

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



**Epping Forest  
District Council**

**Report reference: AGC-015-2018/19**

**Date of meeting: 25 March 2019**

**Portfolio: Leader of the Council**

**Subject: Internal Audit Monitoring Report February to March 2019**

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

**Democratic Services: A Hendry (01992 564246)**

### **Recommendations/Decisions Required:**

**The Committee notes the progress made against the 2018/19 Internal Audit plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period February to March 2019.**

### **Executive Summary:**

This report updates Members on the work completed by the Internal Audit Shared Service and the Corporate Fraud Team since the January 2019 Audit and Governance Committee, and provides the current position in relation to overdue recommendations.

### **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:**

#### **2018/19 Internal Audit Plan**

1. Progress continues on the 2018/19 Audit Plan and the Plan is on target to be completed in order for the Chief Internal Auditor to give their annual opinion at the next Audit and Governance Committee meeting. Appendix 1 sets out the current status.
2. As requested by the Committee the current risk register is attached at Appendix 2. This was approved by the Finance and Performance Management Cabinet Committee on 24 January 2019.

#### **Internal Audit Reports**

3. The following four reports have been issued since the Committee received its last update in January 2019:

### *Safeguarding – Substantial assurance*

No recommendations for improvement have been made as part of this audit because there is an overarching safeguarding policy, backed up by individual procedures; key officers are aware of their safeguarding responsibilities and have received appropriate training. On-line safeguarding training is mandatory for all staff and completion monitored. Relevant multi-agency working is in place supported by robust vetting checks for staff and there are effective systems in place for reporting safeguarding concerns. In addition, there are mechanisms in place to ensure compliance with safeguarding policy and procedures including:

- Monthly reports on case load and issues which is seen by the Service Director and forwarded to the Elected Member;
- Corporate Safeguarding Group (CSG) Meeting held bi-monthly, with the Elected Member in attendance; and
- Safeguarding Management Group meetings held bi-monthly.

### *Museums & Cultural Services – Joint Working Collaboration – Substantial assurance*

This audit examined the Joint Working Collaboration between Epping Forest District Council and Borough of Broxbourne, regarding the Epping Forest District Museum and the Lowewood Museum. The collaboration is being managed and administered effectively, with the service being provided by knowledgeable and experienced staff. There is a joint vision/strategy provided by a 5-year Business Plan, which will be validated later on this year through the Arts Council of England accreditation. There is a Service Level Agreement in place, which is working as intended.

Minor areas for improvement include the need to implement a formal Action Plan to deal with recommendations from a Local Government Peer Challenge and to refresh and sign off the 5-year Business Plan.

### *Health and Safety (corporate) - Substantial assurance*

The Council has the key elements expected in a robust Health and Safety (H&S) framework including an overarching policy and suite of supporting procedures including risk assessments. Nevertheless, the framework does require review and, if necessary, refresh, to ensure the strategy, policy, procedures and overview mechanisms remain effective following the Council's re-structuring process.

H&S training is offered and taken up at both induction and throughout employment. Induction training is carried out via meetings at set intervals, initially with HR and then as part of line management responsibilities. Accidents, incidents and near misses are recorded electronically and monitored by the Council's Safety Officer to ensure investigations take place if required and lessons are learnt. The Corporate Safety Team, chaired by the Chief Executive, meets quarterly and considers the business and issues arising from the Directorate Safety Team meetings, as well as providing a forum for disseminating information and addressing H&S issues.

### *Business Rates Corporate Wide Approach - Substantial assurance*

The Business Rates team is proactive in seeking out new information and meets with other teams across the Council to maximise income albeit. A working group has been set up by the Business Rates Manager and attended by representatives from Planning and Economic Development with the aim of improving information sharing between

departments. It was evident during the audit that the Business Rates Team is involved in local and national networking forums to keep up to date with case law and latest developments. The Business Rates team has also engaged a firm of external consultants to try and identify additional income.

The audit has identified opportunities to utilise alternative sources of data held by the Council for business rates purposes such as the GeoPlace property database maintained by the Local Gazetteer team and the M3 system used by the Licensing team that hold material commercial property information.

### **Recommendation Tracker**

4. 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. This tracker does not feature those recommendations made in very recent reports as these are in the process of being finalised.
5. The current tracker is shown at Appendix 3 and contains five medium and two low priority recommendations which have passed their due dates (compared to six medium and three low priority recommendations in January 2019).

Table 1. Summary of tracker as at March 2019.

Recommendation type	Number (March 2019)	Number (January 2019)	Number (November 2018)	Number (September 2018)	Number (July 2018)
High Priority not passed its due date	0	0	0	0	0
High Priority passed its due date	0	0	0	0	0
Medium Priority passed its due date	5	6	4	2	2
Low Priority passed its due date	2	3	5	2	0
<b>Total</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>2</b>

### **Other Internal Audit Activities**

6. A number of assignments in the Audit Plan are included to provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion. These do not result in a traditional audit report and are summarised here for information.

**National Fraud Initiative:** The mandatory biennial NFI exercise for 2018/19 has commenced. The purpose of this is to match Council data on individuals such as; council tax, Housing Benefit, payroll and electoral roll records against other Council's data, and national data such as deceased persons. Potential matches could include an employee being employed by more than one council, residents claiming benefits in more than one borough or claiming discounts such as single person discount which they are not entitled to. All matches have now been released and specific officers have been given responsibility for reviewing potential matches. The current protocol is to review high

grade matches. Internal Audit with the assistance of the Corporate Fraud Team will provide assistance and monitor progress made.

