



# Epping Forest District Council

## **AUDIT & GOVERNANCE COMMITTEE** **Monday, 25th November, 2019**

You are invited to attend the next meeting of **Audit & Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping**  
on **Monday, 25th November, 2019**  
at **7.00 pm** .

**Georgina Blakemore**  
Chief Executive

**Democratic Services**  
**Officer**

Gary Woodhall  
Tel: 01992 564243  
Email: [democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk)

### **Members:**

Councillors J Knapman, I Hadley, S Heap, R Jennings and B Vaz

Independent N Nanayakkara (Vice-Chairman)

### **WEBCASTING/FILMING NOTICE**

**Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The meeting may also be otherwise filmed by third parties with the Chairman's permission.**

**You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.**

**Therefore by entering the Chamber and using the lower public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for web casting and/or training purposes. If members of the public do not wish to have their image captured they should sit in the upper council chamber public gallery area or otherwise indicate to the Chairman before the start of the meeting.**

**If you have any queries regarding this, please contact the Corporate Communications Manager on 01992 564039.**

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## **1. WEBCASTING INTRODUCTION**

(Corporate Communications Manager) This meeting is to be webcast. The Chairman

will read the following announcement:

*“I would like to remind everyone present that this meeting will be broadcast live to the internet and recorded for subsequent repeated viewing. Copies of the recording could be made available for those that request it.*

*By being present at the meeting, it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast. You should be aware that this might infringe your human and data protection rights, and if you have any concerns then please speak to the Webcasting Officer.*

*Please could I also remind Members to activate their microphones before speaking by pressing the button on the microphone unit (switch off their mobile phones for the duration of the meeting).”*

**2. APOLOGIES FOR ABSENCE**

(Democratic Services Manager) To be announced at the meeting.

**3. DECLARATIONS OF INTEREST**

(Democratic Services Manager) To declare interests in any item on the agenda for the meeting of the Committee.

**4. MINUTES**

(Democratic Services Manager) To confirm the minutes of the meeting of the Committee held on 12 September 2019 (previously circulated).

**5. MATTERS ARISING**

(Democratic Services Manager) To consider any matters arising from the minutes of the previous meeting of the Committee.

**6. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME (Pages 5 - 6)**

(Chief Internal Auditor) To consider the attached Work Programme for the Committee for 2019/20.

**7. AUDIT & GOVERNANCE COMMITTEE - REVIEW OF TERMS OF REFERENCE & EFFECTIVENESS (Pages 7 - 36)**

(Chief Internal Auditor) To consider the attached report (AGC-008-2019/10).

**8. RISK MANAGEMENT (Pages 37 - 70)**

(Service Director – Commercial & Regulatory) To consider the attached report (AGC-009-2019/20).

**9. INTERNAL AUDIT MONITORING REPORT - SEPTEMBER TO NOVEMBER 2019 (Pages 71 - 126)**

(Chief Internal Auditor) To consider the attached report (AGC-010-2019/20).

**10. ANY OTHER BUSINESS**

(Democratic Services Manager) Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

**11. EXCLUSION OF PUBLIC AND PRESS**

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

<b>Agenda Item No</b>	<b>Subject</b>	<b>Exempt Information Paragraph Number</b>
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

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## **Audit & Governance Committee Work Programme 2019/20**

### **12 September 2019**

- Annual Report of the Chief Internal Auditor 2018/19.
  - Corporate Fraud Team Annual Report 2018/19
  - Audit and Governance Committee Annual Report 2018/19.
  - Treasury Management Annual Outturn Report.
  - Internal Audit Progress Report.
  - Statutory Statement of Accounts 2018/19
  - Annual Governance Statement 2018/19
- ❖ Audit of Accounts Annual Governance Statement 2018/19

### **25 November 2019**

- Treasury Management Mid-Year Report.
  - Internal Audit Progress Report.
  - Review of the Audit and Governance Committee Terms of Reference.
  - Review of the Audit and Governance Committee Effectiveness.
  - Review of the Anti-Fraud and Corruption Strategy
- ❖ Annual Audit Letter 2018/19

### **27 January 2020**

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.
- Review of Code of Corporate Governance.
- Review of the Internal Audit Charter.

### **23 March 2020**

- Effectiveness of Risk Management.
  - Internal Audit Progress Report
  - Internal Audit Strategy and Audit Plan 2020/21.
  - Corporate Fraud Team Strategy 2020/21.
- ❖ Planning Letter 2020/21.
- ❖ Audit Plan 2019/20.
- ❖ Grant Claims Audit Report 2018/19.

### **Key**

- EFDC Officer Report.
- ❖ External Auditor Report.

*N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 23 March 2020 meeting in the Conference Room.*

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



**Epping Forest  
District Council**

**Report Reference: AGC-008-2019/20**  
**Date of meeting: 25 November 2019**

**Portfolio: Leader of the Council**

**Subject: Audit and Governance Committee - Review of Terms of Reference and Effectiveness**

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

**Democratic Services: Gary Woodhall (01992 564470).**

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

- (1) That the Committee reviews and approves the changes to its current terms of reference and refers this to Council for approval via the Constitution Working Group; and**
- (2) That the Committee considers the results of the review of the effectiveness of the Audit and Governance Committee.**

### **Executive Summary:**

An effective Audit Committee brings many benefits to an organisation. To ensure the Council continues to provide an effective Audit and Governance Committee, a review of the Committee's effectiveness and its Terms of Reference has been undertaken.

Minor changes to the Committee's Terms of Reference are proposed to reflect the remit of the Committee and an action plan has been developed to address minor weaknesses identified from the effectiveness review.

### **Reasons for Proposed Decision:**

To ensure, as a key component of the Council's governance framework, the Audit and Governance Committee continues to be effective and to follow good practice within the sector.

### **Other Options for Action:**

None.

### **Report:**

#### Background

1. The purpose of this report is to review the terms of reference of the Audit and Governance Committee to ensure it satisfies the core functions of an audit committee as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its 2018 guidance, Audit Committees: Practical Guidance for Local Authorities and Police. The report also

seeks to ensure that the Committee remains effective, as it is a key component of the Council's governance framework.

2. The Audit and Governance Committee reviews its terms of reference and effectiveness on an annual basis. This was last undertaken in 2018.
3. The CIPFA guidance also provides practical support to those wishing to evaluate their existing committee and plan improvements. The checklists provided in the guidance have been used in the review of the effectiveness of the Audit and Governance Committee and are attached to this report.

#### Terms of Reference Review

4. An effective Audit Committee brings many benefits to an organisation. To ensure that the Council continues to provide an effective Audit and Governance Committee, its terms of reference should be considered on an annual basis, which is in line with good practice. The Committee should ensure the terms of reference remain current and up to date and make recommendations for any significant changes to the Council.
5. The Committee last reviewed its terms of reference in November 2018 and proposed no changes at that time, as they remained fit for purpose. The Chief Internal Auditor has carried out a comparison of the Committee's current terms of reference with the 2018 CIPFA model terms of reference and has undertaken benchmarking with the terms of reference of the audit committees operated by Broxbourne Borough Council and Harlow District Council.
6. Two additions to the current terms of reference for the Committee are proposed (shown underlined in bold in Appendix 1) to reflect its remit as the Council works more collaboratively.
7. The terms of reference for the Committee are enshrined within the Constitution, so any changes would be required to be agreed by the full Council. This would normally be on the recommendation of the Constitution Working Group.

#### Membership Review

8. A good audit committee is characterised by a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. It is important to achieve the right mix of apolitical expertise. CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that councils actively explore the appointment of an independent member to the Committee.
9. The Council's Audit and Governance Committee currently has one independent (co-opted) member, who was appointed based on their professional expertise, experience and background as relevant to the role and responsibilities of the Audit Committee.
10. The current terms of reference for the Committee provide that co-opted members shall serve for a period of three years from appointment and may serve for a total of two such terms as of right, but may be considered for two further three-year terms, provided they are successful after open competition following public advertisement.
11. The co-opted member is in their second three-year term of membership of the Committee. Ms. N. Nanayakkara (Vice-Chairman) was first appointed to membership of the Committee in April 2015. Mr. T. Jarvis's second term of membership ended in October 2019 and the



Council is in the process of recruiting to the vacancy.

Effectiveness Review

12. The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the Council's performance.
13. Using the recommended practice in the CIPFA audit committee guidance will help the Committee achieve a good standard of performance. The checklists provided by CIPFA support an assessment against recommended practice to inform and support the Audit and Governance Committee.
14. This review was performed by the Chief Internal Auditor and is based on guidance issued in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police (2018 edition).
15. The review of the effectiveness of the Audit and Governance Committee was last undertaken in November 2018 and identified two minor areas for improvement.

Results of the Effectiveness Review

16. The results of the self-assessment show that the Council can demonstrate compliance with recommended best practice for an effective audit committee.
17. Resulting from the attached checklists (Appendices 2 and 3), the two minor areas for improvement remain the same as last year as per the Action Plan below:

Area	Description and Proposed Actions
Skills and knowledge analysis	Consider repeating the skills and knowledge analysis which was last undertaken in September 2017.
Committee engagement	<p>The Audit Committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly. CIPFA gives the following examples on how this can be achieved:</p> <ul style="list-style-type: none"> <li>• The committee focus on a significant risk area from the risk register and invite the head of service to attend to discuss risks and explain how the risk is mitigated.</li> <li>• When reviewing an audit report with significant weaknesses or disputed recommendations then the responsible head of service should be present to answer questions directly.</li> <li>• If other action plans are monitored by committee then again involve responsible heads.</li> <li>• Invite other members on other committees such as scrutiny if the agenda covers areas of interest to them.</li> </ul> <p>It should be noted the Committee's Terms of Reference entitles the Committee to require any Member, Director, their representatives or any other officer to attend their meetings in order to discuss any matters under discussion and has exercised this right in the past.</p>

**Resource Implications:**

None

**Legal and Governance Implications:**

To comply with CIPFA guidelines and as part of the process for gathering evidence for the production of the Annual Governance Statement, the Council is required to review the effectiveness of its Audit Committee. This effectiveness review and review of its Terms of Reference ensures that the Council fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

The Accounts and Audit (England Regulations) 2015 requires that a relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

The Accounts and Audit Regulations do not specify that these requirements must be met by an audit committee. However, where the audit committee undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

Audit Committees – Practical Guidance for Local Authorities 2018

Audit and Governance Committee Terms of Reference

**Risk Management:**

The Audit and Governance Committee has a pivotal role in how the Council delivers good governance. The purpose of the Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process and reviewing the effectiveness of these arrangements.

**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.

# Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Internal Audit**

If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Review of the Effectiveness and the Terms of Reference of the Audit Committee**

Officer completing the EqIA: Tel: **01992 564449** Email: **slinsley@eppingforestdc.gov.uk**

Date of completing the assessment: **22/10/19**

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>Review of existing Terms of Reference and effectiveness.</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision):  What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <b>To approve the Audit and Governance Committee's Terms of Reference and the Committee's effectiveness.</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"><li>• service users</li><li>• employees</li><li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li></ul> <b>N/A</b>  Will the policy or decision influence how organisations operate? <b>N/A</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>No</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>To improve governance processes in the Council.</b>

### **Section 3: Evidence/data about the user population and consultation<sup>1</sup>**

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A – Does not affect any individuals</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A – as above</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A – as above</b>

## Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

<b>Description of impact</b>	<b>Nature of impact</b> Positive, neutral, adverse (explain why)	<b>Extent of impact</b> Low, medium, high (use L, M or H)
Age	N/A	N/A
Disability	N/A	N/A
Gender	N/A	N/A
Gender reassignment	N/A	N/A
Marriage/civil partnership	N/A	N/A
Pregnancy/maternity	N/A	N/A
Race	N/A	N/A
Religion/belief	N/A	N/A
Sexual orientation	N/A	N/A

## Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

**Section 6: Action plan to address and monitor adverse impacts**

<b>What are the potential adverse impacts?</b>	<b>What are the mitigating actions?</b>	<b>Date they will be achieved.</b>



**Section 7: Sign off**

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Sarah Marsh

Date: 28/10/19

Signature of person completing the EqlA: Sue Linsley

Date: 22/10/19

**Advice**

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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## ARTICLE 11 - AUDIT AND GOVERNANCE COMMITTEE

### Statement of Purpose

1. The role of the Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial statements and provides a forum for considering ethical issues and ensuring high standards of conduct.
2. The purpose of the Committee is to provide independent assurance to the members of the adequacy of the risk management framework and internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place.
3. The specific functions of the Committee are:

#### **Governance, risk and control**

- a. to review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances;
- b. to review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
- c. to note the Council's overall approach to value for money in ensuring the authority is making best use of its resources.
- d. to consider the Council's framework of assurance and ensure it adequately addresses the risk and priorities of the authority;
- e. to monitor the effective development and operation of risk management in the Council;
- f. to monitor progress in addressing risk-related issues reported to the Committee;
- g. to consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
- h. to review the assessment of fraud risks and potential harm to the Council from fraud and corruption;
- i. to monitor the anti-fraud strategy, actions and resources;
- j. **to review the governance and assurance arrangements for significant partnerships or collaboration.**

#### **Internal Audit**

- k. to approve the Internal Audit Charter;
- l. **to review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations;**
- m. to approve the internal audit strategy and plan, including internal audit resource requirements, the approach to using other sources of assurances and any work required to place reliance upon these other sources. To approve any significant interim changes to the plan and resource requirements and make appropriate enquires of both management and the Chief Internal Auditor to determine if there any inappropriate scope or resource limitations;

- n. to consider regular reports from the Chief Internal Auditor which:
  - update on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
  - highlights concerns about progress with the implementation of agreed actions or where management has accepted a level of risk that the Chief internal Audit considers is unacceptable to the Council;
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement;
- o. To consider the Chief Internal Auditor's annual report, including:
  - the statement of the level of conformance with the Public Sector Internal Audit Standards and results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit;
  - the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement;
- p. To support the development of effective communication with the Chief Internal Auditor

### **External Audit and Financial Reporting**

- q. to consider the external auditor's annual letter, relevant reports and the report to those charged with governance;
- r. to review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;
- s. to consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts;
- t. to be responsible for the appointment of the Council's external auditors and ensure it is in line with the requirements of the Local Audit and Accountability Act 2014;

### **Treasury Management**

- u. to be responsible for the scrutiny of the Council's Treasury Management Strategy, including receiving regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities, risks and associated assurances;

### **Accountability arrangements**

- v. to report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions; and
- w. to report to the full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

## **Membership**

4. The Committee shall comprise 7 members, including 5 Councillors and 2 co-opted members. Councillors serving as members of the Committee shall be appointed at the Annual Council meeting of Epping Forest District Council for a term of office of one year and shall be eligible for re-appointment for further terms of office.
5. Seats on the Committee should be allocated so they are not all drawn from one political group and are also open to Councillors who are not affiliated to any political group.
6. Co-opted members shall serve for a period of 3 years from appointment. Such three year appointments shall be overlapping in terms of their expiry dates. A co-opted member may serve for a total of two such terms as of right but may be considered for two further three year terms, provided he or she is successful after open competition following public advertisement. Re-appointment for further terms shall be subject to satisfactory attendance.
7. Casual vacancies for members of the Committee who are Councillors which occur shall be filled at the next ordinary Council meeting (but not an extraordinary meeting) with a term of office expiring on the date of the next Annual Council meeting.

