

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



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting: 22 November  
2021**

**Portfolio: Leader of the Council**

**Subject: Internal Audit Monitoring Report November 2021**

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

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

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## **Recommendations/Decisions Required:**

- (1) The Committee notes the summary of the work of Internal Audit and the Corporate Fraud Team for the period July to November 2021**
- (2) The Committee notes the revised Whistleblowing policy**
- (3) The Committee approves the revised Anti-Fraud and Corruption Strategy and refers it to Council for approval**
- (4) The Committee approves the revised Internal Audit Charter**
- (5) The Committee reviews the progress of actions taken to address issues identified in the 2020/21 Annual Governance Statement.**

## **Executive Summary:**

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the July 2021 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

The Internal Audit Charter has been revised to cross reference the definitions used in the Charter to those used in the Public Sector Internal Audit Standards and is presented for approval.

The Anti-Fraud and Corruption Strategy has been updated. The changes are minor in nature and intended to strengthen the overall framework.

The Whistleblowing policy has been reviewed and updated and is presented for noting.

This report gives update on the progress of actions taken to address issues identified in the Annual Governance Statement.

## **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

## **Other Options for Action:**

No other options.

## **Report:**

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

1. Good progress is being made on the 2021/22 Audit Plan as detailed in Appendix 1.
2. The following two final reports have been issued since the Committee received its last update in July 2021.

#### **Gas Safety (substantial assurance)**

There are robust controls in place to ensure that the Council's housing stock, homeless hostels and sheltered accommodation are gas safety checked annually in line with Gas Safety (Installation and Use) Regulations 1998. For properties where access is refused, prompt and effective action in collaboration with Housing Management ensures appropriate action is taken to gain access.

Comprehensive monitoring and reporting along with frequent contact with the contractors ensure that the Council's Gas Safety Policy is adhered to. The Gas Safety Policy is currently under review and the opportunity to compare and include best practice from other council's gas safety policies is being considered. Going forward, the policy will be reviewed annually, published on the Council's website and shared with relevant Officers.

Gas safety certificates and documentation are complete and accurate. A reconciliation performed by Internal Audit comparing the contractor's gas safety database with the Council's housing records found five sold properties still present on the contractor's database, although no properties were missing from the database. Prompt corrective action has been taken by Officers to strengthen controls around ensuring the accuracy of the contractor's database and a full reconciliation between both databases will be performed at least annually.

Gas safety key performance indicators are reviewed, monitored and reported. The successful work by Officers to take effective action where no access to properties occurs is reflected in key performance indicators and the Council had no non-compliant gas safety properties as at June 2021.

#### **Payroll (substantial assurance)**

There is a clear segregation of duties between the Council's People Team (HR function) and the Payroll Team, which is run by a shared service at Braintree District Council, reducing the risk of fraudulent payments.

Starters, movers and leavers are actioned promptly, appropriately authorised and details checked for accuracy prior to implementing the changes on the payroll.

Exception reporting highlights unusual records and significant variances from the previous months payroll which are all investigated, and if necessary, the payroll amended prior to the final pay run. Payroll reconciliations are undertaken regularly, and reports confirm the amounts payable to third parties and employees. Payments are appropriately authorised and there is segregation between setting up and authorisation of the BACS salary payments.

Monthly monitoring of the general ledger payroll control accounts by Finance ensures that discrepancies are identified and corrected promptly, and accurate payroll records are maintained.

There are robust controls around access to information held in iTrent, Information@Work (document management system) and SharePoint (platform for sharing information with the Shared Service Payroll Team at Braintree District Council) ensuring that payroll data is secure.

No recommendations were raised from this audit.

### **Recommendation Tracker**

3. The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.
4. The current tracker is shown at Appendix 2 and contains one high, nine medium and five low priority recommendations which have passed their due date and one high priority recommendation not yet due.
5. The high priority recommendation not yet due relates to developing an IT disaster recovery plan. A progress update is given in the Annual Governance Statement section later in this report.
6. There were two overdue high priority recommendations in September 2021 concerning the replacement of the Storage Area Network (SAN) firewall to provide a fully vendor supported firewall appliance and implementation of new policies and accounts on the new firewall. A new firewall, which is fully supported, has been put in place, and individual accounts will be set up by the end of November which will complete the other recommendation.

Table 1. Summary of tracker as at November 2021.

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

### **Other Internal Audit activities**

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

**Corporate purchase cards:** Internal Audit is represented on the Council's Purchase Cards Project Group which is seeking to introduce purchase cards to streamline the processes for frequent low level spend and one-off payments. Internal Audit is analysing purchase data to identify those areas where value for money is likely to be achieved and providing advice to ensure adequate controls are retained in new processes.

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

**Health and Safety:** Internal Audit is assisting in implementing health and safety policies and procedures to ensure there is a fully joined up approach across all areas of the Council.

**Information Governance:** Internal Audit is actively involved in both the Strategic Information Governance Group (SIGG) and the operational Information Asset Owners Group, feeding back to the Corporate Governance Group. Internal Audit resource is being provided to help deliver the SIGG work plan, including a review of current information governance policies and compliance with the Transparency Code 2015.

