

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



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting: 27 June 2022**

**Portfolio: Leader of the Council**

**Subject: Internal Audit Monitoring Report June 2022**

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

**Democratic Services: Laura Kirman (01992 564243)**

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## **Recommendations/Decisions Required:**

**The Committee notes the summary of the work of Internal Audit for the period March to June 2022**

## **Executive Summary:**

This report updates Members on the work completed by Internal Audit since the March 2022 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:**

### **2021/22 Internal Audit Plan**

1. The audit plan for 2021/22 is almost complete and sufficient work has been undertaken in order for the Chief Internal Auditor to give their annual report and assurance opinion which is reported elsewhere in the agenda. Progress is being made on the 2022/23 Audit Plan as detailed in Appendix 1.
2. The following four final reports have been issued since the Committee received its last update in March 2022.

### **Council Housebuilding (substantial assurance)**

Strategic oversight of the Council Housebuilding Programme is achieved through the Council Housebuilding Cabinet Committee which meets quarterly. The Terms of Reference for the Committee clearly defines its responsibility for the Council

Housebuilding Programme, and this is evidenced through the progress reports it receives which are scrutinised and challenged by its members.

The Housing Development team is comprised of suitably qualified Officers and the roles and responsibilities of the team members are clearly set out. Weekly Housing Development Team meetings along with weekly meetings with both the Employer's Agent and the Clerk of Works ensure the programme is successfully monitored at an operational level.

The Housing and Property service risk register was last updated in April 2022 and includes a specific risk relating to the Council House Building Programme, ensuring that appropriate mitigating actions are in place. Progress reports to the Council Housebuilding Cabinet Committee include risks associated with individual developments and considers risks highlighted by the contractors, Clerk of Works, and the Employer's Agent.

Each contract has its own exit strategy in the event of contractor failure. The procurement process for each new contractor includes a financial viability check, and as most contracts are for just one year, it is unlikely the contractor will fail to deliver the development due to financial issues.

There are robust financial processes surrounding the Council House Building Programme, including monitoring the utilisation of the 1-4-1 right to buy receipts. Weekly meetings between the Service Manager – Housing Development and the Finance Business Partners ensure that financial issues are identified and addressed promptly.

#### *Leisure Management Contract (moderate assurance)*

A Leisure Management Contract Partnership Board (Partnership Board) provides strategic oversight and robust challenge over the contract, providing a mechanism for effective dialogue and resolution of issues at senior officer and Member level.

Operationally, the contract is managed through monthly Leisure Contract Managers meetings. To provide a record of key discussions, decisions and agreed actions should staff leave, and to refer to in the event of any queries or disagreements, notes of these meetings should be written up and retained in a central location.

The methodology for calculating the COVID-19 financial support payments to Places Leisure was agreed between the Council and contractor with advice from a consultant. Robust controls ensured support payments claimed by the contractor were accurate and supported by verified income and expenditure reports.

Contract performance is monitored through the Places Leisure monthly performance report. Performance indicators (PIs) are subject to effective scrutiny by Officers and Members, with explanations obtained for all significant variances and/or unexpected results.

Risk management processes should be strengthened through a review and discussion of both the Council's and contractor's risks at the monthly Leisure Contract Managers meetings to ensure that risks are identified and adequately managed. The financial viability of the contractor should be regularly assessed to further mitigate the risk of contractor failure as this is not happening at present.

An exit strategy should be prepared to ensure the Council can continue providing the same level of leisure services for the community in the event of contract failure.

### Treasury Management (moderate assurance)

The Council has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) and the Treasury Management Strategy 2022/23 and Investment Strategy 2022/23 were presented to the Audit and Governance Committee for approval on the 17 January 2022.

The Treasury Management Strategy includes all the elements as set out in the Code and includes a Liability Benchmark which is a new requirement of the 2021 Code. The Strategy is based on cash held and borrowing as of 31 December 2021 and future planned capital and revenue cashflow derived from budgets and the Medium Term Financial Plan.