## **Eligibility for Membership - Councillor Members**

8. Councillors appointed to the Audit and Governance Committee may not also be members of the Cabinet or any select Committee appointed by the Overview and Scrutiny Committee with responsibility for reviewing the Council's finances or financial procedures.
9. A Portfolio Holder Assistant (other than any Assistant involved in any portfolio dealing primarily with the Council's finances) appointed by the Leader of the Council shall be eligible for appointment to the Committee.
10. Appointment of Councillors shall be made on the basis of evidence of the aptitude, experience or interest and for this purpose the normal rules for pro rata appointments shall not apply.
11. Formal attendance standards be operated in respect of the three Councillor members when reappointment is under consideration by the Council's Appointments Panel and the Chairman and co-opted members of the Audit and Governance Committee be consulted informally about the appointment or reappointment of Councillors at the appropriate time.

## **Co-opted members**

12. Co-opted members, independent of the Council, shall be appointed by the Council on the basis of their professional expertise, experience and background as relevant to the role and responsibilities of the Audit and Governance Committee. Initial appointments of co-opted members and the filling of casual vacancies shall be made following public advertisement and interview, the latter conducted in accordance with arrangements agreed by the Council. If the number of suitable applicants exceeds the number of co-opted places on the Committee, the Council shall keep a waiting list of suitable applicants should casual vacancies occur.

## **Chairman and Vice-Chairman**

13. The Chairman and Vice Chairman of the Audit and Governance Committee shall be appointed at the first meeting of the Committee in each Council year for a term of one year expiring on the date of the first meeting of the Committee of the next Council year.

14. Casual vacancies in the position of Chairman and Vice-Chairman shall be filled in the same way as required in respect of members of the Committee;
15. Both Councillors and co-opted members serving on the Committee shall be eligible for appointment to the office of Chairman and Vice-Chairman.
16. Where the Chairman of the Committee is a Councillor, the Vice-Chairman will be appointed from among the Co-opted members. Where the Chairman is one of the Co-opted members, the Vice-Chairman shall be a Councillor.
17. The Chairman and Vice-Chairman shall be eligible for re-appointment.

### **Meetings of the Committee**

18. The Committee shall meet at least three times each financial year.
19. The Committee shall be entitled to require any Member, Director, their representatives or any other officer to attend their meetings in order to discuss any matters under discussion including the annual audit programme.

### **Decision Making**

20. Only the Councillors and co-opted members serving on the Committee shall be entitled to vote.
21. All members of the Committee shall be entitled to all documents advice and facilities relevant to their membership of the Committee, regardless of their status as either a Councillor or Co-opted member.

### **Other Requirements**

22. All members of the Committee shall respect the confidentiality of Council information and proceedings where appropriate, particularly where exempt or confidential business is involved.
23. All co-opted members of the Committee shall be required to make a statutory registration of interests in the same form as those required of serving Councillors and to be aware at all times of the requirement to clear any interest relating to their work on the Committee.
24. Members of the Committee should seek to attend all meetings of the Committee unless there are exceptional circumstances which prevent this.
25. All members of the Committee should ensure that they participate fully in any training designed to assist them in their responsibilities as members of the Committee. Similarly all members should act on appropriate advice and other information supplied by the Council to improve their effectiveness.

**Epping Forest District Council Audit and Governance Committee self-assessment of good practice:** This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police and this publication.

Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good Practice Questions		Yes	Partly	No
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	The Committee meets 5 times a year.		
2	Does the audit committee report directly to full council?	Council receives all minutes from the Audit and Governance Committee.		
3	Do the terms of reference (ToR) clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	The Committee reviews its ToR on an annual basis to ensure they remain up to date. The ToR was reviewed in November 2018 and is on the November 2019 agenda.		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	The Audit and Governance Committee forms part of the Council's committee structure. Its role and function are set out in the Council's Constitution.		

Good Practice Questions		Yes	Partly	No
5	Does the audit committee provide support to the Authority in meeting the requirements of good governance?	Through its Terms of Reference, reports it receives, member training, review and challenge of the Annual Governance Statement (AGS), annual accounts, representation by members and officers.		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	There are arrangements for holding the committee to account through its reporting to Council (including annual report and effectiveness review).  For a more independent view consider the role of the Scrutiny Committee in assessing the performance of the Audit and Governance Committee.		
<b>Functions of the committee</b>				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement: <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework including partnerships and collaboration arrangements</li> <li>• Internal and external audit</li> <li>• financial reporting</li> </ul>	These are covered in the Committee's Terms of Reference and review of the Annual Governance Statement.  The inclusion of risk management is being explored.		



Good Practice Questions		Yes	Partly	No
	<ul style="list-style-type: none"> <li>• risk management</li> <li>• value for money or best value</li> <li>• counter fraud and corruption</li> <li>• supporting the ethical framework</li> </ul>			
8	<p>Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?</p>	<p>The committee produces an annual report and on an annual basis reviews its Terms of Reference and undertakes an effectiveness review.</p> <p>The Committee's annual report 2018/19 was approved in September 2019.</p>		
9	<p>Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?</p> <p><i>Note: CIPFA guidance states that Audit Committees can also support their authorities by undertaking a wider role in other areas including:</i></p> <ul style="list-style-type: none"> <li>• <i>considering governance, risk or control matters at the request of other committees or statutory officers</i></li> <li>• <i>working with the local standards and ethics committees to support ethical values</i></li> <li>• <i>reviewing and monitoring treasury management arrangements</i></li> <li>• <i>providing oversight of other public reports, such as the annual report.</i></li> </ul>	<p>The Committee includes treasury management as evidenced in their Terms of Reference.</p> <p>The Committee considered merging with Standards in 2015 but decided to maintain separation subject to review.</p> <p>Other roles as suggested by CIPFA are adequately covered by other committees, Cabinet and the full Council.</p>		

Good Practice Questions		Yes	Partly	No
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Various reports received by the Committee throughout the year ensure the majority of core areas are covered. This includes the Annual Governance Statement (AGS), Internal Audit's annual report and its regular progress reports, External Audit reports (including the Statement of Accounts), and risk management reports.		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes.		
<b>Membership and support</b>				
12	<p>Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• where independent members are used, that they have been appointed using an appropriate process.</li> <li>• consideration has been given to the inclusion of at least one independent member</li> </ul>	The Committee comprises five councillors and two Independent Members, with the main political parties represented. Each brings to the Committee a range of experiences and skills. This is supplemented with periodic member training.		

Good Practice Questions		Yes	Partly	No
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council as appropriate for the organization?	Yes.		
14	Does the chairman of the committee have appropriate knowledge and skills?	Yes.		
15	Are arrangements in place to support the committee with briefings and training?	The formal work programme for the Committee is reviewed at each meeting. Periodic training opportunities (internal and external) are made available to members including joint events with Broxbourne and Harlow Councils		
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Member requirements and core knowledge and skills framework are taken into account when developing the training programme.  A formal knowledge and skills analysis was undertaken and reported to the September 2017 Audit and Governance Committee meeting. Consideration should be given to repeating the exercise as membership of the committee has recently changed.		

Good Practice Questions		Yes	Partly	No
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes, and is the opinion of the Monitoring Officer, Section 151 Officer and Chief Internal Auditor.		
18	Is adequate secretariat and administrative support to the committee provided?	Yes.		
<b>Effectiveness of the committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	The Chairman meets periodically with the Chief Internal Auditor, the Monitoring and S151 Officers with access to External Audit. The Committee's annual report is approved by Council.		
20	Are meetings effective with a good level of discussion and engagement from all the members?	Yes. Attendance levels are high; discussion and debate actively encouraged by the Chairman.		
21	Does the committee engage with a wider range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Officers are held to account through the Committee's review of audit reports (internal and external) and progress being made to implement recommendations. The Committee can request		

Good Practice Questions		Yes	Partly	No
		Officers to attend if appropriate and has done so on occasion.		
22	Does the committee make recommendations for the improvement of governance, risk and are these acted on?	This is undertaken through the Committee's work programme.		
23	Has the committee evaluated whether and how it is adding value to the organisation?	The Committee looks at itself by way of assessing its effectiveness and governance arrangements. The annual report assists with the process. In addition, the Committee adds value by ensuring audit recommendations are acted upon which assist Officers to spend more time doing audits.		
24	Does the committee have an action plan to improve any areas of weakness?	An action plan to address relevant issues is reported to the Committee as part of the review of effectiveness.		
25	Does the committee publish an annual report to account for its performance and explain it works?	Yes, and is approved by Council.		

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### Evaluating the Effectiveness of Epping's Audit and Governance Committee

This appendix sets out an assessment of Epping Forest District Council's Audit and Governance Committee against a set of criteria as prescribed in the CIPFA publication *Audit Committees – Practical Guidance for Local Authorities and Police 2018 edition*.

This document has helped to inform the self-assessment as described in Appendix 2.

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
1.Promoting the principles of good governance and their application to decision making	<p>Supporting the development of the local code of governance.</p> <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships. <i>(Note: Not applicable to Epping Forest District Council).</i></p>	<p>Annual Governance Statement review by the Committee prior to its presentation as part of the Statement of Accounts. Annual report from Internal Audit.</p> <p>There are a suite of training opportunities, not just for those on the Audit and Governance Committee, including risk management and treasury management. Through the Internal Audit shared service training opportunities with Members at Broxbourne and Harlow have been offered.</p> <p>The Committee reviewed and approved the Council's Local Code of Corporate Governance in January 2019.</p> <p>Audit committee effectiveness last undertaken in November 2018 and is on the November 2019 agenda.</p> <p>Committee produces an annual report which outlines the Committee's work and achievements for the year.</p>	5
2. Contributing to the development of an effective control environment	<p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>Audit recommendation tracker to each Committee. Officers can and have been called to account if requested by the Committee. However, wider engagement with Officers should be explored.</p> <p>Annual report from Internal Audit and supplemented with regular progress reports of internal work undertaken.</p>	5



Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
		The Section 151 Officer (or their deputy) attend all Audit Committee meetings.	
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p>	<p>On an annual basis the Committee considers the effectiveness of the Council's Risk Management arrangements and receives a report from the Section 151 Officer on this.</p> <p>The Committee approves the annual Internal and External work plan, both of which are risk based, and the outcomes of their work.</p> <p>On a periodic basis risk management training is provided to all Council Members.</p>	5
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	The Committee reviews and challenges reports from the different assurance providers including Internal and External Audit and risk management.	5
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>Reviewing the audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</p> <p>Actively supporting the quality assurance and improvement programme of internal audit.</p>	<p>Internal audit progress report to each Committee meeting. Annual review of Internal Audit Charter and quality assurance and improvement programme, ensuring compliance with Public Sector Internal Audit Standards (PSIAS).</p> <p>Audit Chairman was actively involved in the 2016/17 External Quality Assessment of Internal Audit, which is required every five</p>	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
		years under PSIAS.	
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<p>Reviewing how the governance arrangements support the achievement of sustainable outcomes.</p> <p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>	<p>Committee achieves this through assessment of risks, Internal Audit work and External Audit findings. The involvement of the Committee in the agreement of and content of the annual Audit Plan also enables key risks to be adequately monitored.</p> <p>In addition, the Committee reviews the Annual Governance Statement and Local Code of Corporate Governance.</p>	5
7. Supporting the development of robust arrangements for ensuring value for money (VfM)	<p>Ensuring that assurance on value for money arrangements are included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>This is undertaken as part of the annual accounts process, VfM work undertaken and reported on by External Audit.</p> <p>This, in turn, along with other assurance providers (such as Internal Audit and the Corporate Governance Group), informs the Annual Governance Statement which is approved by the Committee after appropriate scrutiny and questioning.</p>	5
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<p>Reviewing arrangements against the standards set out in Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and</p>	<p>Fraud risks considered by the Committee as part of the risk management framework, the work of both Internal and External Audit and the Corporate Fraud Team. This includes regular updates on the work undertaken by the Council regarding the National Fraud Initiative.</p> <p>In line with good practice the Committee periodically reviews the Council's anti-fraud and corruption strategy and its approach to</p>	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
	members	<p>anti-fraud and corruption. This was last undertaken in November 2018 and forms part of the November 2019 meeting.</p> <p>The Committee's remit includes the local Code of Corporate Governance, incorporating risk management, internal control, standards of conduct and accountability, but excludes matters within the terms of reference of the Standards Committee.</p>	
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</p> <p>Publishing an annual report from the committee.</p>	<p>Formal committee structure in place, standard report, published on Council website.</p> <p>The Committee considers what assurances it requires regarding partnerships when approving the Internal Audit Plan as it includes partnerships as a theme.</p> <p>The Committee produces annually a report of its work, which is approved by Council.</p>	5

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



**Epping Forest  
District Council**

**Report reference: AGC-009-2019/20**  
**Date of meeting: 25 November 2019**

**Portfolio: Commercial and Regulatory**

**Subject: Risk Management**

**Responsible Officer: Jim Nolan (01992 564083).**

**Democratic Services: Gary Woodhall (01992 564470).**

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

- (1) To consider whether there are any new or emerging risks that are not on the current Corporate Risk register that should be referred to the officer Risk Management Group;**
- (2) That the proposal to enhance the Committee's risk management responsibilities be endorsed, subject to full Council approval; and**
- (3) That the proposal to change the format of the corporate risk register be endorsed.**

### **Executive Summary:**

This report gives the Audit and Governance Committee the opportunity to comment on, and suggest changes to, the Corporate risk register and seeks the Committee's views on moving risk management forward by aligning the corporate risk register template to the Service risk registers and enhancing the Committee's responsibilities with regards to risk.

### **Reasons for Proposed Decision:**

To enhance the Council's risk management framework.

### **Other Options for Action:**

Formal responsibility for making recommendations to Cabinet on risk management issues remains with the Finance and Performance Management Cabinet Committee.

### **Report:**

#### Background

1. At the committee level, formal responsibility for risk management lies with two committees as per their Terms of Reference:
  - Finance and Performance Management Cabinet Committee – to advise and make recommendations to the Cabinet on risk management and insurance issues; and
  - Audit and Governance Committee - to monitor the effective development and operation of risk management in the Council.
2. CIPFA (the Chartered Institute of Public Finance and Accountancy) audit committees –

Practical Guidance for Local Authorities and Police 2018 edition states that Audit Committees should 'consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations'.

3. Currently the Finance and Performance Management Cabinet Committee reviews the Corporate Risk Register, agrees any updates recommended by the Risk Management Group, considers whether any new or emerging risks that are not on the corporate risk register and pass on recommendations to the Cabinet for their approval.

4. The Audit and Governance Committee receives a copy of the most up to date corporate risk register at each of their meetings in order to provide context for their meeting. On an annual basis (March) they receive a report on the effectiveness of the arrangements for risk management from the Council's Section 151 Officer.

5. The terms of reference for each committee are enshrined within the Constitution, so any changes would be required to be agreed by the full Council. Changes to the Constitution are usually only considered by the Council on the recommendation of the Constitution Working Group.

6. Following the staff restructure responsibility for championing risk management now lies with the Service Director – Commercial and Regulatory, who chairs the officer Risk Management Group.

#### Corporate Risk Register

7. The corporate risk register (appendix 1) was reviewed by the Finance and Performance Management Cabinet Committee at their 26 September 2019 meeting where they:

- noted the updated corporate risk register
- requested that risk 13 (cyber security) be updated to incorporate the Committee's comments regarding mandatory training and penetration testing
- requested a new risk be added for Natural England, incorporating the Committee's comment
- recommended the updated corporate risk register be recommended to Cabinet for approval.