**ICT Asset Lists:** Internal Audit took the lead on the production of a comprehensive Council-wide ICT asset list to be used by Insurance Services as part of the insurance tender process and by ICT Services as a complete and up to date asset register. This involved visiting the Council's sites to physically inspect and verify IT assets.

**Covid-19 central government grants for businesses:** Internal Audit and the Corporate Fraud Team continue in providing advice and assistance on all the business grants schemes. This includes performing pre-award checks using the Cabinet Office due diligence tool, spotlight, and assisting with the post payment assurance verification process required by the Department for Business, Energy and Industrial Strategy.

#### **Whistleblowing policy**

8. The Whistleblowing Policy (Appendix 3) has been reviewed and updated to provide additional contact details to make reporting concerns easier for all staff.

#### **Anti-Fraud and Corruption Strategy**

9. The Council's Anti-Fraud and Corruption Strategy is attached at Appendix 4. The changes, shown in bold and underlined, are minor in nature and intended to strengthen the overall framework.
10. 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.

#### **Internal Audit Charter**

11. The Internal Audit Charter sets out the common practices of Internal Audit and requires annual review in accordance with the Public Sector Internal Audit Standards (PSIAS). This was last undertaken in January 2021.
12. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2018 edition states that an Audit Committee (the committee) should have a role in reviewing and approving the internal audit charter. In addition, the committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function.
13. A review of the current Internal Audit Charter (Appendix 5) confirms it is still fit for purpose and is fully compliant with the PSIAS. It has been updated to cross reference

the definitions for senior management and the audit committees in the audit charter to the Public Sector Internal Audit Standards definitions. The changes are shown in bold and underlined.

**Corporate Fraud Team (CFT) update**

14. Since the last update, seven Right to Buy applications have been stopped / withdrawn and one housing application has been found to be fraudulent and the applicants removed from the waiting list.
15. A project to replace the team’s existing case management software, which was no longer supported, is now completed and went live on 1 September 2021.
16. Work is ongoing relating to the data matches received via The National Fraud Initiative.
17. The first fraud awareness session with a new staff member has been undertaken as part of the onboarding process.
18. Support is being provided to the People Team who are assisting Southend Borough Council in the investigation of a former member of EFDC staff.

**Progress against the Annual Governance Statement**

19. In July 2021, the Audit and Governance Committee reviewed and noted the Annual Governance Statement (AGS) which accompanies the Council’s Statement of Accounts. The AGS outlines the proposed actions to be taken to deal with significant governance issues identified.
20. 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 2021/22 is shown in the table below.

No	Objective	Risk area/action plan for 2021/22	Progress at November 2021
1	Ensuring the health and safety of staff, partners and the public in the way it delivers its services	As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country’s recovery from Covid-19, especially where the Council is delivering its services.	Through the Senior Leadership and Wider Leadership Team the Council keeps under constant review Health and Safety measures both within the Council and across the District.
2	Financial Management Code review	2020/21 saw the introduction of CIPFA’s Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.  An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. If there are deficiencies, an action plan will be developed to address these.	This is programmed in for later in the year.
3	Statement of Accounts	Due to both technical and resource issues on the part of the External	The Council continues to work with its External

		<p>Auditors and the Council there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This may impact on the approval of the final accounts for 2020/21, the date of publication (which is also the target date for the completion of the external audit) is 30 September 2021.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate the risk of future delays for subsequent years production and approval of the Council's Statement of Accounts.</p>	<p>Auditors to resolve final issues from this year's audit.</p> <p>The restructure of Accountancy is progressing well with the majority of positions now filled.</p>
4	Disaster recovery (DR)	<p>An Internal Audit found significant deficiencies in the Council's IT Disaster Recovery management control framework, which led to the Chief Internal Auditor's giving a qualified opinion for 202/21. This is a known problem and extensive work commenced prior to the audit to strengthen this.</p> <p>Progress against the recommendations made will be closely monitored by the Corporate Governance Group and any slippage reported to the Audit and Governance Committee.</p>	<p>Good progress is being made on the disaster recovery plan using advice and guidance from the auditor regarding the structure and elements to include in the plan.</p> <p>IT disaster recovery testing has been completed. In addition to loss of key Council sites, provision has been made for loss of internet connectivity. A contracted disaster recovery provider is in place and data is replicated across two sites. As an additional safeguard, the Council is seeking to create an off-site tape facility to protect against ransomware attack.</p>
Common themes from the Service Assurance Statements were:			
5	Risk management and business/ service planning	<p>Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22</p>	<p>A Risk Management Working Group has been established to help move risk management forward in the Council. The Group is reviewing the Risk Management Framework and to align this with service</p>

			planning and project management.
6	Financial Regulations	Financial Regulations are due to be reviewed in 2021/22. There was a general consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted.	Financial Regulations are due to be revised in quarter four 2021/22. Following this, appropriate and relevant training will be provided to staff.

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2021/22 Audit Strategy and Plan

**Risk Management:**

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 6 to the report.