

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference:

**Date of meeting: 13 February
2023**

Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report February 2023

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 2022 to February 2023**
- (2) The Committee approves the deferral of four audits**
- (3) The Committee agrees the scope of the External Quality Assessment (EQA) of the Internal Audit service**

Executive Summary:

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

Approval is sought to defer four audits from the 2022/23 Audit Plan for which other assurances have been obtained.

The report sets out the scope of the External Quality Assessment of the Internal Audit Service which is required by the Public Sector Internal Audit Standards to be undertaken following St Albans City and District Council joining the shared service.

This report also 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. Some of the audits currently underway have been paused to enable unplanned work to be carried out by the Internal Audit team:
 - Safes - an audit requested by the S151 Officer to ensure the Council holds an accurate record of safes, and assets held within them are fully insured.
 - Right to Buy (RTB) – a review of the RTB conveyancing processes to ensure they have been properly carried out and that documentation has been completed.
 - Agency workers and consultants - requested by Senior Leadership Team to ensure there is appropriate oversight of agency workers and consultants procured by the Council. Data analysis has been used to gain insights into the roles covered by off-payroll workers and the length and cost of their employment.
 - Joint investigation with the Corporate Fraud Team into the potential misuse of assets.
3. As a result of the additional demands placed upon the team in carrying out the unplanned work, it is requested that the Committee agrees to the deferral of four planned audits:
 - Qualis Commercial – there has been a significant focus by Internal Audit on Qualis Management instead during 2022/23 as the company has now been operating for two years.
 - Corporate Performance Indicators (PIs) – the Council is moving away from PIs to Objectives and Key Results (OKRs) to measure achievement of the Corporate Plan 2023/24-2026/27 aims. It is too early to audit these.
 - Local Plan delivery – the Council went out to consultation on the second Main Modifications, but the Local Plan is yet to be adopted.
 - Climate emergency – deferred to allow time for the Council to review and evaluate progress against the Climate Action Plan.
4. One final report has been issued since the Committee received its last update in November 2022.

Section 106 Agreements (substantial assurance)

The Council has a robust policy framework for seeking Section 106 (S106) agreements, which is in line with relevant legislation and planning policy guidance. Testing confirmed that agreements are drafted in accordance with the policy and all planning obligations are subject to formal approval.

S106 agreements are recorded on the S106 database system, Exacom, and include the amounts payable along with trigger points which, if necessary, allows the Strategic Infrastructure and Planning Officer to chase monies due to ensure contributions are received. A process for a formal reconciliation of income received between Exacom and the General Ledger is being introduced.

To enable more accurate monitoring and reporting of S106 monies, work has been undertaken between the Strategic Infrastructure and Planning Officer and the Senior Finance Business Partner around the creation of more specific General Ledger codes to

against which to allocate spending.

Recommendation Tracker

5. 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.
6. The current overdue tracker is shown at Appendix 2 and contains seven medium and one low priority recommendations which have passed their due date. There are no high priority recommendations.

Table 1. Summary of tracker in January 2023

Recommendation type	Number (February 2023)	Number (November 2022)	Number (September 2022)	Number (June 2022)	Number (March 2022)
High Priority not yet passed its due date	0	0	0	0	0
High Priority passed its due date	0	0	0	0	0
Medium Priority passed its due date	7	7	7	7	8
Low Priority passed its due date	1	0	1	1	1
Total	8	7	8	8	9

Other Internal Audit activities

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

Health and Safety (H&S): Internal Audit continues to work closely with the Insurance Specialist to strengthen the H&S framework at North Weald Airfield, which included a site visit by Internal Audit. A small officer project group has been established to develop and implement a prioritised action plan.

Risk Management: Work is progressing to roll out the risk management tools following approval of the revised framework and training has been arranged for February 2023.

National Fraud Initiative (NFI): All datasets have been uploaded to the NFI website and the results were released end of January 2023 and are being worked upon.

External Quality Assessment (EQA)

8. In line with the Public Sector Internal Audit Standards (PSIAS) an external assessment of the Internal Audit function needs to be undertaken at least once every five years by a qualified independent assessor from outside the Council. The form of the external assessment and the qualifications and independence of the external assessor, including

any potential conflict interest, must be discussed with the Audit Committee.

9. St Albans City and District Council joined the shared service in November 2022 and their EQA is overdue. It was envisaged that on joining the shared service, St Albans could ‘piggyback’ on their EQA, which was undertaken in November 2021 and found to be fully compliant with the PSIAS. However, the Chartered Institute of Internal Auditors has deemed this is not appropriate (even though St Albans follow the same processes and methodology as the rest of the shared service) and a new EQA needs to be undertaken covering all four councils.
10. Gard Consultancy Services (GCS), who undertook the November 2021 EQA, has been appointed to undertake this EQA, which has been programmed in for the end of March 2023. The results of which will be reported to the most appropriate Audit Committee. The EQA may be accomplished through a full external assessment, or a self-assessment with independent external validation. Like the November 2021 EQA it will be undertaken through the self-assessment route.
11. Fieldwork will include interviews with the Audit Chairs of the Audit Committees of all four councils and with each authority’s Section 151 Officer.
12. GCS’s managing director, Ray Gard, will be undertaking the review and is an experienced finance and governance manager with extensive public sector experience. His last role being Assistant Director of Finance – Audit, Fraud and Risk Management at London Borough of Waltham Forest (2010-16). There are no potential conflicts of interest between GCS and the Head of Internal Audit (shared services).

Corporate Fraud Team (CFT) Update

13. Three Right to Buys (RTB’s) have been stopped. Two of these are under full investigation for false applications due to non-residency and suspected sub-letting.
14. Work is continuing on the data analytics project.
15. A proactive project has commenced utilising housing rents data.

Progress against Annual Governance Statement

16. 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 February 2023
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</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</p>

	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.	MTFP (Medium Term Financial Plan) for 2023/24 and future years.
2	Statement of Accounts 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	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.
3	Financial Management Code review Carried over from last year's AGS action plan	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.
Common themes from the Service Assurance Statements were:		
4	Business Continuity 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.	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.
5	Financial Regulations Carried over from last year's AGS	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.

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 3 to the report.