Meeting details can be found here under item 18 - <https://rds.eppingforestdc.gov.uk/ieListDocuments.aspx?CId=316&MId=10079&Ver=4>

8. The views of this Committee are sought on whether there are any new or emerging risks that are not on the current corporate risk register or other changes such as the scoring of existing risks should be considered. This will be fed back to the Risk Management Group, who next meet on 27 November 2019.

#### Risk register format

9. A new risk register template is being trialled with Service Directors based on best practice seen within both the public and private sector. An example is given at Appendix 2 which is a newly created one by Contracts and Technical Services.

10. The current format of the corporate risk register is based on an established model that is well understood by officers and Members. However, the proposed new format has several advantages:

- Details both gross and net risk so the direction of travel for each risk is more transparent, and allows better analysis that risk mitigations are working as intended;
- Colour coded so attention can be focussed on the highest scoring risks; and
- Allows for better articulation of risk (using 'if then' format).

11. The Committee's views are sought on the revised risk register template and their endorsement that the corporate risk register should be moved into the new format.

#### Risk Management Oversight

12. In line with CIPFA guidance and consistent with many other councils the proposal is for the review of the corporate risk register and subsequent recommendation to Cabinet lies with the Audit and Governance Committee, rather than Finance and Performance Management Cabinet Committee. The view of both Chairs has been sought and they agree with this suggestion.

13. If the Audit and Governance Committee endorse this approach, and following a review of both Terms of Reference, a proposal will be made to the Constitution Working Group who next meet 12 March 2020.

14. The Council's risk management strategy will be revised and updated to reflect the new monitoring and reporting arrangements if approved by Council following endorsement by the Constitution Working Group.

15. It is envisaged the Audit and Governance Committee would review and comment on the corporate risk register on a quarterly basis, supplemented with a more in-depth review of an individual risk on a rolling or risk basis.

#### **Resource Implications:**

Within the report.

#### **Legal and Governance Implications:**

Changes to the Constitution have to be approved by full Council.

#### **Safer, Cleaner and Greener Implications:**

None.

#### **Consultation Undertaken:**

Corporate Governance Group.

#### **Background Papers:**

Finance and Performance Management Cabinet Committee 26 September 2019 minutes and papers  
CIPFA audit committees – Practical Guidance for Local Authorities and Police 2018 edition

#### **Risk Management:**

If the Corporate Risk Register was not regularly reviewed and updated a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately. In addition, new or emerging risks are not considered which could threaten achievement of the Council's corporate objectives.

#### **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.



# Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Internal Audit, Chief Executive**

If you are submitting this EqlA on behalf of another function, service area or team, specify the originating function, service area or team: **Commercial and Regulatory Services**

Title of policy or decision: **Risk Management report**

Officer completing the EqlA: Tel: **01992 564449** Email: **slinsley@eppingforestdc.gov.uk**

Date of completing the assessment: 29/10/19

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>Change of responsibility for Risk management from Finance and Performance Management Cabinet Committee to Audit and Governance Committee</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision): <b>Audit and Governance Committee to over Risk Management</b>  What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)?
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"><li>• service users</li><li>• employees</li><li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li></ul> <b>N/A</b>  Will the policy or decision influence how organisations operate? <b>N/A</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>N/A</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>N/A</b>

### **Section 3: Evidence/data about the user population and consultation<sup>1</sup>**

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A</b>

## Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

<b>Description of impact</b>	<b>Nature of impact</b> Positive, neutral, adverse (explain why)	<b>Extent of impact</b> Low, medium, high (use L, M or H)
Age	N/A	N/A
Disability	N/A	N/A
Gender	N/A	N/A
Gender reassignment	N/A	N/A
Marriage/civil partnership	N/A	N/A
Pregnancy/maternity	N/A	N/A
Race	N/A	N/A
Religion/belief	N/A	N/A
Sexual orientation	N/A	N/A

## Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqIA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

## Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.

**Section 7: Sign off**

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Sarah Marsh

Date: 30/10/19

Signature of person completing the EqlA: Sue Linsley

Date: 29/10/19

**Advice**

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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# **Epping Forest District Council Corporate Risk Register**

**Date:26 September 2019**

# Contents

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# 1. Introduction

A strategic risk management 'refresh' exercise was conducted on 15<sup>th</sup> May 2013 with assistance from Zurich Risk Engineering. This exercise was an opportunity for the Management Board to refresh (or update) through identification, analysis and prioritisation those risks that may affect the ability of the Council to achieve its strategic objectives and Corporate Plan. In doing so, the organisation is recognising the need to sustain risk management at the highest level.

The refresh exercise involved a workshop with Management Board to identify new business risk areas and to update and re-profile important risks from the existing corporate risk register.

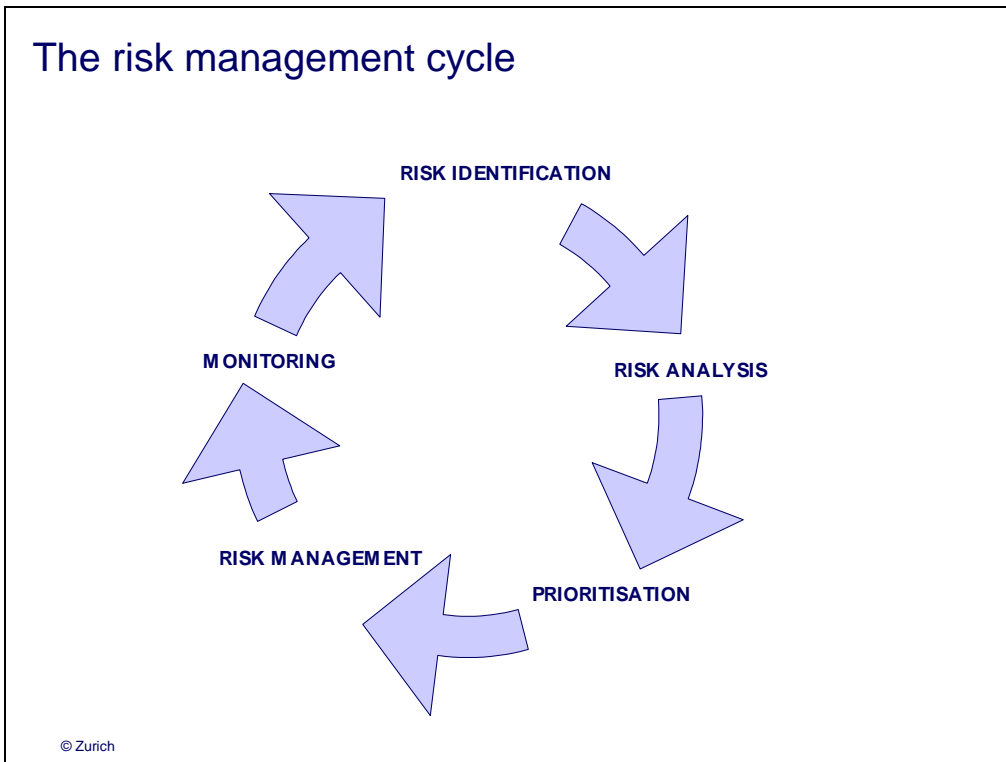
In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

Management Board agreed a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. Risks in the red zone will be monitored on a monthly basis and those in the amber zone on a quarterly basis.

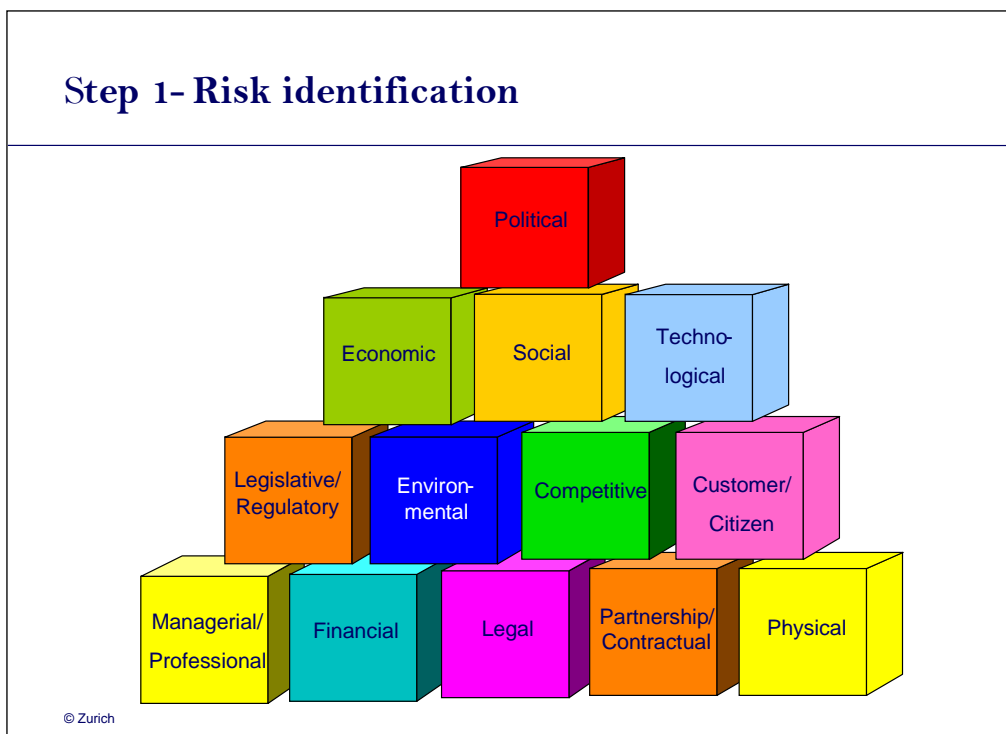
The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

## 2. The Process



### Risk identification

The first of five stages of the risk management cycle requires risk identification. This formed the initial part of the workshop. In doing so the following 13 categories of risk were considered.



## Risk analysis

During the workshop, the identified risks were discussed and framed into a risk scenario format, containing risk cause and consequence elements, with a 'trigger' also identified. This format ensured that the full nature of the risk was considered and also helped with the prioritisation of the risks.

## Risk prioritisation

The discussion resulted in 8 risk scenarios being agreed (Appendix 2) and these were then assessed for impact and likelihood and plotted onto a matrix (Appendix 1). The likelihood of the risks was measured as being 'very high', 'high', 'medium', or 'low/very low'. The impact, compared against the key objectives and Corporate Plan was measured as being 'major', 'moderate', 'minor' or 'insignificant'.

Once all risks had been plotted the matrix was overlaid with red, amber and green filters, with those risks in the red area requiring further particular scrutiny in the short-term, followed by those in the amber area.

## Risk management and monitoring

The next stage is to monitor the revised management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

A risk owner has been identified for each risk. It is vital that each risk should be owned by a member of Management Board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans. Risks should also be reviewed as part of the business planning process, in order to assess if they are still relevant and to identify new issues.

The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting additional risks have been identified and added to the register, as shown in the table below.

Risk number	Risk name	When added
9	Safeguarding	January 2014
10	Housing Capital Finance	June 2015
11	Transformation Programme	January 2018
12	Waste Management	June 2018
13	Cyber Security	September 2019

Risk 8 Partnerships – removed in September 2018.

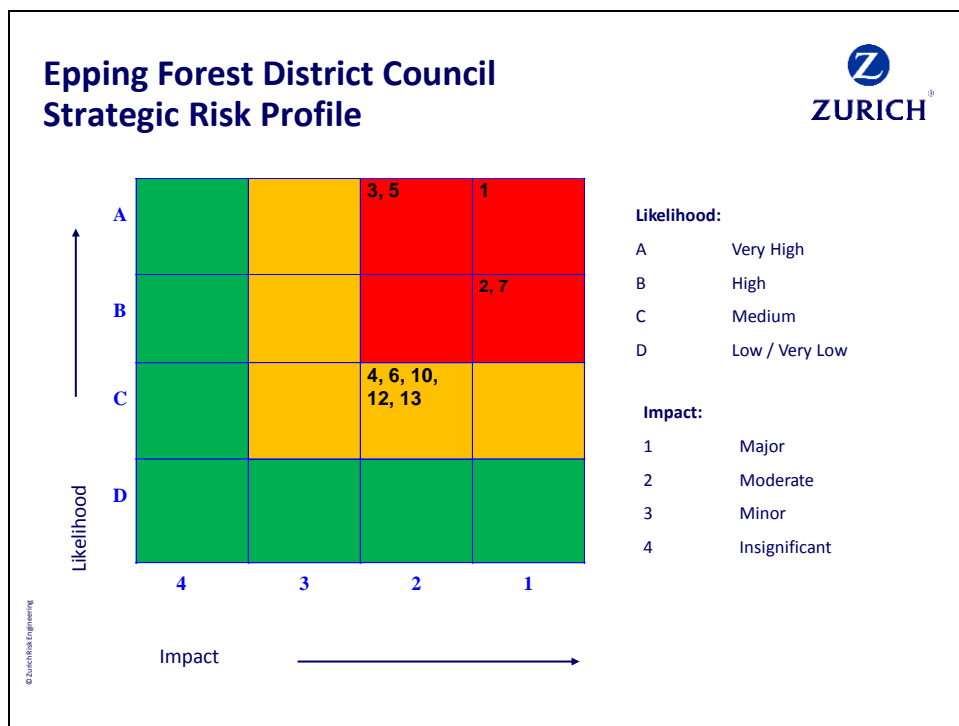
Risk 9 Safeguarding – removed in September 2019.

Risk 11 Transformation Programme – removed in September 2019.

# Appendix 1 – Risk Profile

## Risk profile

During the workshop, 8 risks were identified and framed into scenarios. The results are shown on the following risk profile.



Appendix 2 details all of the above risks.

It is important that an action plan element is written for each of the risks, with particular focus on those with the highest priority, as it is this which will allow them to be monitored and successfully managed down.

