

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



**Report reference:** AGC-018-2019/20  
**Date of meeting:** 23 March 2020

**Epping Forest  
District Council**

**Portfolio:** Leader of the Council  
**Subject:** Internal Audit Monitoring Report – January to March 2020  
**Responsible Officer:** Sarah Marsh (01992 564446).  
**Democratic Services:**

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## **Recommendations/Decisions Required:**

- (1)) That the Committee notes the progress made against the 2019/20 Internal Audit plan and the summary of the work of Internal Audit for the period January to March 2020; and**
- (2)) That the Committee approves the deferral of the Infrastructure Delivery Plan audit**

## **Executive Summary:**

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

Approval is sought to defer the Infrastructure Delivery Plan audit until after adoption of the Council's Local Plan.

## **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:**

### 2019/20 Internal Audit Plan

1. Good progress has been made on the 2019/20 Audit Plan as detailed in Appendix 1. With the exception of Infrastructure Delivery Plan, all audits will be completed in time for the Chief Internal Auditor to form their annual opinion.
2. When the 2019/20 audit plan was approved in March 2019 it was anticipated that the Council's Local Plan would be adopted during the year. On the basis that the Local Plan has not yet been approved, it is proposed to defer the audit of the Infrastructure Delivery Plan.

## Internal Audit Reports

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

### **(a) Houses in Multiple Occupation (HMO) Licences – Substantial assurance**

4. The control framework for licence applications, fee collection and issue of licences is operating effectively. The Council has detailed guidance on Enforcement and Service Standards in Private Sector Housing, which includes the licencing of HMOs, and has adopted the Essex Amenity Standard to ensure there are adequate facilities and living space based on the number of occupants.

5. Licence applications are now all online and include the requirement to upload supporting documentation. Fees payable are calculated automatically based on the units of accommodation in the property and the payment is taken online at the end of the application process. Visits of all properties are undertaken, and conditions are attached to the licence if issues are identified at the visit. There is a formal management review and sign off process before a licence is issued.

6. Environmental Health Officers monitor potential HMOs not registered through a review of room rental and letting agency websites, and penalties are issued for failure to licence an HMO.

7. An issue with one incomplete record on the public register of HMO licences published on the Council's website was identified and corrected immediately. A new HMO public register application is now live on the Council's website, which means that the data is always up to date.

### **(b) Housing Register and Allocations – Substantial assurance**

8. The arrangements regarding the Housing Register and allocations are well managed. The Council's Housing Allocation Scheme was updated in July 2018 and is available on the Council's website.

9. Valid applicants are admitted onto the Housing Register in accordance with the Council's eligibility criteria on residency, housing need and financial situation. The audit recommended that all applicants (and not just those where there was judged to be a risk or concern) are subject to Experian credit checks as part of the verification procedure. The re-distribution of tasks within the Rehousing Team new structure has enabled this to be implemented with immediate effect.

10. Applicants are correctly banded as to their housing need status in line with the Housing Allocation Scheme criteria, and housing is allocated in priority order to those who bid on each available property. Checks for compliance with the Allocation Scheme conditions before an offer of tenancy is made can lead to delays in re-letting properties. Changes have already been introduced and a process of pre-verification is now in place for new applicants. An action is in progress to ensure all applicants who make successful bids on properties will have been subject to pre-verification. As this is resource dependent, a concerted effort to pre-verify the 'backlog' of all likely successful applicants is to be completed by June 2020.

### **(c) Data Retention and Disposals – Limited assurance**

11. There is good awareness of data retention and disposal principles within services; however, there is a lack corporate guidance to provide clarity and consistency in its application. In order to demonstrate compliance with data protection requirements, the Council needs to

identify appropriate data retention periods for all categories of data and ensure that adequate processes are in place to dispose of the data securely when the retention periods expire. These should be formalised in a corporate data retention and disposals policy and procedures.

12. Services have reviewed and disposed of manual data as part of transformation but the approach to dealing with electronic data, including emails, differs across the Council, although some teams are applying good practice through local policies and service specific retention schedules. Services will need to review their document retention schedules in light of a new corporate policy and develop mechanisms to ensure retention periods are complied with.

13. Development of information governance policies and procedures is being addressed through the Information Governance Group (IGG) action plan and will be supplemented by a programme of training and awareness.

