

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference:

**Date of meeting: 28 November
2022**

Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report November 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 September to November 2022**
- (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 approves the Code of Corporate Governance**

Executive Summary:

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the September 2022 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

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

The Anti-Fraud and Corruption Strategy has been reviewed, updated, and is presented for approval.

The Internal Audit Charter has been reviewed and is presented for approval.

The Code of Corporate Governance is presented for approval.

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:

2022/23 Internal Audit Plan

1. Progress is being made on the 2022/23 Audit Plan as shown in Appendix 1.
2. Two final reports have been issued since the Committee received its last update in September 2022.

Cybersecurity

See separate item on the agenda

Feeder Systems and Reconciliations (limited assurance)

A number of recommendations were made following this audit and these are all being worked on.

A review of both feeder system and business support reconciliations found that many had not been undertaken regularly through the year and some only reconciled as part of the year end final accounts work.

Responsibility and resources have been assigned and the reconciliations completed, ensuring that the general ledger holds the correct information. Going forward they will be carried out monthly and differences investigated promptly.

Procedure notes, which were lacking, have been developed to ensure reconciliations are correctly completed and appropriate training provided for officers involved in the process.

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 overdue tracker is shown at Appendix 2 and contains seven medium priority recommendations which have passed their due date. There are no high priority recommendations.

Table 1. Summary of tracker in November 2022

Recommendation type	Number (November 2022)	Number (September 2022)	Number (June 2022)	Number (March 2022)	Number (January 2022)	Number (November 2021)
High Priority not yet passed its due date	0	0	0	0	0	1
High Priority passed its due date	0	0	0	0	1	1
Medium Priority passed its due	7	7	7	8	12	9

date						
Low Priority passed its due date	0	1	1	1	3	5
Total	7	8	8	9	16	16

Other Internal Audit activities

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

Health and Safety (H&S): Internal Audit is working closely with the Insurance Specialist to strengthen the H&S framework at North Weald Airfield.

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 lead on a range of actions in the SIGG workplan; most recently in preparing a Data Breach policy.

National Fraud Initiative (NFI): Data has been uploaded for the 2022/23 NFI exercise. The matches are due to be released in January 2023.

Planning applications: At the request of the Chief Executive, the Chief Internal Auditor and the Council's Corporate Fraud Manager looked into a number of allegations from a member of the public suggesting potential fraud and collusion regarding several planning applications on a particular site in the District. The investigation found no evidence of fraud by Council officers. The information supplied by the applicant had been appropriately scrutinised by officers, there was no evidence of favouritism, with a number of officers involved in the process and sign off/approval granted at the appropriate levels.

Further allegations, including collusion, were also investigated. This investigation, as with the original investigation, found that proper processes have been followed with adequate oversight by senior officers. There was no evidence of collusion between officers or with the Applicant. The Council followed the correct processes and there was adequate evidence to corroborate this. The case has now been closed and the member of the public informed of the outcomes.

Review of Whistleblowing Policy

6. The Whistleblowing Policy (Appendix 3) has been reviewed and revised. The safeguarding reporting details have been updated in addition to some contact details where staff have left the Council.

Review of Anti-Fraud and Corruption Strategy

7. The Council's Anti-Fraud and Corruption Strategy is attached at Appendix 4 with changes shown in bold and underlined. The strategy remains largely the same as last year with minor changes around types of fraud to include "new responsibilities" such as grant payments.
8. 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.

Review of Internal Audit Charter

9. 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 November 2021.
10. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2022 edition states that an Audit Committee should have a role in 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.
11. A review of the current Internal Audit Charter (Appendix 5) confirms it is still fit for purpose and is fully compliant with the PSIAS. No changes from last year's are proposed.

Review of Code of Corporate Governance

12. The Code is a statement of the systems by which the Council 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.
13. This year's review (Appendix 6) confirms the Code is still up to date, in line with good practice and fit for purpose. Minor changes have been made to remove references to Covid-19 as a result of the Council moving out of the reactive phase of the pandemic and into recovery. Changes have been identified using **bold underlined** wording or ~~strikethrough~~.

Corporate Fraud Team (CFT) Update

14. A further four Right to Buy (RTB) applications have been stopped or withdrawn following being interviewed by CFT officers (including one where it was discovered that one of the parties involved had failed to declare they had received a previous RTB discount and another where an applicant was found to have changed their name and failed to report it).
15. An internal investigation has been carried out in conjunction with ICT involving the use of digital forensics.
16. A collaborative investigation with Safeguarding and Private Sector Housing involving suspected issues of fraud and / or safeguarding.

Progress against Annual Governance Statement

17. In June 2022, the Audit and Governance Committee 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. 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 2022/23 is shown in the table below.

No.	Objective	Progress at November 2022
1	<p>Economic issues</p> <p>At the time of writing the AGS, both national and global events have led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years are being seen and availability of raw materials etc. is a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be an indirect consequence with a potential increase in demand by those accessing Council services.</p>	<p>Implications of the economic situation are being monitored with mitigating strategies being developed and implemented by the Senior Leadership Team.</p> <p>Key considerations feature in the reports presented to Cabinet and in the development of the MTFP (Medium Term Financial Plan) for 2023/24 and future years.</p>
2	<p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues (mainly with the External Auditor) there has been a delay in the final approval of the 2020/21 accounts. Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited. This will have a knock effect on the 2021/22 Accounts</p>	<p>The Council continues to work with its External Auditors to resolve the current issues. Once resolved a timetable will be agreed regarding the outstanding accounts. The Audit and Governance Committee is being kept informed on progress.</p>
3	<p>Financial Management Code review</p> <p>Carried over from last year's AGS action plan</p>	<p>An assessment will be undertaken in Q4 2022/23 to ensure the Council can demonstrate compliance with the Code. If there are deficiencies, an action plan will be developed to address these.</p>
Common themes from the Service Assurance Statements were:		
4	<p>Business Continuity</p> <p>As we emerge from the pandemic there is a need to revisit and maintain service business continuity plans. As well as ensuring staff are aware of the business continuity arrangements and testing the plans.</p>	<p>A business continuity project has been initiated to review the business continuity framework and processes. This is being overseen by the officer Corporate Governance Group.</p>
5	<p>Financial Regulations</p> <p>Carried over from last year's AGS</p>	<p>Financial Regulations are due to be reviewed in quarter 4 2022/23. Following the review, Finance, with the assistance of the People Team and advice from Internal Audit, will ensure training provided to staff is both proportionate and targeted.</p>

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2022/23 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 7 to the report.