### List of current Corporate Risks

Risk number	Short name
1	Local plan
2	Strategic sites
3	Welfare reform
4	Financial resilience
5	Economic development
6	Data/Information
7	Business continuity
10	Housing Capital
12	Waste Management
13	Cyber security

## Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1	Local Plan	A1		
Vulnerability	Trigger	Consequence	Risk Owner	
<p>Without an adopted Local Plan and with the introduction of the Housing Delivery Test from November 2018, the Council's ability to deliver housing at the required rate will lead to the presumption in favour of sustainable development being applied and the requirement to prepare an action plan.</p>	<p>The failure to deliver at the required threshold set out in the NPPF of 95% of the housing requirement over the previous three years triggers a requirement for the Council to prepare an action plan in line with national planning guidance to assess the causes of under delivery and identify actions to increase delivery. Although there are transitional arrangements with lower thresholds for November 2018 and 2019, the delay in submitting the Local Plan as a result of the Judicial Review and Natural England's requirement not to issue planning decisions until a mitigation strategy is in place for Epping Forest SAC, is likely to have ongoing consequences for delivery. There is now further delay as a result of Natural England's objections to the Habitat Regulations Assessment, which has led to the Inspector's advice that further work is required to inform the mitigation strategy.</p>	<p>Without an adopted plan setting the Council's housing requirement at 518 the measurement used will be the 2014 household projection figures/standard method for assessment with an annual requirement of 923 homes. This will result in vulnerability to planning appeal decisions and potential development in the Green Belt as the presumption in favour of sustainable development will apply.</p>	<p>Nigel Richardson</p>	

**Risk No 1 Local Plan – Action Plan**

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Local Plan Submission Version 2017 agreed by Council on 14 December 2017 and published between 18 December 2017 and 29 January 2018. Following the JR the plan was submitted for examination in September 2018 and hearings have now taken place between February and June 2019. The Inspector's advice issued on 2 August 2019 requires the Council to undertake further work to support the Local Plan.</p>	<p>Key milestone to achieve new LDS will not be met as the hearing sessions took place over a longer period of time and the Inspector's initial advice requires additional technical work to be undertaken in order to agree the Main Modifications required for a sound plan to be achieved.</p>	<p>Programme of work to agree the Main Modifications is in preparation for agreement with the Local Plan Inspector.</p>	<p>Nigel Richardson</p>	<p>Future adherence to project plan.</p>	<p>Regular programme meetings to monitor progress – initially weekly but then monthly</p>	<p>None – process ongoing.</p>
<p>Local Development Scheme (LDS) revised following submission of plan for independent examination.</p>	<p>Revised Local Development Scheme adopted by Local Plans Cabinet Committee on 22 November 2018. LDS to be updated once programme of additional work required by Inspector has been agreed.</p>	<p>Review progress against new key milestones.</p>	<p>Nigel Richardson</p>	<p>Adherence to revised LDS</p>	<p>Regular programme meetings to monitor progress – initially weekly but then monthly</p>	<p>Inspector's initial advice issued on 2 August 2019. Currently agreeing a programme of further work with the Inspector to address the actions identified which will set key dates.</p>



<b>Risk No 1 Local Plan – Action Plan</b>						
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
Systematic approach to Duty to Co-operate, engaging public bodies including Natural England and the Conservators	Regular reports at officer and Member level through the Cooperation for Sustainable Development Group.	Important that key decisions do not precede Duty to Co-operate i.e. “fait accompli”.	Nigel Richardson	Submitted plan has passed the legal test of Duty to Co-operate.	MB review six weekly	Officer Meetings – bi monthly now underway.  Duty to Co-operate” Member meetings held regularly.
Development of mitigation strategy regarding the impact of development on Epping Forest Special Area of Conservation (SAC) so as to allow issue of planning permissions, which are currently being prevented without an agreed HRA by Natural England	Regular meetings held with key stakeholders to develop mitigation strategy. Interim mitigation strategy now agreed by Council for recreational pressure on the Forest and Natural England have confirmed it is appropriate. Draft Air Quality Strategy developed but further work required to finalise	Visitor survey work commissioned to support finalisation of mitigation strategy to manage the impact on recreational pressure. Need to obtain agreement with other competent authorities (London Borough of Waltham Forest and Redbridge) in order to progress final strategy. Further work being commissioned to address actions identified by Local Plan Inspector and to feed into the Air Quality Strategy	Nigel Richardson	Mitigation strategy in place for both recreational pressure and air quality issues and release of planning permissions		Agreed strategy by the end of 2019 (following visitor survey in September 2019).
Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, master planning.	Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Recruitment is very challenging. EFDC has offered market supplements on key posts to offer competitive salaries in a tight market.	Ongoing review of strategy and Service Structure salaries by senior planners and Leadership Team. Scrutiny Function to be undertaken by Stronger Place Select Committee.	Nigel Richardson	No delays to timetable due to staffing gaps or lack of critical skills		End of 2019

Risk No 2 Strategic Sites B1						
Vulnerability		Trigger		Consequence		Risk Owner
The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions.		Not maximising the opportunity of the strategic sites either through decisions or delivery.  Loss of key officers.		<ul style="list-style-type: none"> <li>Financial viability of Council harmed</li> <li>Lack of economic development and job creation</li> <li>External criticism</li> <li>Project delayed or mismanaged</li> </ul>		Jim Nolan
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.	<p>Work is progressing on developing a number of sites:</p> <ol style="list-style-type: none"> <li>Another unit has been let in the Landmark Building – a new Public House will be opening soon.</li> <li>WYG project management has been appointed to progress the development at St John’s Road</li> <li>Pyrles Lane Nursery, Cabinet agreed disposal strategy. Sale agreed October 2018. Indemnity insurance obtained sale proceeding.</li> <li>National Police Air Service (NPAS) construction completed site to open at end of August.</li> </ol>	<p>Re-market vacant units.</p> <p>Nursery Services to re-locate to Town Mead on Completion of sale.</p> <p>Complete letting of site to NPAS.</p>	Jim Nolan	Development of strategic sites completed in accordance with Cabinet decisions.	Monthly	None

<b>Risk No 3 Welfare Reform A2</b>						
<b>Vulnerability</b>		<b>Trigger</b>		<b>Consequence</b>		<b>Risk Owner</b>
<p>The government has pledged to make substantial savings from the overall welfare bill. This will require a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.</p>		<p>Welfare reform changes have a detrimental effect on the Council and community.</p>		<ul style="list-style-type: none"> <li>• Tenants no longer able to afford current/new tenancies.</li> <li>• Increase in evictions and homelessness</li> <li>• Increased costs of temporary accommodation</li> <li>• Unable to secure similar level of income due to payment defaults</li> <li>• Increase in rent and Council Tax arrears</li> <li>• Public dissatisfaction</li> <li>• Criticism of the Council for not mitigating the effects for residents.</li> </ul>		Rob Pavey
<b>Existing Controls /actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Cross-service and sector working group established to assess impacts of the introduction of Universal Credit and to produce an action plan to mitigate the effects.</p>	To be determined in 2019/20.	<p>Working Group has been created to meet on a regular basis.</p> <p>Action Plan to be developed by the end of 2019/20 by baselining the effects of Universal Credit for implementation in 2020/21.</p>	Rob Pavey	Mitigation action plan to reduce the effects of the introduction of Universal Credit	Monthly	31 March 2020

<b>Risk No 4 Finance Resilience C2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
<p>Local Authorities are increasingly dependent on locally generated income and from 2020/21 onwards there is little information on future funding. Until the Fair Funding Review is completed it remains difficult to forecast revenue streams for future years. The Fair Funding review will look at how business rate income is distributed amongst authorities but it is unlikely this authority will see any increase in real terms unless additional responsibilities are passed on as a result.</p> <p>There are a large number of rating appeals received where the outcome is uncertain.</p> <p>With the increasing possibility of a no deal Brexit, a number of income sources could be adversely affected. The Council is heavily reliant on income from commercial rentals and it is possible that businesses will find trading conditions more challenging and insolvency may become more common. This of course also affects business rates.</p> <p>The medium term financial strategy requires substantial net CSB reductions over three years.</p>		<p>Unable to secure required level of income due to reduced demand for services, changes in legislation, changes in economic conditions or adverse change in funding mechanisms.</p>	<ul style="list-style-type: none"> <li>• Council unable to meet budget requirements</li> <li>• Staffing and service level reductions</li> <li>• Increase Council Tax</li> <li>• Increase in charges</li> <li>• Greater use of reserves if required net savings not achieved.</li> <li>• Higher level of saving required in subsequent years.</li> </ul>			<p>Paula Maginnis</p>
<b>Existing Controls /actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Monitoring of expenditure, key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.</p>	<p>Effective to date as budgets have been achieved that meet the financial targets set by Members. This will however become increasingly challenging over time.</p>	<p>Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare. Continue to pursue opportunities to reduce net spending. Develop the use of KPI's to understand areas with potential growth/income.</p>	<p>Paula Maginnis</p>	<p>Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan. Outcome of Fair Funding Review and assessment of its impact on the Council.</p>	<p>Monthly</p>	<p>23 January 2020, draft budget to Finance &amp; Performance Management Cabinet Committee.</p>

<b>Risk No 5 Economic Development A2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.		Council performs relatively poorly compared to other authorities.	<ul style="list-style-type: none"> <li>• Unable to secure sufficient opportunities</li> <li>• Local area and people lose out</li> <li>• Insufficient inward investment</li> <li>• Impact on economic vitality of area</li> <li>• Loss of revenue</li> </ul>			Julie Chandler
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
Economic Development Plan (Nurturing Growth) was drafted and presented to Economic Development Board and subsequently to Cabinet Cttee for approval. Cabinet requested further consultation with stakeholders, which is being undertaken in November '19. Following this, a report is to be presented to Cabinet in December '19, to seek approval for development of an Action Plan and related resource requirements.	Too early to determine effectiveness.	<p>Stakeholder consultation event to take place in November '19</p> <p>Report to Cabinet December 5<sup>th</sup> 2019</p> <p>Subject to cabinet agreement, Economic Dev Implementation Plan produced</p>	Julie Chandler	<p>Growth in NDR tax base and employment opportunities.</p> <p>Improved opportunities for skills development in conjunction with NCC.</p> <p>Council to be viewed as punching above its weight.</p>	Monthly	December 2019

<b>Risk No 6 Data / Information C2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.		Data held by the Council ends up in inappropriate hands. System loss.	<ul style="list-style-type: none"> <li>Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations leading to significant fines or/and intervention by the Information Commissioner's Office (ICO)</li> <li>Increased costs and legal implications</li> <li>Reputation damaged and loss of public confidence</li> </ul>			Rob Pavey
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Significant work was undertaken by the Council to ensure it was compliant in time for the introduction of the GDPR in May 2018. This included review of policy and procedures, staff and Member training and awareness, completing an information asset register/register of processing activities and reviewing security of data arrangements.</p> <p>The Council continues to have a designated Data Protection Officer in post and a system of data breach and subject access request monitoring in place.</p>	Generally effective to date, with no significant lapses since the introduction of the 2018 DPA.	The introduction of a corporate Information Governance Group will review current arrangements and ensure these are strengthened where required.	Rob Pavey	<p>Continued security of personal data held by the Council in accordance with the Data Protection Act 2018.</p> <p>No criticism or fines from the ICO over how requests are handled. Low number of breaches reported to the ICO.</p>	Quarterly	None

<b>Risk No 7 Business Continuity B1</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
<p>The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act.</p> <p>Following the re-organisation and negative outcomes from Internal Audit's review plans need to be updated and changes in responsibilities confirmed.</p>		<p>Unable to respond effectively to a business continuity incident (e.g. IT virus/flu pandemic/loss of civic offices)</p>	<ul style="list-style-type: none"> <li>• Services disrupted / Loss of service</li> <li>• Possible loss of income</li> <li>• Staff absence</li> <li>• Hardship for some of the community</li> <li>• Council criticised for not responding effectively</li> </ul>			<p>Jim Nolan</p>
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Improvement of current business continuity (BC) management arrangements is currently in progress.</p>	<p>An Internal Audit of Business Continuity arrangements identified a number of weaknesses which are being addressed through the BC project.</p>	<p>Complete the business continuity project plan and thereafter embed business continuity within the Council, to include periodic tests and exercises.</p>	<p>Jim Nolan</p>	<p>Having plans in place which are proved fit for purpose either by events or external scrutiny.</p>	<p>Quarterly</p>	<p>BC project to be completed by end December 2019.</p>

<b>Risk No 10 Housing Capital Finance C2</b>						
<b>Vulnerability</b>		<b>Trigger</b>		<b>Consequence</b>		<b>Risk Owner</b>
<p>If the Council is unable to spend right to buy receipts in set timescale on qualifying capital schemes we will have to pay the money to the Government along with interest at a penalty rate.</p> <p>Changes to legislation which reduce income to the HRA.</p>		<p>Schemes are delayed by either the planning process or unanticipated site problems.</p> <p>Imposition of further restrictions on rent levels.</p>		<ul style="list-style-type: none"> <li>• Loss of capital resources</li> <li>• Revenues cost of penalty interest</li> <li>• Loss of rental income</li> <li>• Delays in provision of new social housing</li> <li>• Increase in housing waiting list</li> <li>• Current 30 year business plan may become unsustainable.</li> </ul>		Paul Pledger
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Position being monitored by the House Building Cabinet Committee and a number of contingency options are available including purchasing homes or land on the open market, or purchasing from S106 developments.</p> <p>The Council belongs to the Association of Retained Council Housing which lobbies on such issues.</p>	<p>Effective to date. Six street properties in Waltham Abbey and eight affordable homes on a S106 site in Roydon have been purchased to date.</p> <p>Effective to date. Other issues may arise in the future though.</p>	<p>Continue close monitoring of financial position.</p> <p>Keeping Members fully informed of the potential consequences of their actions.</p> <p>Monitor policy developments/announcements and participate in lobbying if appropriate.</p> <p>The risk to spending our 1-4-1 receipts is being monitored on a quarterly basis.</p>	<p>Paul Pledger</p> <p>Paul Pledger</p>	<p>Loss of right to buy receipts is minimised.</p> <p>Impact of Policy changes is minimised as far as possible.</p>	<p>Monthly</p> <p>Monthly</p>	Ongoing



**Risk No 12 Waste Management C2**

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>	<b>Risk Owner</b>
Inability of the Council's partnering contractor, Biffa Municipal Limited to secure profitable outlets for recycling materials processed through the Material Recycling Facility (MRF) could result in diminishing income.	There has been significant drop in income from the sale of recycling materials especially paper, caused primarily by the Chinese government decision to ban import of MRF paper. This has resulted in saturation in the commodity markets.	<ul style="list-style-type: none"> <li>• Reputational damage to the Council if recycling materials is sent to landfill.</li> <li>• Additional costs to the Council if Biffa cannot sell materials.</li> <li>• Additional costs under pain/gain share mechanism in the contract if the income from recycling continues to drop or worst case becomes a cost.</li> </ul>	Qasim Durrani

<b>Existing Controls /actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
Financial settlement has been agreed with Biffa to improve the quality of recycling output from Biffa's processing plant.	<p>Dependent, to a large extent, on the market forces in the case of commodity prices.</p> <p>Due to volatility of sale prices of recycling materials the contractual arrangement of Recycling Index Unit Rate (RIUR), agreed at the anniversary of the contract, is to be continued to be monitored closely.</p>	To continue to monitor the costs and market fluctuations.	James Warwick	<p>RIUR reviews result in increased income.</p> <p>Difficulties in selling recycling materials is identified early.</p>	Monthly	Ongoing

<b>Risk No 13 Cyber Security C2</b>						
<b>Vulnerability</b>		<b>Trigger</b>	<b>Consequence</b>			<b>Risk Owner</b>
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.		Data held by the Council ends up in inappropriate hands. System loss.	<ul style="list-style-type: none"> <li>• Loss of system access and/or data</li> <li>• Unable to provide Council services</li> <li>• Increased costs</li> <li>• Reputation damaged</li> <li>• Ransomware payment</li> </ul>			Paula Maginnis
<b>Existing Controls/actions to address risk</b>	<b>Effectiveness of controls/actions</b>	<b>Required further management action</b>	<b>Responsibility for action</b>	<b>Critical success factors and measures</b>	<b>Review frequency</b>	<b>Key date</b>
<p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access.</p> <p>Controls in systems have been strengthened in response to specific occurrences.</p> <p>Data is backed up daily with forty days retained. Three backups are also stored off site.</p> <p>Staff training.</p>	No loss of data. Systems have remained protected from cyber-attack.	<p>Continued funding for robust perimeter protection system.</p> <p>Continued investment in training to ensure that staff recognise potential cyber threats. Ensure that there is “buy in” by both user and management as cyber security is not just the responsibility of IT.</p> <p>Further develop ICT Recovery Plan.</p>	Paula Maginnis	No data loss or system downtime due to unauthorised access of EFDC systems or data.	Quarterly	Ongoing

