

Report to the Audit and Governance Committee



Report reference: AGC-023-2015/16
Date of meeting: 31 Mar 2016

**Epping Forest
District Council**

Portfolio: Governance and Development Management
Subject: Internal Audit Monitoring Report - February to March 2016
Responsible Officer: Sarah Marsh (01992 564446).
Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Committee notes the progress being made against the 2015/16 Internal Audit plan and by the Corporate Fraud Team; and**
- (2) That the Committee agrees the suggestion to defer a small number of audits.**

Executive Summary:

This report provides a summary of the work undertaken by Internal Audit between February and March 2016, 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 Audit and Governance Committee is requested to approve the deferral of four audits as detailed below. Despite the need to defer these audits there will still be sufficient coverage through the remaining audits and Internal Audit's proactive work, to enable the Chief Internal Auditor to give their annual opinion for 2015/16. This will be kept under constant review in conjunction with the Corporate Governance Group.

(a) Access Controls – this will be included in next year's plan. Access controls to systems has been covered by some of the key finance audits carried out this year;

(b) Payroll – defer to next year as Payroll/Human Resources are in the process of implementing a new IT system;

(c) Treasury Management – defer to next year as this area has historically been audited each year and no significant issues identified; and

(d) Recruitment and Selection – this will be carried out next year following a review of documentation by the Personal Data Working Group.

2. It is envisaged that the work for the remainder of this year's Audit Plan will be completed in time for year-end reporting to the June Audit and Governance Committee.

Internal Audit Reports

3. The following four reports have been issued since the Committee received its last update in February 2016:

(a) **Commercial Properties Management** – substantial assurance – Commercial properties currently generate in excess of £4m rental income each year. The audit confirmed that rent reviews and lease renewals are carried out promptly and invoices for rent and service charges are correctly calculated and raised. The Council is in the process of implementing a new commercial property management system which has the facility to monitor and manage the property portfolio and will therefore replace the spreadsheets currently used by the Section. Rental income is monitored and all outstanding debts are reviewed on a monthly basis.

(b) **Right to Buy** – full assurance – The audit reviewed the processes from initial application through to completion and confirmed that:

- Right to Buy applications are processed in accordance with legislative requirements and internal policies, which includes carrying out eligibility checks on both the property and the applicants;
- the Council's Corporate Fraud Investigation Team carries out effective and comprehensive background checks (including property visits) on all applicants as part of their proactive processes in relation to Right to Buy applications;
- applications are not processed through to completion stage until the appropriate proceeds have been received; and
- calculations are checked by the Accountancy Section and income is reconciled monthly.

(c) **Housing Benefits and Local Council Tax Support** – substantial assurance – The audit established that Housing Benefit and Local Council Tax Support are correctly calculated and only awarded after receipt of all the necessary documentary evidence to support the claim. There are adequate procedures in place to record and recover overpaid Housing Benefit which may arise as the result of a change in the claimant's circumstances. Irrecoverable debts are written off in accordance with Council policy although Portfolio Holder approval for the write off of debts over £2,500 has not yet been sought.

(d) **Business Rates** – substantial assurance - There are robust systems in place surrounding the management of Business Rates. The audit identified that the Section has a number of measures in place to identify and reduce business rates avoidance. A recommendation regarding the authorisation of accounts in receipt of mandatory charitable and discretionary relief has been raised.

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. The current tracker (Appendix 2) contains one priority 1 recommendation passed its due date which was reported at the February 2016 meeting. In addition, one priority 3 recommendation has passed its due date. These relate to recommendations which have been restated as audits have identified that the original recommendations had not been implemented.

Recommendation type	Number (as at March 2016)
Priority 1 not passed its due date	0
Priority 1 passed its due date	1
Priority 2 passed its due date	0
Priority 3 passed its due date	1

Corporate Fraud Team

6. In the last two months, as part of the ongoing initiative focusing on Right to Buy fraud, a further three Right to Buy applications have been stopped or withdrawn due to the intervention of the Corporate Fraud Team having concerns about money laundering.

7. In respect of a current prosecution for Housing fraud offences, a hearing took place in February at Chelmsford Crown Court whereby both defendants entered not guilty pleas. This matter will now proceed to trial in the summer.

8. The team is currently engaged in a number of criminal investigations focusing on illegal subletting and Right to Buy fraud.

9. One officer in the team is now a fully accredited Financial Investigator for the purposes of The Proceeds of Crime Act whilst the team manager is due to undergo training as a Senior Authorised Officer at the end of March. This will enable financial investigations and proceeds of crime actions to be undertaken completely in-house. It also provides the potential to undertake these services on behalf of other prosecuting authorities.

10. The team recently attended a Housing Fraud Conference held in London whereby the work they are undertaking in combatting Right to Buy fraud was used as a national example of good practice. Consequently, a number of requests for advice, training etc., have been received from Councils throughout England. An Additional Information Form developed by the team, which is now part of every RTB application dealt with by EFDC, is to be the focus of a DCLG review into the RTB application process to provide more resilience against fraud.

11. Several opportunities to provide anti-fraud services to other local authorities are currently being investigated.

12. An internal investigation has been undertaken which arose as a result of a whistleblowing policy referral.

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
31/03/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.