#### **(d) IT Change and Patch Management – Limited assurance**

14. Overall a level of operational control was being maintained, including a clear allocation of roles and responsibilities, and the majority of IT devices (PCs, workstations, servers, switches, firewall), and business applications are up to date in terms of security patches and firmware upgrades. A small number were not as up to date, mainly servers that are required to be manually updated. There is a programme in place to manage these and bring them up to date.

15. The operation of the Change Advisory Board (CAB) had become less robust with many approvals being undertaken by the ICT Infrastructure and Compliance Manager, resulting in a single point of failure. The formal CAB has been re-constituted as a result of the audit and is now Information Technology Infrastructure Library (ITIL) compliant, ensuring priorities are adequately determined and providing a segregation of duties.

16. Policy and procedure documentation in relation to change and patch management activities is out of date. These will be reviewed and developed as part of the overall review and ICT transformation to reflect the new operational processes and controls.

17. Work has started on implementing a previous Internal Audit recommendation to address the lack of an annual verification of IT assets but there are still some assets that have old or missing 'last audit' verification dates. ICT will undertake a full IT asset audit over the next six months during the office moves taking place as part of transformation.

#### **(e) Health and Safety Satellite Offices – Limited assurance**

18. Policies and procedure notes are in place to ensure the health and safety framework for staff working away from the Civic Office is defined, documented and communicated to staff working remotely.

19. The audit found that the Corporate Safety Group was no longer meeting. The Group, chaired by the Chief Executive, has now been re-established and will meet quarterly to ensure the Council is receiving the information required to enable it to gain assurance that health and safety risks are being appropriately managed.

20. Risk assessments have been prepared by managers to ensure health and safety measures are in place. However, in some cases these have not been regularly reviewed to ensure they remain relevant, reflecting current risks. A formal monthly checking programme has been introduced to ensure this takes place.

21. Health and safety training records maintained locally are inconsistent, and records held centrally by the People Team relate only to training arranged or facilitated by the People Team. Consequently, for some satellite offices it is not clear as to what training is required and what has been delivered. Each satellite office has now created a training matrix showing training needs and details of all training delivered and these will be submitted to the Contingency Planning and Corporate Safety Officer for review and monitoring.

22. At a local level there is accurate and timely recording and reporting of accidents, incidents and near misses to the Contingency Planning and Corporate Safety Officer to prevent a reoccurrence. However, the previous upward reporting arrangements to the Leadership Team, Chief Executive and elected Members have fallen into abeyance. This will be provided going forward through monthly verification checks and quarterly certification of compliance with the Health and Safety Policy and Procedures reported to the Corporate Safety Group.

23. There is a framework of controls to ensure the Council is discharging its duty of care in compliance with legislative and other requirements in relation to gas, electrical and fire safety, and current valid Gas Safety Certificates for each of the satellite offices visited as part of this review were evidenced during the audit.

#### Recommendation Tracker

24. 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.

25. The current tracker is shown at Appendix 2 and contains eleven recommendations which have passed their due dates and one high priority which is not yet due as detailed in table 1.

Table 1. Summary of tracker as at March 2020.

Recommendation type	Number (March 2020)	Number (January 2020)	Number (November 2019)	Number (August 2019)	Number (March 2019)
High Priority not passed its due date	1	1	0	1	0
High Priority passed its due date	0	1	1	0	0
Medium Priority passed its due date	7	10	7	5	5
Low Priority passed its due date	4	5	5	5	2
<b>Total</b>	<b>12</b>	<b>17</b>	<b>13</b>	<b>11</b>	<b>7</b>

26. The high priority recommendation is a new recommendation and relates to team managers having been given the responsibility to update health and safety risk assessments and training records and to report this on a regular basis to the Contingency Planning and Corporate Safety Officer.

27. The number of overdue medium priority recommendations is still cause for concern, although it is noted that several of these are expected to be completed shortly.

28. Other recommendations are progressing well, but not as quickly as first agreed with the relevant manager.

29. Regarding the other recommendations, Internal Audit with the assistance of the Corporate Governance Group continues to actively monitor progress.