## CONTRACTS & TECHNICAL SERVICES RISK REGISTER

<b>LIKELIHOOD</b>	<b>A</b> Very High				
	<b>B</b> High			Dir1	
	<b>C</b> Medium		Tech1	Con1 Con 3	Con2
	<b>D</b> Low Very Low				
		<b>4</b> Insignificant	<b>3</b> Minor	<b>2</b> Moderate	<b>1</b> Major
<b>IMPACT</b>					

RISK NO.	RISK SCORE	DESCRIPTION
Con1	C2	Council awareness of procurement and contracts
Con2	C1	Failure of key contracts
Con3	C2	Loss of or reduction in potential income e.g. grounds maintenance, fleet, car parking, waste and leisure
Tech1	C3	Failure of Flood Alleviation Schemes (FAS) and flooding from Council's flood risk assets
Dir1	B2	Failure of the Council's Travel Plan compromises the Councils Accommodation Strategy

CONTRACTS
TECHNICAL
DIRECTORATE

	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION / REVIEW DATE
Con 1	<p>If the Council is unaware of all its contracts, then:</p> <ul style="list-style-type: none"> <li>these could fail to deliver the Council's services and objectives and/or value for money</li> <li>an appropriate, valid or enforceable contract may not be in place</li> <li>these may breach the Council's Procurement Rules or procurement legislation, and therefore be open to challenge.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit gave moderate assurance over the Council's Contract register in July 2019 as a number of contracts had not been added to the register and/or had expired.</li> <li>Legal maintain a contract register where they have been involved, being the more strategic ones. Staff in this area moved from Legal Services to Contracts and Technical Services in June 2019 as part of the wider Council restructure.</li> </ul>	High	Moderate	B2	<ul style="list-style-type: none"> <li>Contract register</li> <li>Council's Procurement Rules</li> <li>Greater centralisation of the procurement/ contract function</li> </ul>	Medium	Moderate	C2	Review of the Procurement Rules; refresh procurement documentation (e.g. toolkit, checklist etc.). Followed by a Council wide communication and training programme	Service Manager Contracts	December 2019
Con 2	<p>Failure of key contracts (e.g. grounds maintenance, parking, leisure, waste leads to the Council unable to deliver key services, including statutory ones.</p>	Poor contract management processes, including monitoring and reporting, leads to poorly performing contracts. Risk of increased complaints, contract failure and additional resource costs.	High	Major	B1	<ul style="list-style-type: none"> <li>Partnership Board for significant contracts; waste, leisure and car parking</li> <li>Named contract managers</li> <li>Contract management, monitoring and reporting</li> </ul>	Medium	Major	C1	Reinforcement of good contract management principles (see MC1)	Service Manager Contracts	December 2019

	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION / REVIEW DATE
Con 3	<p>Loss of or reduction in potential income e.g. grounds maintenance, fleet, car parking, waste and leisure</p> <p><i>Links with Con2 (failure of key contracts)</i></p>	Poorly performing contracts or lack of enforcement increases the risk of reduced income streams	High	Major	B1	<ul style="list-style-type: none"> <li>Enforcement e.g. car parking</li> <li>Robust H&amp;S measures</li> <li>Strong staff performance/management control</li> <li>Robust contract management</li> </ul>	Medium	Moderate	C2	Continuously seeking to maximise income potential	Service Managers - Contract and Technical	December 2019
Tech1	<p>Failure of Flood Alleviation Schemes (FAS) and flooding from Council's flood risk assets</p>	<p>Trigger</p> <ul style="list-style-type: none"> <li>Failure of flood warning systems</li> <li>Failure of asset/complete failure of structure</li> <li>Lack of clearance and maintenance</li> <li>Heavy or prolonged rainfall exceeds operating capacity of schemes</li> </ul> <p>Consequence</p> <ul style="list-style-type: none"> <li>Threat to human life</li> <li>Increase risk of flooding to people, properties and land</li> <li>Potential litigation</li> <li>Negative press</li> <li>Reputation of the Council</li> </ul>	High	Moderate	B2	<ul style="list-style-type: none"> <li>24/7 telemetry and CCTV systems in operation on Thornwood and Thornhill FAS</li> <li>Council offers 24/7 365 Emergency Flood Response Service</li> <li>Clearance, operating and maintenance regime for FAS</li> <li>Council's maintenance of watercourse and asset term contractor offers 24/7 365 service</li> <li>Emergency Planning procedures incited if overtopping likely</li> </ul>	Medium	Minor	C3	Tolerate	Service Manager Technical	March 2020

	RISK (IF - THEN)	BACKGROUND - CAUSE/EFFECT	LIKELIHOOD	IMPACT	INHERENT RISK RATING	MITIGATION / CURRENT CONTROLS	LIKELIHOOD	IMPACT	RESIDUAL RISK RATING	FURTHER ACTION REQUIRED (INCLUDE TIMESCALES)	RISK OWNER	COMPLETION / REVIEW DATE
Dir1	<b>Failure of the Travel Plan compromises the Council's Accommodation Strategy</b>	<p>If staff are unable/unwilling to work and travel flexibly due to a poorly designed or implemented Travel Plan this could impede the delivery of the Council's Accommodation Strategy.</p> <p>This increases the risk of demotivated staff leading to poor performance and inefficiencies.</p>	High	Major	<b>B1</b>	Staff engagement with the Travel Plan through the survey and key messages delivered through staff communications	High	Moderate	<b>B2</b>	Develop and implement processes to deliver the Travel Plan including understanding the implications of car sharing to and from NWA, and reviewing car parking arrangements	Service Director Contracts and Technical Services	December 2019

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



**Epping Forest  
District Council**

**Report reference: AGC-010-2019/20**  
**Date of meeting: 25 November 2019**

**Portfolio: Leader of the Council**

**Subject: Internal Audit Monitoring Report - September to November 2019**

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

**Democratic Services: Gary Woodhall (01992 564470).**

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

**(1) The Committee notes the progress made against the 2019/20 Internal Audit plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period September to November 2019; and**

**(2) The Committee approves the changes to the Anti-Fraud and Corruption Strategy and refers it to Council for approval.**

### **Executive Summary:**

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

The Anti-Fraud and Corruption Strategy, attached at appendix 4, has been revised to reflect the new Money Laundering Regulations 2017.

### **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. The timings of the audits have been agreed with the Leadership Team to ensure a timely flow of audit reports throughout the year.

#### Internal Audit Reports

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

in September 2019:

**(a) Disabled Facilities Grants – Moderate assurance**

3. Overall there is a sound control framework to manage and monitor the assessment and award of Disabled Facilities Grants, and sample testing confirmed that the controls are working effectively. Appropriate policies and procedures are in place and are compliant with legislation and regulatory guidance, although the procedure manual requires updating to reflect recent changes in operational arrangements.

4. Grant applications are assessed and approved in accordance with the approved eligibility criteria, with checks that the works will address the service user needs. Grant payments are only made for completed works and repayable assistance is secured by a charge on the service users' property.

5. For applications by Housing Association tenants, the landlord's permission for the works is obtained and a request is made for the Housing Association to contribute towards the cost of the disabled facilities works. One case was identified where the Housing Association agreed to contribute £6,692.91 towards the costs, but this had not been raised as a debtors account and as such the agreed sum had not been collected. Further investigation by the service area found this was an isolated incidence.

**(b) Homelessness – Substantial assurance**

6. A Homelessness Strategy is in place and there are a wide range of homelessness prevention and support services in place to provide advice and assistance for clients who are homeless or threatened with homelessness. These services are fairly and consistently applied and there is a clear trail of the review and approval of decisions made. Where a homelessness duty has been accepted, the evidence supporting case decisions was found to be complete, accurate and properly approved. Data protection processes need to be reviewed to ensure that all data sent using email is securely encrypted.

7. A quarterly housing forum with other local authority housing teams in Essex, chaired by the Housing Options Manager, and regular in-house team meetings ensure staff are aware of the latest housing and homelessness legislation and current best practice.

8. Discretionary Housing Payments (DHP) provide an important facility to help prevent homelessness. Robust budgetary control of the DHP funding resulted in £153,000 of unused funding in 2018/19. Whilst well managed, the underspend DHP funding could have been more effectively used to help relieve the pressure on temporary accommodation and therefore efforts should be made to maximise the uptake of DHPs. Controls around the completeness and verification checks of DHP decision forms need to be reviewed following one DHP claim tested being overpaid by £672.44 due to a miscalculation on the DHP decision form.

**(c) Review of Payroll HM Revenues and Customs and BACS Payment processes**

9. A review of three payroll related incidences found that poor processes relating to the handover to the shared payroll service in June 2019 contributed to control failings.

10. A discrepancy concerning April's tax and national insurance payment was difficult and time-consuming to investigate as details of an established contact at HM Revenues and Customs (HMRC) had not been passed on to the shared service. This has been resolved (HMRC had allocated the payment to the wrong account) and a monthly check of the HMRC on-line account is now completed by the Payroll Manager enabling any further discrepancies to be addressed



promptly.

11. June's salary was paid four days early because the officers completing the BACS payment were unfamiliar with the procedure and the payroll BACS processes requested by the Shared Service Payroll Manager to be introduced prior to the handover had not been implemented by the Council. The new process was implemented by the Shared Service Payroll Manager for the July 2019 pay run and staff, including a designated deputy for each role, have been fully trained.

12. A duplicate pension strain payment was made in May 2019 because it was included in the standard pension contributions and paid through Accounts Payable. A refund has been received and to prevent further occurrences, pension strain payments processed by the shared service will not be included in the monthly pension payment. The Council will pay all these by invoice.

#### Recommendation Tracker

13. 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.

14. The current tracker is shown at Appendix 2 and contains one high, seven medium and five low priority recommendations which have passed their due dates (compared to five medium and five low priority overdue recommendations, and one high priority recommendation not passed its due date in August 2019).

Table 1. Summary of tracker as at November 2019.

Recommendation type	Number (November 2019)	Number (August 2019)	Number (March 2019)	Number (January 2019)	Number (November 2018)
High Priority not passed its due date	0	1	0	0	0
High Priority passed its due date	1	0	0	0	0
Medium Priority passed its due date	7	5	5	6	4
Low Priority passed its due date	5	5	2	3	5
<b>Total</b>	<b>13</b>	<b>11</b>	<b>7</b>	<b>9</b>	<b>9</b>

15. The high priority recommendation relates to the business continuity planning project. A summary of progress regarding implementation of the business continuity project plan has been provided by the risk owner and is attached as Appendix 3.

#### Other Internal Audit Activities

16. 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 significant work is summarised here for information.

**(a) Delegated authorities:** Internal Audit is working with Business Services as part of a Council-wide review of delegations to align responsibilities with the DMA (Decision Making Accountability) model adopted by the Council as part of the People Strategy and ensure these are reflected in the Council's policies and procedures.

**(b) Risk Management:** The Officer Risk Management Group has reconvened and reviews and challenges risk at both the corporate and service level; considering whether risks should be escalated to the corporate risk register. The service risk registers have been updated to reflect the Council's new structure and a review and update of the service risks has been completed by service directors and managers in conjunction with Internal Audit. Internal Audit has reviewed the Group Company and Accommodation Project risk registers, which will be presented to the Risk Management Group in November.

#### Corporate Fraud Team update

17. Five Right to Buy applications have been stopped or withdrawn as a result of Corporate Fraud Team (CFT) intervention resulting in a discount saving of approximately £414,000 and potential ongoing rent revenue streams of around £260,000.

18. Two properties have been recovered as a result of investigations into tenancy fraud related matters representing an approximate saving to the Council of £186,000. In addition, two people have been removed from the housing register as a result of investigations into their respective housing applications. On both occasions it was found that the applicants had submitted false information / failed to disclose material facts.

19. Three internal investigations have been undertaken. Two of these are still subject to ongoing enquiries; however, in the other case, whilst no evidence of any impropriety / misconduct was found, a need for revised control measures was identified.

20. The team is due to receive a Proceeds of Crime Act award of approx. £50,000 on 1 November deriving from a previous successful prosecution for tenancy fraud.

21. The CFT is actively supporting National Fraud Awareness Week which runs from 17 – 23 November and will be organising a series of activities to take place during this week.

22. The CFT is currently undertaking a series of proactive projects including Fraud Resilience testing in a number of areas, the results of which will be reported to Corporate Governance Group and Audit and Governance Committee when available.

#### Revised Anti-Fraud and Corruption Strategy

23. The Council's Anti-Fraud and Corruption Strategy has been revised and is attached at Appendix 4. The proposed changes are shown in bold and underlined. The strategy has been revised in light of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).

24. The Audit and Governance Committee is requested to comment on and approve the revised Anti-Fraud and Corruption Strategy and refer to Council for approval.

#### Progress against Annual Governance Statement

25. In July 2019, the Audit and Governance Committee noted reviewed 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 November 2019
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 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.</p>	Good progress is being made although there has been some slippage with the project.
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	The Economic climate continues to be monitored by Leadership Team and Corporate Governance Group on at least a monthly basis.
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	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.	These posts are working as intended and the officers are suitably positioned within the Council's new structure but will be kept under review.

	Government and 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.	An Improvement Plan detailing the changes to be implemented to address the process and procedural issues associated with the preparation of the final accounts is being monitored by the Corporate Governance Group and will be by the Audit and Governance Committee
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	Delegated authorities are being reviewed by the Service Director (Business Services) and is included in the Leadership Team Work Plan.  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.	A schedule of delegated authorities has been drafted. Work is ongoing to ensure consistency with the Council's policies and to determine appropriate financial limits of authority.

**Resource Implications:**

Within the report

**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.

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# Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
  - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
  - advancing equality of opportunity between people who share a protected characteristic and those who do not,
  - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
  - age
  - disability
  - gender
  - gender reassignment
  - marriage/civil partnership
  - pregnancy/maternity
  - race
  - religion/belief
  - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. All **Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA**. An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
  - Factsheet 1: Equality Profile of the Epping Forest District
  - Factsheet 2: Sources of information about equality protected characteristics
  - Factsheet 3: Glossary of equality related terms
  - Factsheet 4: Common misunderstandings about the Equality Duty
  - Factsheet 5: Frequently asked questions
  - Factsheet 6: Reporting equality analysis to a committee or other decision making body

## Section 1: Identifying details

Your function, service area and team: **Internal Audit, Chief Executive**

If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team: **N/A**

Title of policy or decision: **Internal Audit Monitoring Report**

Officer completing the EqIA: Tel: **01992 564449** Email: **slinsley@eppingforestdc.gov.uk**

Date of completing the assessment: 11/11/19

## Section 2: Policy to be analysed

2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? <b>N/A - report is an update to Audit and Governance Committee on the work of Internal Audit Service</b>
2.2	Describe the main aims, objectives and purpose of the policy (or decision): <b>For Audit and Governance Committee to note the work of Internal Audit Service between July and November 2019</b> What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <b>N/A – Report is for noting only</b>
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"><li>• service users</li><li>• employees</li><li>• the wider community or groups of people, particularly where there are areas of known inequalities?</li></ul> <b>N/A</b>  Will the policy or decision influence how organisations operate? <b>N/A – report is not decision-based, it is for noting only.</b>
2.4	Will the policy or decision involve substantial changes in resources? <b>N/A – report is for noting only</b>
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? <b>N/A</b>



### Section 3: Evidence/data about the user population and consultation<sup>1</sup>

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified? <b>N/A – report is for noting only</b>
3.2	Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision? <b>N/A – as above</b>
3.3	If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary: <b>N/A – as above</b>

## Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

<b>Description of impact</b>	<b>Nature of impact</b> Positive, neutral, adverse (explain why)	<b>Extent of impact</b> Low, medium, high (use L, M or H)
Age	N/A	N/A
Disability	N/A	N/A
Gender	N/A	N/A
Gender reassignment	N/A	N/A
Marriage/civil partnership	N/A	N/A
Pregnancy/maternity	N/A	N/A
Race	N/A	N/A
Religion/belief	N/A	N/A
Sexual orientation	N/A	N/A

## Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If ' <b>YES</b> ', use the action plan at <b>Section 6</b> to describe the adverse impacts and what mitigating actions you could put in place.

## Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.

**Section 7: Sign off**

**I confirm that this initial analysis has been completed appropriately.  
(A typed signature is sufficient.)**

Signature of Head of Service: Sarah Marsh

Date: 11/11/19

Signature of person completing the EqlA: Sue Linsley

Date: 11/11/19

**Advice**

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqlA you undertake to the director responsible for the service area. Retain a copy of this EqlA for your records. If this EqlA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

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Appendix 1 - Audit Plan Monitoring 2019-20  
 Progress as at October 2019

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	Service	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Private sector care and grants programme	Commercial and Regulatory	12	Final report	Y	Y	Y	Moderate	0	1	1
Access to Housing (Homelessness)	Housing and Property	15	Final report	Y	Y	Y	Substantial	0	3	2
Recycling management	Contract and Technical	10	In progress	Y						
Income - recycling	Contract and Technical	15	In progress	Y						
Information Management - data retention and disposals	Customer Services	20	In progress	Y						
vfm - data analytics - purchases	Business Services	12	In progress	Y						
vfm - data analytics - scheme of delegation	Business Services	6	In progress	Y						
Housing H&S – asbestos management	Housing and Property	12	In progress	Y						
H&S - Staff H&S in satellite offices	Commercial and Regulatory	15	In progress	Y						
Business support - reconciliations and rents	Business Services	20	In progress	Y						
IT - change and patch management	Business Services	10	In progress	Y						
Governance – Harlow and Gilston Garden Town	Chief Executive	15	In progress	Y						
KFC - Housing rents	Housing and Property	15	In progress	Y						
Housing Register and Allocations	Housing and Property	12	In progress	Y						
Procurement - Contract management	Commercial and Regulatory	20								
HMOs (Houses of Multiple Occupancy)	Commercial and Regulatory	12								
KFC - fixed assets	Business Services	12								
Performance Management - Customer Services	Customer Services	15								
Infrastructure Delivery Plan	Planning	12								
							TOTAL	0	4	3

Key  
 H&S = Health and Safety  
 KFC = Key Financial Controls  
 vfm = Value for Money

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## EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 30 October 2019

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
<b>Software Licencing</b> Report No. 06.18/19 (February 2019)	1	The Active Directory should be re-structured to reflect the current operating position of the Council. Once achieved the number of users and software requirements, including server-based software, will provide a definitive number for the licences required.	Med	We now intend to implement a single folder structure for all staff to prevent the necessity for future changes should another restructure be required.	Service Manager Business Support and ICT	30/09/19	01/04/20	<b>Oct 19:</b> This action has been deferred until completion of the people strategy. As the structure is still changing, the Active Directory would have to be changed again later.	Overdue
<b>Software Licencing</b> Report No. 06.18/19 (February 2019)	3	Reports should be produced on a regular basis to identify the number of users with Administrative access and access requirements questioned. In addition, software utilisation should be assessed on an annual basis with limited use being investigated by ICT and discussed with the relevant department/user.	Med	Agreed	Software Asset Licencing Officer/  Service Manager Business Support and ICT	30/09/19	01/04/20	<b>Oct 19:</b> Software utilisation assessments are already occurring for many products, both on a quarterly basis as a part of our SAM managed service compliance reviews and internally when licence or maintenance renewals become due.  ICT is exploring the opportunities with the current system supplier (HOTH) regarding which elements it can deliver on, including software licences, asset inventory and supplier contracts.	Overdue
<b>Personal Data shared by Email with Members</b> Report No. 24.18/19 (March 2019)	1	The Council should ensure that all Members are issued with an Epping Forest District Council email address and that all communication from Officers is sent via this	Med	Members will be issued with an EFDC password and a corporate device.	Service Director- Customer Services	31/05/19	<del>30/09/19</del> 01/12/19	<b>Jun 19:</b> The roll-out of 'locked-down' devices has commenced and the vast majority of Members are now in receipt of and i-pad for this purpose. The work around e-mails has been paused. It is recognised that there needs	Overdue

## EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 30 October 2019

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Page 90		corporate email address. Until the corporate email accounts have been introduced officers should use the Mimecast secure email facility when sending any personal/sensitive data to Members. As part of the wider review of IT provision, consideration should be given to issuing Members with a corporate device (phone, tablet etc) to access their corporate emails, similar to that in place at Broxbourne and Harlow Councils.						to be more flexibility for Members to enable them to access e-mails on their personal phones so they can undertake their duties effectively. Officers are assessing options to allow this flexibility whilst retaining the necessary security. An update on the final position will be provided by September 2019.  <b>Oct 19:</b> The proposed solution allowing members the flexibility of using personal devices remains under review by ICT.	
	<b>Business Rates – Council Wide Approach</b> Report No. 13.18/19 (April 2019)	2	Representatives from the Local Gazetteer and Licensing teams should be invited to attend the information sharing working group to discuss the commercial property information they hold within the GeoPlace and M3 databases and how this might better be used to the benefit of the Council including but not limited to maximising business rates income.	Low	Due to long-term sickness the organiser will not be able to re-commence this working group until late summer.	Business Rates Specialist	30/09/19	01/04/20	<b>Oct 19:</b> Due to long-term sickness it has not been possible to re-commence this working group.

## EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 30 October 2019

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
		Data Protection Officers / Legal representatives should also be involved to help ensure that any actions recommended by the Forum are GDPR compliant.							
<b>Business Rates – Council Wide Approach</b> Report No. 13.18/19 (April 2019)	3	The Business Rates Team to request bespoke reports to be written from the M3 system used by the Planning Team that only identifies information in respect of commercial properties which would eliminate the need for the Business Rates Team spending their time sifting through lengthy reports.	Low	Accepted – officers will look at options information from M3 and adapt the reports accordingly	Revenues and Benefits Manager	30/06/19	<del>01/10/19</del> 01/04/20	<b>Jun 19:</b> There has been no progress with the Planning M3 system due to the lack of resources and the migration of staff into the Business Performance Unit.  <b>Oct 19:</b> Due to long-term sickness it has not been possible to progress this.	Overdue
<b>Business Rates – Council Wide Approach</b> Report No. 13.18/19 (April 2019)	4	The Business Rates Team to allocate specific time each month for processing information received from other departments to fit around responding to customer queries and liaison with the VOA.	Low	Accepted	Revenues and Benefits Manager	01/05/19	<del>01/11/19</del> 01/04/20	<b>Jun 19:</b> There has been no progress on the allocation of specific time to process information from other departments due to long-term sickness absence within the Business Rates team.  <b>Oct 19:</b> Due to long-term sickness it has not been possible to progress this.	Overdue

## EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 30 October 2019

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status	
Page 92										
	<b>Business Rates – Council Wide Approach</b> Report No. 13.18/19 (April 2019)	5	The format of the Planning Information Input Log should be amended so that it takes account of information received from other Council departments (such as Economic Development, Local Gazetteer, Licensing and Legal for example). The Business Rates Manager should review the Information Input Log on a more regular basis so that he can encourage the business rates officers to keep up to date with processing tasks.	Low	Accepted - officers will look at options for pulling this information together and adjust processes accordingly	Revenues and Benefits Manager	31/05/19	<del>04/10/19</del> 01/04/20	<b>Jun 19:</b> There has been little progress in developing the Planning Information Input Log, due to the lack of resources.  The team has received a considerable amount of information from the Council's Licensing Team, which they are comparing to the information held by the Business Rates system.  <b>Oct 19:</b> Due to long-term sickness it has not been possible to progress this.	Overdue
	<b>Business Continuity Planning</b> Report No. 12.18/19 (May 2019)	1	An action plan to address business continuity and IT Disaster Recovery failings identified in this audit should be drawn up and implemented. Regular reporting on progress being made with the action plan should be reported to Internal Audit and the Council's Corporate Governance Group (CGG).	High	Following a meeting of interested parties and a report to CGG it was agreed that outside consultancy be engaged to directly address the issues raised in the Internal Audit report. An independent business continuity consultant has been engaged and a timeline is being agreed for work to be undertaken to ensure compliance with audit requirements and provide a robust framework for business continuity going forward. The consultants	Service Director – Commercial and Regulatory Services	31/10/19	31/03/20	<b>Oct 19:</b> A wide range of workshops have been taking place across the Council, involving a significant number of staff; these have taken longer than expected. Draft business continuity plans should be in place before Christmas and testing of these planned before the end of the financial year.	Overdue

## EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 30 October 2019

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
				work should be concluded by end October 2019.					
<b>Review of FirstPort Property Services invoices 2018/19</b>	3	There should be a Staff Communication from Business Support to include the following: <ul style="list-style-type: none"> <li>• the procedures for ordering, receipting and processing invoices</li> <li>• new suppliers should be set up promptly and preferably in advance of invoices</li> <li>• staff should not hold onto invoices</li> <li>• staff should request that suppliers include a contact name or department on invoices.</li> </ul>	Low	A staff communication is being drafted.	Service Manager Business Support and ICT/ Service Director – Business Services	31/07/19	30/11/19	<b>Oct 19:</b> The communication has been drafted. This will be shared with Internal Audit prior to issuing to ensure all issues identified during the current Invoice Payments audit are captured.	Overdue
<b>North Weald Airfield 2018/19</b> Report No. 20.18/19 (April 2019)	2	All fees imposed by NWA should be included in the annual review and approval of fees and charges. A date should be agreed regarding when the new arrangements will be enforced	Med	A report addressing this issue will be made to Cabinet with a fee regime introduced following call in.	Airfield Manager  Service Director Commercial and Regulatory	05/09/19	31/03/20	<b>Oct 19:</b> A report in relation to the April 2020 casual hire fees at the Airfield will be formulated for the relevant Cabinet committee meeting in due course.	Overdue
<b>North Weald Airfield 2018/19</b> Report No. 20.18/19 (April 2019)	4	Airfield Manager to liaise with Finance and IT to include facility to enable landing fees to be paid on the Council website or via card payments.	Med	A report addressing this issue will be made to Cabinet with a fee regime introduced following call in.	Airfield Manager  Service Director Commercial and Regulatory	05/09/19	31/12/19	<b>Oct 19:</b> The Airfield Manager is currently working with the Payment Solutions Team to identify the most appropriate methods of collecting fees. The report for Cabinet has been formulated and submitted.	Overdue

## EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 30 October 2019

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
		A date should be agreed regarding when it is practical for the new arrangements to be publicised and enforced.							
<b>North Weald Airfield 2018/19</b> Report No. 20.18/19 (April 2019)	5	Airfield Manager to liaise with IT regarding the fixing of the NWA webpage. This will enable instructions regarding payment of landing fees and a link to the Council website to enable prior payment or card payment to be included.	Med	The airfield manager will meet with IT to address this matter.	Airfield Manager  Service Director Commercial and Regulatory	30/07/19	31/12/19	<b>Oct 19:</b> The content for the Airfield's microsite has been submitted to Communications and we are awaiting feedback.	Overdue
<b>HR Starters, Movers and Leavers 2018/19</b> Report No. 26.18/19 (August 2019)	2	In line with the General Data Protection Regulations, a Data Protection Impact Assessment should be completed to identify and minimise the data protection risks of the shared payroll service	Med	The requirement for a Data Protection Impact Assessment will be followed up with the Data Protection Officer and the Shared Payroll Governance Board.	HR Manager Service Director – Business Services	30/09/19	tbc	<b>Oct 19:</b> The status of the DPIA is being followed up with the Shared Payroll Service Governance Board.	Overdue

### **Business Continuity Project – progress update from the Commercial and Regulatory Service Director as at 07 November 2019**

Since the September update report to the Audit and Governance Committee, a further Business Continuity Management Workshop was held on 16th October which, despite clashing with a Level 1 (L1) Managers Performance Management Training, was well-attended, with 21 attendees.

Thus, since July, there has been representation from 34 of the 74 identified teams in spite of invitations being sent to all teams.

However, of the 34 teams trained, only six Business Continuity Plans (BCPs) have been drafted to date.

We are therefore unlikely to meet the project timetable without management intervention.

#### **Contributing Factors**

The main contributing factor has been the vacancies in L1 & L2 manager appointments resulting in some teams being unrepresented at the training, together with the cancellation of some sessions due to a period of sickness of the contractor.

Feedback from EFDC staff who have attended workshop sessions has largely been positive with regards to the quality and effectiveness of the training provided, with 86% of attendees at the 16 October session feeling that they have 'a good understanding of BCM and how to apply it to their service / team'. However, the evaluation responses and feedback given on the day indicate a general feeling that the timetable for delivery and what was expected of managers was unrealistic given the current workload being experienced by L1/L2 managers. Some managers did not appreciate that they were to be responsible for the production of their own plans and thought that the consultant would be doing this for them.

#### **Recommendations**

In light of the current status of the project and concerns raised by staff, the following actions are proposed:

- that Leadership Team take a view as to how the responsibilities of this project be prioritised in relation to the range of competing demands managers are currently faced with and to communicate this clearly to managers. At the Leadership Team meeting of the 04 November Directorate reps were nominated;
- work continues with those teams that have draft plans in production to see these through to completion;
- additional workshops have been scheduled for 21 and 28 November and 05 and 11 December for the remaining service teams to ensure that all managers across EFDC have received BCM (Business Continuity Management) training and that they are given the opportunity to complete their plans.
- Extending the current project delivery timetable so that the planned exercise now takes place mid-February 2020.

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# Anti-Fraud and Corruption Strategy

November 2019



*Epping Forest District Council*

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## Anti-Fraud and Corruption Policy

Epping Forest District Council (EFDC) is committed to high legal, ethical and moral standards, and the proper accountability of public funds.

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations with which it comes into contact will act towards the Council with integrity.

The key controls in place to reduce the likelihood of fraud and corruption are:

- The Council has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption
- All Members and staff act with integrity and lead by example
- Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
- High standards of conduct are promoted amongst Members by the Standards Committee
- The maintenance of a register of interests in which any hospitality or gifts offered which are accepted or refused must be recorded
- Confidential reporting procedures are in place and operate effectively
- Legislation including the Public Interest Disclosure Act 1998 is adhered to
- Standard contract clauses prohibit fraud and corruption

Additionally, the Council:

- Maintains a Corporate Fraud Team which plays a key role in both the prevention and investigation of matters relating to suspected fraud, corruption and abuse of council services and property.
- Uses the Internal Audit Service as an independent appraisal function for the review of the Council's internal control system as a contribution to the proper, economic, efficient and effective use of resources
- Recognises the importance of criminal prosecution in deterring fraud and will seek to prosecute offenders where appropriate
- Supports the work of the police and other external agencies in fighting fraud and corruption in the public sector.