There is no operational Risk Register that details Treasury Management risks and the controls in place to mitigate and monitor risks, although this is partially addressed through the risks and control measures set out in the 2022/23 Treasury Management Strategy. Risk Management arrangements are being strengthened during 2022/23 through the work of the Corporate Risk Management Working Group and a risk register for Treasury Management will feed into this.

Procedure notes have been developed in 2021/22 and these will be further enhanced during 2022 to link to the Treasury Management practice notes and how processes ensure compliance at an operational level.

The Council's detailed cashflow forecasting spreadsheet is also being developed for 2022/23 to ensure that it is sufficiently detailed and robust.

### IT Major Incident Management (MIM) Strategy (moderate assurance)

A clear MIM document exists that follows good practice in terms of content, and testing confirmed that the Major Incident Process covers the identification, containment, resolution, and maintenance elements. An IT Disaster Recovery plan also forms part of the strategy which provides more detail.

Incident management is handled via the Service Desk and defined processes are in place. A manual process to be followed in terms of tracking, logging, recording, and reporting should the service desk system be unavailable due to the incident has now been implemented.

Major Incident Management plans are documented and regularly tested. In addition, the Veeam data replication system has been deployed at the Council to manage daily (incremental) and weekly (full) backup routines. The Veeam application has been configured to report any security alerts including incomplete or failed backups. To protect backup data from unauthorised access and/or ransomware infection data, encryption of the Veeam Backup and Replication system will be implemented, and access rights kept under review.

A formal documented Data Backup Policy will be produced to define all key data replication tasks and a proposal to increase backup retention periods will be taken to the Council's officer Information Governance Group for approval.

### Recommendation Tracker

3. 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.

4. The current tracker is shown at Appendix 2 and contains seven medium and one low priority recommendations which have passed their due date.

Table 1. Summary of tracker in June 2022

Recommendation type	Number (June 2022)	Number (March 2022)	Number (January 2022)	Number (November 2021)	Number (September 2021)	Number (July 2021)
High Priority not yet passed its due date	0	0	0	1	2	2
High Priority passed its due date	0	0	1	1	2	2
Medium Priority passed its due date	7	8	12	9	4	5
Low Priority passed its due date	1	1	3	5	4	0
<b>Total</b>	<b>8</b>	<b>9</b>	<b>16</b>	<b>16</b>	<b>12</b>	<b>9</b>

**Other Internal Audit activities**

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

**Service Assurance Statements:** Completed the annual service assurance exercise consulting with Directors and Service Managers as part of the annual governance process, to provide assurance to the Council and its stakeholders that good governance arrangements are in place. The results of which have been fed into the draft Annual Governance Statement which is elsewhere on the agenda.

**Risk Management:** The Risk Management Working Group continues to help move risk management forward in the Council. The Group is reviewing and revising the Risk Management Policy, Strategy and Framework, to align this with service planning and project management and embed at an operational level.

**Health and Safety (H&S):** Internal Audit is assisting in strengthening the H&S framework and the role of the Strategic Safety Group. This has included a review of the Council's Health and Safety policy and strategic H&S action plan.

**Information Governance:** Internal Audit is actively involved in both the Strategic Information Governance Group (SIGG) and the operational Information Asset Owners Group, feeding back to the Corporate Governance Group. Internal Audit resource is being provided to lead on a review of the service Record of Processing Activities (RoPA's) which will identify any gaps in General Data Protection Regulation requirements.

**Council Tax Energy Rebates:** Advice and guidance is being provided with regards to the Government's Council Tax Energy Rebates scheme and assistance will be given to performing eligibility checks using the Spotlight verification tool.

**Decision Making Accountability (DMA):** Internal Audit is developing a schedule of responsibilities for staff below the management spine to ensure there is clarity and consistency of decision making at each level with responsibility attached to the role and not the individual. This is being coordinated with a review of the Council's Financial Regulations.

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2021/22 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. 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.