

Report to the Audit and Governance Committee



Report reference: AGC-009-2016/17
Date of meeting: 19 September 2016

**Epping Forest
District Council**

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

Recommendations/Decisions Required:

(1) The Committee reviews the outcomes of the work of the Internal Audit service and the Corporate Fraud Team and identifies any issues for further consideration.

Executive Summary:

This report provides a summary of the work undertaken by Internal Audit between June and September 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 on the 2016/17 Audit Plan is underway as detailed in Appendix 1, although time has been spent finalising reports from the 2015/16 Audit Plan. Internal Audit staff have started to work across all three Councils in the partnership, thereby sharing best practice and expertise, and increasing the resilience of the team.

Internal Audit reports

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

Substantial assurance:

- **Langston Road Development**– Overall, the Langston Road Development project is being well managed. There are appropriate arrangements in place to provide oversight and challenge over the project, and progress is regularly reported to Members. There are

robust project management processes including the management of risks and of the project timetable. As significant costs will start to be incurred, the financial processes should be formalised to ensure costs are properly recorded, monitored and reported.

- **Conflicts of Interest and Gifts and Hospitality** – There is a robust process in place to ensure all new Members complete a register of interests form and these are updated whenever there is a change in circumstances. Gifts and hospitality are recorded and authorised in accordance with Council policy both for staff and Members. Declarations of interests (pecuniary and personal) are completed by all new employees and are updated annually through the Performance Development Review (PDR) process. Where there are changes, managers should ensure that employees complete a new declaration of interests form and submit it to Human Resources. The form should be revised to include a section for managers to record the action taken in respect of any conflicts declared.

Limited Assurance:

- **Health and Safety at Townmead Depot** – An audit of health and safety at the depot identified there are a number of significant issues that could compromise the health and safety of staff and visitors at the Depot. Management is aware of the significant risks identified during the audit and appropriate action is currently being undertaken. Internal Audit will monitor progress against the action and carry out a further audit of the depot later in the financial year.

Recommendation Tracker

3. Members are reminded that the new audit recommendation priority ratings approved in March 2016 are being used for all reports from 2016/17. The new priority ratings are set out in the table below:

Recommendation priority ratings from 2016/17	Recommendation priority ratings pre 2016/17
High	1
Medium	2
Low	3

4. The Audit and Governance Committee will continue to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.

5. The current tracker (Appendix 2) contains five 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 continues to be made on all of these. The high priority recommendation (which is not overdue) relates to the development and implementation of an action plan to address health and safety issues identified at Townmead Depot.

Recommendation type	Number (as at September 2016)
High (Priority 1) not passed its due date	1
High (Priority 1) passed its due date	0
Medium (Priority 2) passed its due date	5
Low (Priority 3) passed its due date	2

Other Internal Audit Activities

6. Internal Audit is represented on a number of business groups and project teams in order to provide advice and guidance. 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.
- Information Management – to advise and assist with the implementation of a Council-wide Information Asset Register and to advise on policies and procedures relating to information management.

Corporate Fraud Team

7. Since the last update, a further three 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 £233,700 and the value of retained rent revenue streams is around £137,000. In addition, another property has been recovered as a result of fraud, resulting in a saving of approximately £18,000.

8. The Corporate Fraud Team is currently engaged in a number of criminal investigations including an active money laundering investigation linked to a Right to Buy application.

9. Our accredited Financial Investigator is now fully trained and able to undertake financial confiscation and cash seizure work.

10. Through the Internal Audit shared service, the team has provided two sessions of anti-fraud training to Harlow Council. These were well received and attracted positive feedback.

11. In July, a Waltham Abbey resident was convicted of Local Council Tax Support fraud following an investigation by the Corporate Fraud Team.

12. The Corporate Fraud Team is continuing to advise many other local authorities on Right to Buy fraud and participated (at the request of the BBC) in a Radio 4 “File on 4” documentary on Right to Buy fraud.

13. A successful recruitment exercise has been undertaken and a new, fully qualified and experienced investigator is due to start on 5 September.

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.

Date/Name	Summary of equality analysis
19/09/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.