- Is a member of the National Anti-Fraud Network (NAFN), and
- Participates in the National Fraud Initiative, which is the Cabinet Office's biennial data matching exercise designed to combat fraud.

This policy applies to suspected fraud and corruption, which concerns EFDC, involving employees, Members and/or external parties unless the matter is more properly a matter for the Police. Any investigation required will be conducted without regard to any person's relationship to EFDC, position or length of service.

## Section One

### Introduction

EFDC aims to provide community leadership and quality services. This strategy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs.

In applying this strategy regard will be had to all relevant EFDC policies and any obligations as an employer and the requirements of the Code of Conduct for Local Government Employees.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud and corruption as:

**Fraud** – *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”*.

In addition, fraud can be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority, which is carried out to mislead or misrepresent”*.

**Corruption** – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”*.

The Fraud Act 2006 created the following specific criminal offences surrounding fraud:

- Fraud by False Representation
- Fraud by Failing to Disclose Information (where there is a legal duty to do so)
- Fraud by Abuse of Position
- Obtaining services dishonestly
- Possession of Articles for use in fraud
- Making or Supplying Articles for use in fraud

This policy strongly advocates the following four key principles in the Council's approach to combatting fraud and corruption, namely:

- **Culture** – The ongoing process of maintaining and developing a “top to bottom” anti fraud and corruption culture throughout the organisation focusing not just on employees, but Members, suppliers, contractors and the public also. This includes risk management processes, fraud/corruption proofing policy and processes, fraud and corruption awareness.
- **Prevention** – Ensuring that a range of anti-fraud and corruption measures are deployed throughout the Council such as internal audits, fraud aware sessions, staff and supplier vetting, participation in the National Fraud Initiative and the pan-Essex council tax matching campaign, staff and Member code of conduct and declarations of interest, information security and IT policies. etc.
- **Detection and Investigation** – Where fraud and / or corruption is suspected, the Council must ensure that investigations are carried out by professional and qualified investigators to the highest standards of fairness and probity, having due regard to the appropriate legislation at all times.
- **Deterrence** – In the event of fraud and / or corruption being discovered, the Council must take appropriate steps to ensure that further instances do not occur by utilising methods such as criminal prosecution, disciplinary action, etc. The Council will also seek to obtain financial redress where public money has been lost by utilising The Proceeds of Crime Act wherever appropriate.

## Section Two

### Culture

EFDC will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. Fraud risk is considered as part of the Authority's overall risk management strategy.

The prevention and detection of fraud and corruption, and the protection of the public purse is everyone's responsibility.

The Members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, irrespective of seniority or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. In order to make sure this occurs; the Council has and maintains a separate Whistleblowing Policy.

Members, employees or contractors are encouraged to raise concerns in line with the fraud response plan (section 8) if they reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:

- a criminal offence
- a failure to comply with a statutory or legal obligation
- improper unauthorised use of public or other funds
- improper use or misappropriation of assets
- a miscarriage of justice
- maladministration, misconduct or malpractice
- any other similar occurrences
- deliberate concealment of any of the above.

Management Board will ensure that any allegations received in any way, including anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to legislative requirements.

The Council has agreed the provision of a Corporate Fraud Team in order to bring a uniform approach to fraud investigation and to adequately resource the detection and prevention of fraud.

The Corporate Fraud Team (CFT) investigate matters of suspected fraud, theft and corruption within EFDC (except for Housing Benefit fraud investigation which transferred to the Department for Work and Pensions). The CFT will, as one of its key operating principles also seek to maintain an anti-fraud and corruption culture by engaging staff, Members and the general public by way of fraud awareness sessions and seeking to publicise its successes both internally and externally.

EFDC will deal firmly with those who defraud the Council, or who are corrupt, or who are responsible for financial malpractice.

When fraud or corruption has occurred because of a breakdown in the Council's systems or procedures, the Corporate Governance Group in conjunction with the Corporate Fraud Team and Internal Audit will ensure that appropriate improvements in systems of control are implemented to prevent a recurrence.



## Section Three

### Prevention

It is important that the Council recognises and manages the risks relating to fraud and corruption in order to prevent them from occurring. Furthermore, it is imperative that these risks are routinely considered as part of the Council's overall approach to risk management. In order to understand the nature of these risks, the following have been identified as key issues that are relevant to EFDC:

- Social Housing Tenancy Fraud – this includes risks such as fraudulent housing applications, mutual exchanges, illegal subletting etc.
- The Right to Buy scheme – fraudulent applications and suspected money laundering
- Money Laundering – Exposure to suspect transactions
- Council Tax – fraudulently claimed discounts (including Local Council Tax Support), refund scams
- Non-Domestic Rates – fraudulent applications for exemptions, unlisted properties
- Grants (including Disabled Facilities Grants) – false eligibility and applications, diverted funds, works not carried out.
- Insurance Fraud – suspected false claims particularly those relating to personal injury
- Planning Fraud – risk of manipulation, collusion, potential conflicts of interest, **bribery etc.**
- No recourse to public funds – fraudulent eligibility for Council services such as Social Housing
- Payroll Fraud – false and “ghost” employees, overtime and mileage claims, expenses.
- Internal Frauds – such as fund diversion, accepting bribes, stealing monies and / or Council property, social housing misallocations for personal gain, working elsewhere whilst off sick, abuse of position such as misuse of assets / resources.
- Procurement Fraud – tendering issues, split contracts, double invoicing
- Cyber Crime / Fraud – frauds such as false applications for services, fund diversion.

It is important to note that the above represents the key fraud risk areas and examples of each. It is not intended to be an exhaustive list.

As with the culture, the concept of fraud prevention applies to the organisation from top to bottom.

The United Kingdom Anti-Corruption Strategy 2017-22 sets out a long term framework for tackling corruption. For local government, including Epping Forest District Council, this sets out the following goals:

- Greater procurement transparency, enabling better identification and mitigation of corruption risks.
- Strengthened awareness and capability within contracting authorities leading to a stronger awareness of corruption risks and more capability to detect and deter illegality.

## Members

As elected representatives, all Members of the Council must act in accordance with statutory requirements and the Members' Code of Conduct. These matters and other guidance are specifically brought to the attention of Members at the induction course for new Members and include rules on the declaration and registration of potential areas of conflict between Members' Council duties and responsibilities, and any other areas of their personal or professional lives.

Members sign to the effect that they have read, understood and will comply with the Member's Code of Conduct when they take office. The Monitoring Officer advises Members of new legislative or procedural requirements.

## Managers

Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that staff are aware of the Council's Financial Regulations and Procurement Rules, and that the requirements of each are being met in their everyday business activities. In addition, managers must make sure their staff are aware of the requirements of the Officers' Code of Conduct through the induction process and regular reminders

Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the information in the Whistleblowing Policy, which is accessible to all staff via the intranet. Managers should also periodically review complaints as this may be an indication of potential fraud.

Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the integrated benefits computer system or council tax. Managers must ensure that relevant training is provided for staff. Checks must be carried out at least annually to ensure that proper procedures are being followed.

The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.

The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held.

As with other public bodies, police checks are undertaken on employees working with children.

Further checks will be **undertaken either by the appropriate Manager or the CFT** in areas where an increased risk of potential fraud and corruption has been identified

(for example, positions whereby a professional qualification is essential) **or where there is a tangible suspicion surrounding an application.**

Human Resources will keep under review the checks that legislation allows.

## Employees

Each employee is governed in their work by the Council's Procurement Rules and Financial Regulations, the Officer Code of Conduct and various policies. Guidelines on gifts and hospitality, and codes of conduct associated with professional and personal conduct and disclosure of interests are contained within the Staff Handbook, which is available to all staff via the corporate intranet.

Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Authority. These will be included in induction training and procedure manuals. Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager, they can relay their suspicions to either the Chief Internal Auditor or the Corporate Fraud Manager. Employees can also avail themselves of the Whistleblowing Policy readily available on the intranet alongside the Council's safeguarding and gifts and hospitality policies

## Conflicts of Interest

Members, employees and contractors / consultants must ensure that they avoid situations where there is a potential for a conflict of interests. Such situations can arise with externalisation of services, partnering arrangements, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are, and are seen to be made, based upon impartial advice thereby avoiding improper disclosure of confidential information. ~~Since 2017, the Performance Development Review process requires employees to annually confirm their position regarding any potential conflicts of interest.~~ **Any potential conflicts of interest must be declared upon commencement of work and any changes occurring during an individual's period of employment must be declared to the appropriate manager.**

## Official Guidance

In addition to Financial Regulations and the Procurement Rules, Services will have their own procedures to prevent and detect fraud. There may also be audit reports that recommend methods to minimise losses to the Council. Staff must be made aware of these various sources of guidance and alter their working practices accordingly.

## Role of the Corporate Fraud Team

The Corporate Fraud Team role is in both the prevention and investigation of instances of suspected fraud against the Council. Fraud awareness training is given to officers within the Council to assist in ensuring that any cases referred to the team contain good quality information to assist with the investigation. All investigations are carried out in accordance with the respective legislation.

In cases where the offence is deliberate and serious enough to warrant prosecution, consideration will be given to the Council's fraud prosecution / sanction policy. If deemed appropriate legal proceedings will be undertaken in conjunction with Legal Services and / or other bodies such as the Police.

Utilising the provisions of Section 222 of The Local Government Act 1972, the Corporate Fraud Team in conjunction with Legal Services are appropriately authorised to undertake investigations and criminal prosecutions into cases of fraud and corruption that involve the Council.

## **The Role of Internal Audit**

Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. They liaise with management to recommend changes in procedures to prevent potential or further losses to the Council. Internal Audit works closely in conjunction with the Corporate Fraud Team.

## **The Role of External Audit**

Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

## **Co-operation with Others**

The Corporate Fraud Team and Internal Audit have arranged (subject to legislative requirements regarding data sharing) and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as:

- Police
- County, Unitary and District groups
- External Audit
- Government departments
- National bodies such as The National Fraud Intelligence Bureau, Action Fraud etc.

## Section Four

### Detection and Investigation

The Corporate Fraud Team and Internal Audit play an important role in the detection of fraud and corruption. Included in their respective business plans are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits.

In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.

In some cases, frauds are discovered by chance or 'tip-off' and arrangements are in place to deal with such information properly.

All suspected irregularities are required to be reported (orally or in writing) either by the person with whom the initial concern was raised or by the originator, as detailed in the Council's Whistleblowing Policy. This will:

- ensure the consistent treatment of information regarding fraud and corruption
- facilitate a proper and thorough investigation by an investigator from the Corporate Fraud Team in accordance with the requirements of current legislation. Should a member of the Corporate Fraud Team be implicated or the subject of an investigation, either the Chief Internal Auditor or Monitoring Officer will provide a suitable, qualified investigator.

This process will apply to all the following areas:

- a) fraud/corruption by Members
- b) fraud/corruption by Council employees
- c) fraud/corruption by contractors' employees
- d) fraud/corruption by the public/ external parties

In most cases of reported fraud and / or corruption, any allegation or suspicion will, in the first instance be investigated by the Corporate Fraud Team. Depending on the nature of the case, the CFT may consider undertaking joint investigations with other relevant parties (such as other Local Authorities, Government Departments, and the Police etc.).

Alternatively, the CFT may, in some cases, refer the investigation on to another investigating body if more appropriate to do so.

Any decision to refer a matter to the police will be taken by the Chief Executive in consultation with the Monitoring Officer, the s151 Officer, the Director of the responsible service and the Corporate Fraud Manager / Chief Internal Auditor however any investigation whereby financial impropriety is discovered, will be dealt with, normally, in the first instance by the Corporate Fraud Team. However, the mere fact that a Corporate Fraud Team and / or police investigation leads to them taking no further action will not compromise any private action/procedure or investigation that the Council may pursue.

The Council's disciplinary procedure will be used to facilitate a thorough investigation of any allegation of improper behaviour by employees. Decisions to refer potential criminal activity by a Member to the Police will be taken by the Monitoring Officer in consultation with the Chief Executive and S151 Officer.

If a Member is suspected of the specific offence of failing to disclose a Disclosable Pecuniary Interest as defined by the Localism Act 2011 the decision to refer the matter to the Police will be taken by the Monitoring Officer.

## Section Five

### Deterrence

#### Criminal Prosecution

In order to strike the correct balance taking into account punishment and deterrence, the Council will undertake criminal prosecutions where it is considered evidentially appropriate and in the public interest. A corporate policy will be developed taking account of legal guidelines, to encompass the public, Members, contractors and employees. It is designed to clarify the Authority's action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings and will seek to always take a fair and balanced view on each matter according to each case's particular merits.

#### Disciplinary Action

Theft, fraud and corruption are serious offences against the Council and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action may be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a **fair and** consistent manner.

Members will face appropriate action under this strategy if they are found to have been involved in theft, fraud or corruption against the Council. Action may be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a **fair and** consistent manner.

This aspect of the policy is to be read in conjunction with the powers of the Standards Committee, the delegated powers of the Monitoring Officer and the adopted Code of Conduct.

#### Publicity

The Council will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. As a matter of course, a press release will be drafted following any successful criminal prosecution and passed to **the Corporate Communications Team** in order for them to ensure that the results of any action taken, are reported positively in the media. This will be particularly relevant where a financial loss to the Council has occurred and any action taken to recover any such losses will also be promoted.

Provision will also be made for publicity to be taken for any such cases whereby details cannot be made public (for example: where formal cautions and / or financial penalties are utilised). In these cases, any press release will contain the pertinent details but will not identify individuals by name.

From time to time, the Council may be approached by the media such as television, radio etc. in order to provide content regarding anti-fraud and corruption activities. It is acknowledged that this type of media publicity can be extremely useful in promoting anti-fraud and corruption activities and as a tool for deterrence. Should such approaches be received, they are to be considered on a case by case basis with the involvement of both **the Corporate Communications Team** and Corporate Governance Group at the earliest opportunity.

All anti-fraud and corruption activities, including the update of this strategy, will be publicised in order to make employees and the public aware of the Council's commitment to taking action on fraud and corruption when it occurs.

Regular reports will be made to the Audit and Governance Committee, about countering fraud and corruption activities and their success or otherwise.



## Section Six

### Anti-Bribery Policy

#### Objective of this policy

This policy provides a coherent and consistent framework to enable Epping Forest District Council (EFDC) Members and employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable Members and employees to identify and effectively report a potential breach.

We require that Members and all staff, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and safeguard the organisation's resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

#### Scope of this policy

This policy applies to all of the Council's activities. For partners, joint ventures, agents and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all business units and corporate functions.

This policy covers all staff, including all levels and grades, those permanently employed, temporary agency staff, contractors, agents, elected Members, co-opted members of the public, volunteers and consultants.

#### The Council's commitment to action

The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- Making all Members and employees aware of their responsibilities to adhere strictly to this policy at all times
- Raising awareness and where appropriate offer training so all Members and employees can recognise and avoid the use of bribery by themselves and others
- Encouraging its Members and employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately

- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to all Members and employees to report breaches and suspected breaches of this policy
- Include appropriate clauses in contracts to prevent bribery.