#### Other Internal Audit activities

30. **Risk management:** Internal Audit continues to facilitate workshops to help articulate both service and strategic risks, which are then considered by the officer Risk Management Group. Recent examples include climate change and Qualis.

31. **Information Governance:** Internal Audit is a member of the Information Governance Group (IGG), which is chaired by the Business Services Director, and accountable to the Corporate Governance Group. The IGG has developed an information governance framework to ensure the Council remains compliant with legislation and an action plan is in place to address deficiencies identified.

32. **National Fraud Initiative:** The annual Electoral Roll to Council Tax data matching exercise was uploaded February 2020. Data matches have been released and are under review. Individual departments are responsible for reviewing their own matches; however, Internal Audit and Corporate Fraud assist where requested.

33. **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 will feed into the 2019/20 Annual Governance Statement which will be presented to the committee in July.

#### Progress against Annual Governance Statement

34. In July 2019, 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 2019/20 is shown in table 2.

Table 2.

No.	Improvement area	Risk area/action plan for 2019/20	Progress at March 2020
1	Business Continuity Planning (BCP)	<p>An internal audit of BCP found that although there is a corporate Business Continuity plan it is not fit for purpose and contingency arrangements in place are inadequate.</p> <p>An urgent project has been initiated due for completion November 2019, and action is already being taken to address the concerns raised by</p>	<p>The majority of business continuity plans are in place (corporate and service level) and these were used in the Leadership Team exercise that took place in February 2020. Lessons learnt from</p>

		Internal Audit which involves a dedicated Officer group working in conjunction with an external specialist. Progress against the project is being closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.	the exercise will help inform the plans and further exercises at a service level are being planned.
2	Economic climate: Uncertainty over Brexit may impair the Council's strategic aims and objectives	Brexit implications, and other economic uncertainties, are being regularly monitored by Leadership Team. The Council liaises with the Local Resilience Forum Lead and with the East of England Local Government Association on Brexit related operational issues and community impact. In turn both these organisations liaise with Ministry for Housing, Communities and Local Government	<p>The economic climate has been reviewed as part of the 2020/21 budget and includes the general and more significant impact of international protectionism and economic uncertainties as well as the impact for a shorter period of time of Brexit uncertainties.</p> <p>Local growth and inflation levels are expected to remain low although inflation pressures are predicted to peak at around 3% next year.</p> <p>Economic conditions are reviewed across the Council and are discussed at Leadership Team and Cabinet level each month.</p>
3	Statutory posts: It is important the Council ensures that the role, responsibilities and standing of the Council's Section 151 Officer and Monitoring Officer complies with legislation (in particular the Local Government and	This will be kept under review by the Leadership Team in consultation with the Monitoring Officer, Section 151 Officer, Internal and External Audit. External legal advice will be obtained if deemed necessary.	Since September 2019 there has been a period of stability regarding the Section 151 and Monitoring Officer posts.

	Housing Act 1989) and good practice as the Council's restructure is completed		
4	Close down of Accounts: Delays have been encountered in the closure of the Council's 2018/19 accounts due to a variety of internal and external factors and will result in an increase in Audit fees.	The Council is jointly working on improvements with its External Auditors, which includes a review of processes, working papers and electronic files. Ultimately this will ensure streamline and efficient processes are in place ahead of closing next year's accounts.	<p>The Audit and Governance Committee has received an action plan to improve account closure and will receive an update on the "trial" month 9 closure at its next meeting.</p> <p>A final version of the 2019/20 accounts plus external audit report are also due to be received at the next meeting.</p>
Common themes from the Service Assurance Statements were:			
5	Restructure: As a result of the restructure many Officers have/or will be taking on new roles and responsibilities. The Council's scheme of delegation needs to remain robust and fit for purpose. In addition, support and guidance needs to be offered to these Officers	<p>Delegated authorities are being reviewed by the Service Director (Business Services) and are included in the Leadership Team Work Plan.</p> <p>A staff awareness campaign will be undertaken to ensure Officers are aware of their responsibilities regarding corporate policies and training offered as appropriate. This includes Financial Regulations, Procurement Rules, Anti-Fraud and Corruption Policy, Whistleblowing procedure, Code of Conduct and Customer Service Standards.</p>	Work as set out in the previous column continues.

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2019/20 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 3 to the report.