal Services and are referred back if arrangements to pay are subsequently broken. A more robust system for recording and monitoring court costs is recommended to ensure the Council is maximising the recovery of these debts.
- **External Data Transfers** – There are secure means for the transfer of data between the Council and third parties, and there are robust controls around the storing and processing of data within the Council. It is recommended that the Council produces an Information Asset Register to ensure it is aware of, and controls, all information flows both in and out of the Authority.
- **Budgetary Control** – Budgetary control processes are working well and there is a clear link between budgetary/financial management and the service planning process. Budget setting is carried out in accordance with the agreed timetable and approved by full Council; although draft budgets should be formally reviewed and agreed by the Spending Control Officers. There is regular and appropriate budget monitoring and reporting to management and Members.
- **Corporate Asset Register** – There are appropriate controls in place to ensure the

Asset Register holds a complete and accurate record of the Council's assets, which is reconciled annually to the general ledger. Additions and disposals are correctly recorded and depreciation correctly applied. The referencing and tagging of assets could be improved to help locate and identify specific assets on the register.

- **Housing Rents** – The processes around housing rents are working well. Annual rent setting is correctly carried out and the figures checked for accuracy prior to uploading to OHMS (the Council's housing system). Housing stock reconciliations are undertaken quarterly and are independently reviewed. The monthly report of Former Tenant Arrears with Legal Services should be reviewed by the Housing Managers to ensure arrears are being monitored and recovered.
- **Sundry Debtors** – The controls around the management of sundry debtors are effective. Charges are identified and invoiced promptly, and income due is correctly recorded. Debt recovery processes, although effective, should be reinforced to ensure all sections follow the Council's procedures.
- **Epping Depot Health and Safety** – There are effective policies, procedures, reporting and monitoring arrangements in place to provide assurance that health and safety is managed in line with Council policy. Recommendations have been made around housekeeping aspects at the depot.
- **Housing Repairs Service** – The housing repairs service is operating well, as confirmed by the performance indicators published. Repairs are carried out in a timely manner and to the required standard, and where required, tenants are recharged for repairs. A stock management system should be introduced at the depot to ensure all materials are accounted for.
- **Risk Management (Operational)** – The risk management processes at a directorate level are working well. Improvements to processes were identified which will provide consistency and help identify interdependencies, which will in turn strengthen the corporate risk management framework.
- **Creditors** – The systems and controls around the ordering, receipting and payment for goods and services are operating well. This includes new supplier set up and amendments to supplier details such as bank details, although independent checking of amendments on a sample basis is recommended to reduce the risk of internal and external fraud. Isolated incidences of orders being raised after receipt of the invoice and of goods not being receipted on Marketplace will be largely addressed by the introduction of e-invoicing, which is due to be implemented later in 2016/17.

### **Recommendation Tracker**

3. 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.

4. The current tracker (Appendix 2) contains two priority 2 recommendations and two priority 3 recommendations which have passed their due dates. Regular monitoring of these recommendations demonstrates that, although they have not been completed by the original implementation dates, progress has been made on all of these.

<b>Recommendation type</b>	<b>Number (as at June 2016)</b>
Priority 1 not passed its due date	0
Priority 1 passed its due date	0
Priority 2 passed its due date	2
Priority 3 passed its due date	2

### **Other Internal Audit Activities**

5. Internal Audit is represented on a number of business groups and project teams in order to provide advice and guidance. New project teams include:

- Project and Programme Management – to assist in ensuring that project management processes are developed to ensure consistent methodology is applied across the Authority
- Electronic invoicing – to provide guidance on controls around the implementation of electronic invoicing and the impact on the purchase ordering and accounting systems.
- Customer Self Service Kiosks – to advise on controls in relation to cash receipting and income control processes.

### **Corporate Fraud Team**

6. Since the last update, five Right to Buy applications have been stopped or withdrawn following Corporate Fraud Team intervention. The total discount saved as a result of this is approximately £390,000 and the value of retained rent revenue streams is around £229,000. In addition, five properties have been recovered as a result of fraud (for example, illegal subletting) resulting in a saving of approximately £90,000.

7. The Team is currently working on a number of criminal investigations including an active money laundering investigation linked to a Right to Buy application.

8. The Senior Corporate Fraud Investigator is now an accredited Senior Authorised Officer under the Proceeds of Crime Act, and the accredited Financial Investigator is undertaking further training in June in order to be able to carry out financial confiscation and cash seizure work.

9. Through the Internal Audit shared service, anti-fraud services are being provided to another authority and the first investigation for this authority was undertaken in May. Training is also to be provided as part of these services.

10. A presentation on Right to Buy fraud was given at a meeting of local authority fraud investigators in East / West Sussex. This was very well received and may lead to joint working opportunities in the future. Work has begun on setting up a fraud forum for Essex / Suffolk local authority investigators with EFDC as the lead.

11. The Team is currently providing assistance to Human Resources in respect of an ongoing disciplinary investigation, is working with Legal Services on a number of fraud prosecutions (housing fraud and Local Council Tax Support Fraud) and working with the Communities Directorate to implement tighter anti-fraud procedures in areas such as mutual exchanges and joint tenancy applications.

**Resource Implications:**

Within the report.

**Legal and Governance Implications:**

None.

**Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

Corporate Governance Group.

**Background Papers:**

2016/17 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.

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Date/Name	Summary of equality analysis
27/06/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.