

Report to the Audit and Governance Committee



**Epping Forest
District Council**

**Date of meeting: 17 January
2022**

Portfolio: Leader of the Council
Subject: Internal Audit Monitoring Report January 2022
Responsible Officer: Sarah Marsh (01992 564446).
Democratic Services: Laura Kirman (01992 564243)

Recommendations/Decisions Required:

- (1) The Committee notes the summary of the work of Internal Audit and the Corporate Fraud Team for the period November 2021 to January 2022**
- (2) The Committee agrees that no changes are required to the Local Code of Governance**
- (3) 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 November 2021 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

The Local Code of Governance has been reviewed and no changes are required.

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 final report has been issued since the Committee received its last update

in November 2021.

Procurement and Contracts (moderate assurance)

Overall, the monitoring and oversight processes around retention of procurement documentation and ensuring there is compliance across the Council with the Procurement Rules requires improvement.

A review of a sample of ten contracts found that contract documentation (invitation to tender, quotations, tender evaluation, and acceptance of tender) was not always retained by the lead contract officer as there was an assumption that these were held by the Procurement and Contract Team. Retention of contract documentation is the responsibility of the lead contract officer. However, all legal contract agreements were retained by Legal Services.

The Procurement Rules cover the procedures relating to waivers and contract extensions. Exceptions to the Procurement Rules must be reported to the Corporate Governance Group. Internal audit looked at four waivers/contract extensions and it was evident that the waiver was reasonable and in the best interest of the Council. Waivers were approved in a timely manner at the appropriate level of authority.

The Procurement and Contract Team will perform periodic checks (bi-annual or quarterly) on supplier spend to look for anomalies or high value spend, to check for compliance with the Procurement Rules, although no breaches were identified during the audit.

Lastly on a positive note, the Procurement Rules were updated in January 2021, and training sessions delivered by the Procurement and Contract Management Team Manager to officers responsible for procuring contracts.

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, twelve medium and three low priority recommendations which have passed their due date.
5. The high priority recommendation relates to developing an IT disaster recovery plan. A progress update is given in the Annual Governance Statement section later in this report.

Table 1. Summary of tracker as of January 2022

Recommendation type	Number (January 2022)	Number (November 2021)	Number (September 2021)	Number (July 2021)	Number (March 2021)	Number (January 2021)
High Priority not yet passed its due date	0	1	2	2	0	0
High Priority passed its due	1	1	2	2	0	1

date						
Medium Priority passed its due date	12	9	4	5	1	2
Low Priority passed its due date	3	5	4	0	0	0
Total	16	16	12	9	1	3

Other Internal Audit activities

6. 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 assisting with the review of associated policies and procedures and providing advice to ensure adequate controls are retained in the 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 (H&S): Internal Audit is assisting in strengthening the H&S framework and the role of the Strategic Safety Group, which has included a review of the Council's Health and Safety policy and the Council's strategic H&S action plan.

Information Governance: Internal Audit is actively involved in both the Strategic Information Governance Group (SIGG) and the operational Information Asset Owners Group, feeding back to the Corporate Governance Group. Internal Audit resource is being provided to help deliver the SIGG work plan, including a review of current information governance policies. Meetings are being held with Service Managers to review their data retention periods to ensure these are fit for purpose and that mechanisms are in place to ensure compliance with the retention periods.

Covid-19 grants for businesses: Internal Audit and the Corporate Fraud Team continue in providing advice and assistance on the Business Adaptation Grants. 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.

National Fraud Initiative 2021/22: Internal Audit coordinated preparations for the 2021/22 NFI Council Tax Single Persons Discount exercise. Matches will be released and reviewed immediately.

Decision Making Accountability (DMA): Internal Audit has started to develop a schedule of responsibilities for staff below the management spine. This will ensure there is clarity and consistency of decision making at each level with responsibility attached to the role and not the individual. Discussions are ongoing with Service Directors to develop a service level DMA schedule to ensure operational effectiveness and accountability.

Review of the Local Code of Governance

7. The Local Code of Governance is a statement of the systems by which it directs and controls the exercise of its functions and how it relates to the local community. It is

intended to provide confidence in the activities of the Council and how it goes about its business; focus the minds of those involved in decision making and ensures that those decisions are made in a proper and transparent way. The Code also seeks to ensure that the Council actively engages with local stakeholders, assist the constant improvement in service delivery and the minimisation of associated risks.

8. The Code was reviewed last year in light of the Covid-19 pandemic as it was important to maintain robust governance arrangements especially as the work of the Council was carried out in a more virtual environment. Only minor changes were proposed and accepted. This year's review confirms the Code is still up to date and fit for purpose and no changes are required. A copy of the Code can be found on the Council's public website under Your Council and Policies, Plans and Strategies.

Corporate Fraud Team (CFT) update

9. A long running investigation into a suspected sublet council property has come to an end with the tenant making full admissions and surrendering the tenancy.
10. Two Right to Buy (RTB) applications have been stopped / withdrawn.
11. Discussions are ongoing with the Housing Department at Harlow Council with a view to the CFT to providing RTB investigation services for them.
12. A piece of work has been undertaken at the request of a Service Director to investigate potential conflicts of interest in a specific area. The investigation concluded the Council needs to strengthen its framework around declaration of interests. Progress against the recommendations made will be tracked through the normal tracker process.

Progress against the Annual Governance Statement

13. 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.
14. 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 January 2022
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.	This is programmed in for later in the year.

		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.	
3	Statement of Accounts	<p>Due to both technical and resource issues on the part of the External 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>The Council continues to work with its External Auditors to resolve final issues from this year's audit.</p> <p>The restructure of Accountancy is progressing well with most 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/	Work commenced in 2020/21 to better align service/business plans and risk management processes.	A Risk Management Working Group has been established to

	service planning	This will continue in 2021/22	help move risk management forward in the Council. The Group is reviewing the Risk Management Framework and to align this with service 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 3 to the report.