**Service Assurance Statements:** Internal Audit is co-ordinating the process to ensure service assurance statements are completed by each Service Director as part of year-end processes. The results of these will be analysed by Internal Audit, shared with the Corporate Governance Group and the results fed into the 2018/19 Annual Governance Statement which will be presented to the committee in July.

**General Data Protection Regulation (GDPR):** Internal Audit continues to work in partnership with the Council's Data Protection Officer to implement the GDPR Action Plan, which helps ensure on-going compliance across the Council. A review of personal data shared with Members by email has been undertaken and has made recommendations to reduce the risk of data breaches in this area.

**Risk Management:** Internal Audit has convened a small Officer Group to refresh the Council's risk management framework to ensure it is fit for purpose, and ensure reporting, monitoring and feedback mechanisms work as intended within the new organisational structure.

**Whistleblowing allegation:** Internal Audit has undertaken an investigation following a whistleblowing allegation. The relevant Service Director is now acting on the recommendations and reminding staff to follow corporate policy and procedures.

**Compliance with the Public Sector Internal Audit Standards (PSIAS)**

7. In line with good practice, the Internal Audit service should on an annual basis ensure it is compliant with the 2017 Public Sector Internal Audit Standards (PSIAS), notifying the Audit and Governance Committee of any areas of non-compliance.

In November 2016 the service was confirmed as being fully compliant with the PSIAS by an external assessor and this is still the case as there have been no significant changes in the way the Internal Audit service is delivered or operates, and the Chief Internal Auditor has not taken on any additional responsibilities that could compromise the service's independence and objectivity.

**Performance Indicators**

8. Performance indicators are in place to monitor service performance and the current status, with a comparison with last year's year-end results, are reported below.

Aspect of Service	Performance Indicator	Target	As at February 2019	Year End 2017/18
Audit Plan	<ul style="list-style-type: none"> <li>• Achievement of the annual Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient internal audit work in order that the Head of Internal Audit can give their annual opinion.</li> </ul>	<ul style="list-style-type: none"> <li>• on target</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved</li> </ul>
Internal Audit processes	<ul style="list-style-type: none"> <li>• Issue of draft report after closing meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Within 10 working days</li> </ul>	<ul style="list-style-type: none"> <li>• 2 days</li> </ul>	<ul style="list-style-type: none"> <li>• 5 days</li> </ul>
	<ul style="list-style-type: none"> <li>• Issue of final report</li> </ul>	<ul style="list-style-type: none"> <li>• Within 5 working days</li> </ul>	<ul style="list-style-type: none"> <li>• 1 days</li> </ul>	<ul style="list-style-type: none"> <li>• 3 days</li> </ul>

	after agreement with client to draft	days		
Effective management engagement	• Management responses within 10 working days of draft report	• 10 working days	• 10 days	• 10 days
	• Implementation of agreed audit recommendations	• Within agreed timescales	• Not being achieved (see tracker)	• Largely met (as reported by tracker)
Continuous Professional Development (CPD)	• Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities	• 40 hours of CPD activity per auditor	• Target for 18/19 achieved.	• Not reported as PI was introduced in 2018/19

### **Corporate Fraud Team Update**

9. Since January 2019, a further Right to Buy application has been stopped / withdrawn as a result of Corporate Fraud Team (CFT) intervention resulting in a discount saving of approximately £81,000 and ongoing rent revenue streams of around £50,000.
10. A Right to Buy application received has led to a comprehensive investigation being undertaken into the circumstances surrounding the applicant's tenancy and a formal interview under caution is expected shortly.
11. The new data matches for the National Fraud Initiative have now been received and work is underway to risk assess and prioritise the matches.
12. Groundwork has begun on a number of potential long term proactive projects focusing at this stage on data integrity and suspected money laundering. This forms part of the CFT strategy which is a separate item on the agenda.

### **Progress against the Annual Governance Statement**

13. In July 2018, the Audit and Governance Committee approved 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 2018/19 is shown in table 2.

Table 2. Areas for improvement or monitoring during 2018/19

<b>Key Improvement Area</b>	<b>Action to be taken in 2018/19</b>	<b>Progress at March 2019</b>
<b>1. General Data Protection</b>	On 25 May 2018, the EU General Data Protection Regulations came into force. It	A GDPR action plan owned by the Council's Data Protection Officer is being

<b>Regulations</b>	is important the Council not only maintains compliance but ensures there is a continuous process for improvement too. This will be delivered through the GDPR Working Group.	monitored by the Corporate Governance Group in conjunction with Internal Audit to address data protection issues as they arise and to ensure on-going compliance. The number of data breaches remains low.
<b>2. Transformation</b>	<p>The Council is embarking on an ambitious transformation programme which involves the delivery of new people, IT and accommodation strategies and implementation of new processes, structures and technology.</p> <p>This is being delivered through the Transformation Board and overseen by Council.</p>	The transformation programme is being overseen by the new Leadership Team and progress reported to Cabinet.

**Resource Implications:**

Within the report

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2018/19 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.

**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 4 to the report.