## **Facilitation payments**

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

## **Gifts and hospitality**

This policy does not change the requirements of our gifts and hospitality policy. This makes it clear that:

Sample tokens of modest value (for example, pens, diaries or calendars) whether given personally, or received in the post, may be retained unless they could be regarded as an inducement or reward.

You should refuse the offer or invitation (or return the gift) unless your Service Director has advised you that it may be accepted or retained.

## **Public contracts and failure to prevent bribery**

One of the main changes introduced by the Public Contracts Regulations 2015 is that a company will no longer face permanent debarment (referred to as an 'exclusion' in the 2015 Regulations) from bidding for public contracts following a corporate conviction for certain economic crimes. Instead, a company will face a period of debarment and will be able to recover eligibility to bid for public contracts if it has undergone a 'self-cleaning' process.

## **Member and Staff responsibilities**

All Members and staff are required to avoid activity that breaches this policy. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control.

Members and staff must:

- ensure that they read, understand and comply with this policy
- raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred or may occur in the future.

## **Staff**

As well as the possibility of civil action and criminal prosecution, staff who breach this policy may face disciplinary action, which could result in summary dismissal for gross misconduct. Dismissal can still be an outcome with or without civil action or criminal prosecution.

## **Members**

The Member Code of Conduct requires that where a Member acts as a representative of the Council he or she must not use or attempt to use their position as a Member improperly to confer on or secure for themselves or any other person, an advantage or disadvantage.

Allegations against a Member for breach will be routed through the Standards complaints process administered by the Monitoring Officer.

## **Raising a concern**

This Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want Members and each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

Preferably the disclosure will be made and resolved internally (e.g. to **a Service Manager/Service Director or the Chief Internal Auditor**). Secondly, where internal disclosure proves inappropriate, concerns can be raised with the External Auditor or relevant professional bodies or regulatory organisations.

Concerns can be reported anonymously. In the event that an incident of bribery is reported, we will act as soon as possible to evaluate the situation. We have a clearly defined Anti Fraud and Corruption Strategy which sets out procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind.

Members and staff who refuse to accept a bribe, or those who raise concerns can understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery, or because of reporting a concern in good faith.

## Section Seven

# Anti-Money Laundering Policy

### Introduction

**The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force.**

**A key difference is that relevant persons are obliged to adopt a more risk-based approach towards anti-money laundering, in particular in how they conduct due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in MLR 2017.**

**Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.** Epping Forest District Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

### Scope of the Policy

This policy applies to all employees and contractors, whether permanent or temporary, and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

### Definition of Money Laundering

The most common motive for crime is financial gain or to obtain valuable property. Whenever criminals do anything with that financial gain or criminal property, they 'launder' it. Money laundering offences are serious; they carry sentences of up to 14 years imprisonment, but criminals and their associates still commit them every day.

Money laundering is the process by which criminals try to hide the origin of the proceeds of their crimes, making it look as if those proceeds were acquired legitimately. In doing so, criminal property obtained unlawfully is turned into property or money that can be accessed via legitimate methods without arousing suspicion. In other words, 'laundering' is the process of turning 'dirty' money into 'clean' money.

Money laundering has three distinct phases. They are:

- Placement; the movement of criminally-obtained money into the wider economy;
- Layering; undertaking transactions (perhaps bogus) to conceal the origin of the money; and
- Integration; making it look as if money has come from a legitimate source.

Two distinct offences affect employees, contractors and Members of the Council

- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

Successful money laundering means criminals can enjoy the fruits of their criminality and fund further criminal activity. Stopping money laundering disrupts organised crime by removing the life-blood of the 'business' and prevents low level criminals from moving up into major level crime.

## **Requirements of the Money Laundering Legislation**

The main requirements of the legislation are:

- To appoint a money laundering reporting officer.
- Maintain client identification procedures known as know your customer (KYC) and know your business (KYB).
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain record keeping procedures.

## **The Money Laundering Reporting Officer (MLRO)**

The Council must appoint an MLRO to act as the focal point within the organisation for money laundering matters. The MLRO is responsible for:

- receiving disclosures from other staff; and
- deciding whether disclosures should be passed on to NCA.

The MLRO must keep copies of all disclosures received by them, notes of action taken and copies of all correspondence with NCA and other agencies.

## **Identifying and disclosing suspicious transactions**

Epping Forest District Council will consider the threats to Council being used by money launderers and put systems in place to guard against them. Policies and procedures should be laid out clearly so that all relevant staff understand and have access to them.

The officer nominated to receive disclosures about money laundering activity within the Council is the Section 151 Officer **Nick Dawe**. He can be contacted as follows:

**Nick Dawe** - Section 151 Officer  
Civic Offices  
Epping  
Essex  
CM16 4BZ

**Extension Number 2541**  
Email: [ndawe@eppingforestdc.gov.uk](mailto:ndawe@eppingforestdc.gov.uk)

In the absence of the MLRO, **Martin Hone** the deputy MLRO (also the deputy Section 151 Officer) should be contacted in their absence on **Extension 2295** or by email at **mhone@eppingforestdc.gov.uk**

All suspicions should be reported directly to the MLRO or his deputy using the relevant documentation.

## **Client Identification Procedures**

The Council has developed formal client identification procedures which must be followed when Council land or property is being sold. These procedures require individuals and if appropriate, companies to provide proof of identity and current address (KYC).

All verification documents are capable of being forged and can be bought over the internet. For this reason, industry guidance usually recommends face-to-face meetings with new clients. Excuses for non-attendance and excuses for missing documents should be explored and treated with some scepticism.

**The Council must identify its customers and verify that identity on the basis of documents, data or information obtained from a reliable source. Where there is a beneficial owner who is not the customer then the Council must identify that person and verify the identity and where the beneficial owner is a trust or similar then the Council must understand the nature of the control structure of that trust. Finally, the Council must obtain information on the purpose and intended nature of the business relationship. The MLR 2017 introduces the need for the Council to consider both customer and geographical risk factors in deciding what due diligence is required.**

If satisfactory evidence is not obtained at the outset of a matter, then the transaction must not be progressed, and a disclosure report must be submitted to the Money Laundering Reporting Officer.

**The Council is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with**

**the Council's knowledge of the customer and keep the information about the customer up-to-date.**

## **Enhanced Customer Due Diligence and Ongoing Monitoring**

**In certain circumstances, it will be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:**

- **The customer has not been physically present for identification purposes; or**
- **In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.**

**Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information.**

**Similarly, where the Council is in an ongoing business relationship with a customer, the Regulations impose a special obligation to carry out ongoing monitoring. This means that the Council must:**

- **scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Council's knowledge of the customer and their business and risk profile**
- **keep documents, data or information obtained for the purpose of applying Customer Due Diligence measures up-to-date.**

All personal data must be collected, kept or destroyed in compliance with the General Data Protection Regulation and The Data Protection Act 2018.

## **Reporting Procedure for Suspicions of Money Laundering**

Where you know or suspect that money laundering activity is taking/has taken place or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within "hours" of the information coming to your attention, not weeks or months later.

Your disclosure should be made to the MLRO using the disclosure report; the report must include as much detail as possible including

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved

- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they were undertaken;
- The (likely) amount of money/assets involved;
- Why, exactly, you are suspicious.

Along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

Once you have reported the matter to the MLRO you must follow any directions he may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of "tipping off".

Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

## **Consideration of the disclosure by the Money Laundering Reporting Officer**

Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise you of the timescale within which he expects to respond to you.

The MLRO will consider the report and any other available internal information he thinks relevant e.g.:

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

And undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a



report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether he needs to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he must note the report accordingly; he can then immediately give his consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must seek independent legal advice or consult with an Accredited Financial Investigator to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

## **Training**

Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.

Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.

Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

## Section 8

# Epping Forest District Council Fraud Response Plan

### Introduction

The Fraud Response Plan defines the way in which the Council applies its various policies and procedures to suspected instances of theft, fraud corruption and bribery. It fits in with and is designed to be read in conjunction with the Council's Anti Fraud and Corruption Policy, Anti-Bribery Policy, Anti Money Laundering Policy and the Whistleblowing / Confidential Reporting Policy. The aim of this plan is to provide clear guidance for dealing with these issues, access to rapid relevant advice and a guide for managers on how to react and deal with suspicions of fraud, theft, corruption and bribery.

Additionally, it seeks to give a brief outline on how investigations will be progressed (although no detail will be given regarding investigation techniques etc.).

The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud by:

- Seeking to minimise the extent of the fraud by taking prompt action
- Preventing further losses where fraud had occurred.
- Maximising the recovery (or the chances of recovering) any financial losses
- Ensuring the accuracy and integrity of evidence for successful criminal prosecution and / or disciplinary action
- The early identification of any system weaknesses and the lessons to be learnt for preventing them in the future
- Maximising positive publicity where frauds are discovered and dealt with.
- Deterring others from any illegal / inappropriate conduct they may be committing or contemplating.

## The Manager's Role in dealing with suspected fraud

### First Response

Where managers suspect a fraud or involvement in a fraud is taking place, the first course of action must be to contact the Section 151 Officer, Chief Internal Auditor or the Corporate Fraud Manager who will ensure that the Section 151 Officer and the Chief Executive are informed.

Although, the Council no longer investigates Housing Benefit fraud, where a suspicion occurs of a staff member's involvement in a Housing Benefit (including Local Council Tax Support) fraud, the above steps should still be followed.

All other suspicions of benefit fraud (including Local Council Tax Support) must be reported to the Compliance Manager within the **Revenue and** Benefits Division. Suspicions can also be reported directly to The Department for Work and Pensions (DWP) via their website ([www.gov.uk/report-benefit-fraud](http://www.gov.uk/report-benefit-fraud)) or by calling the National Benefit Fraud Hotline on 0800 854440 or by textphone on 0800 328 0512. It may be prudent to seek the advice of either The Corporate Fraud Manager or The Compliance Manager before contacting the DWP however, as Local Council Tax Support cannot be investigated by the DWP.

In usual circumstances, the suspicion will be passed to the Corporate Fraud Team to assess and undertake an investigation if appropriate. The Corporate Fraud Manager / Chief Internal Auditor will retain overall responsibility for the conduct of the investigation; however, it is probable that the matter will be allocated to a member of the Corporate Fraud Team to undertake any investigation. As part of the Internal Audit service, the Corporate Fraud Team will be independent of any service area under investigation and all of the officers comprising the Corporate Fraud Team currently are fully trained and accredited investigators each holding the qualification of Accredited Counter Fraud Officer / Specialist whilst the Corporate Fraud Manager also holds the qualification of Accredited Counter Fraud Manager.

There may be circumstances where it is appropriate for managers to undertake some preliminary enquiries to ascertain the validity of an allegation or irregularity (for example, to establish whether on the face of it, there is a case to be investigated), however before embarking on such action, advice should always be sought from a member of the Corporate Fraud Team as such action may alert the fraudster and could result in the concealing or destroying of vital evidence or compromise the investigation and the collection of further evidence.

The investigating officer will liaise and work with Human Resources at the earliest available opportunity on disciplinary matters such as suspending the staff member to enable further investigation and protect vital evidence.

### Initial Enquiries

As stated above, the manager may make discreet initial enquiries in order to:

- Determine any facts that gave rise to the suspicion
- Examine any factors to determine whether there has been a genuine mistake made or whether an irregularity has occurred

Any actions and findings should be clearly recorded and documented ensuring that access is restricted (for example, not held on an “open” area of the computer network or in the case of paper notes, making sure they are securely locked away).

It is important that the suspected perpetrator is not interviewed at this stage nor any allegations / suspicions put to them. If in doubt at any point, the manager must seek the guidance of the Corporate Fraud Team or the Chief Internal Auditor.

## **Formal Investigation**

If a formal investigation is required, it will be conducted by a qualified Corporate Fraud Investigator. The nature of the investigation, lines of enquiry followed, and evidence obtained will vary depending on the irregularity being investigated and will, for the most part be fluid and reactive. Generally, however, the investigating officer will be seeking to gather evidence by way of interviews, the taking of written witness statements and the obtaining of evidence be it physical, documentary etc.

The investigating officer will consult and take advice from Human Resources particularly on matters regarding employment law, policies and procedural matters. It is imperative however, that a clear distinction must be made in these circumstances between those advising the investigating officer and those advising the staff member.

Legal Services will be consulted as appropriate to advise or seek external advice in order to support any investigation.

Any investigation will be conducted with full compliance with The Criminal Procedures and Investigations Act 1996 which governs the conduct of a criminal investigation (such as obtaining and recording evidence etc.) as well as any other legislation that may apply such as The Police and Criminal Evidence Act 1984 (PACE), The Regulation of Investigatory Powers Act 2000 (RIPA), The Human Rights Act 1998, The General Data Protection Regulation / Data Protection Act 2018 etc. (this list is meant as an example and is not exhaustive).

In general terms however, the following principles will apply to the investigation:

- Any investigation will be conducted promptly (subject to evidence gathering activities) with periodic updates given as appropriate to the Chief Internal Auditor and / or the relevant Service Director.
- All actions and evidence will be recorded either by written or electronic means and stored securely with access given purely on a “need to know” basis.
- Enquiries and evidence gathering activities will be undertaken as discreetly as possible with sensitivities observed where appropriate.
- Confidentiality will be maintained throughout with information only shared where circumstances and the law allows.

Where it is considered appropriate, the investigation may involve the input of other agencies such as local authorities as well as other law enforcement agencies such as the Police and HM Revenue & Customs. Liaison and / or joint working will be conducted in accordance with established guidelines and protocols.

The investigating officer must not and will not accept any offer of repayment of monies or resignation at any stage during the investigation, however any such offers

will be noted and recorded on the investigation file and reported to the Chief Internal Auditor/responsible Service Director.

The Council has a right to suspend any employee involved pending the outcome of an investigation. Any such suspension, is, in the opinion of the Council, a neutral act and does not imply any guilt on behalf of the suspended employee. The suspension of an employee can, in some circumstances aid the speed in which an investigation can be conducted and serve to preserve vital evidence.

When suspects are not suspended, supervision of the employee will usually need to be increased and any manager should seek the advice of Human Resources and ICT on how this can best be accomplished.

## **Actions following the completion of an investigation**

Upon the completion of an investigation, the investigating officer will report their findings in the first instance to the Corporate Fraud Manager and Chief Internal Auditor, who will in turn make the findings known to Human Resources, relevant Service Director or the Chief Executive

In the case of any monetary losses, a report will be given to the Council's Insurance Officer.

Should any control weaknesses be identified, the Service Director and relevant manager will be informed, and remedies be actioned immediately. The Chief Internal Auditor / Internal Audit Service will be able to provide advice and support regarding effective control mechanisms.

Should there be disciplinary issues identified as part of the investigation, a full report will be made to Human Resources who will work with the relevant Service Director and manager to decide what happens next. Should any course of action result in a disciplinary hearing, the investigating officer will (if required) make themselves available to give evidence at the hearing.

Although some organisations delay the bringing of any disciplinary action pending the outcome of any criminal prosecution, the Council will seek to deal with any disciplinary matters using the appropriate processes.

Should it be the case that criminal action presents itself as an option, this decision will be fully explored and subject to the Council's Fraud Prosecution Policy. Should fraud be proven, the Council will make every effort to recover any monetary losses. The method of doing so may vary depending on the type of loss and relevant legislation, however all options will be explored including civil court proceedings and in the case of criminal prosecution, proceedings brought under The Proceeds of Crime Act 2002.

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