

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Date of meeting: 20 March 2023

Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report March 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 February to March 2023**

Executive Summary:

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the February 2023 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

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

- Progress is being made on the 2022/23 Audit Plan as shown in Appendix 1.
- One final report has been issued since the Committee received its last update in February 2023.

Sundry Debtors (reasonable assurance)

A new sundry debt system, ASH, was implemented during 2021 and went live 2 August 2021. Data migration was impeded as the former system, AIMS, had become unsupported and officers with the most knowledge of the system had left the Council.

Sundry debtor invoices, which include the Council's commercial property rents, are raised promptly and accurately by the service responsible and contain clear and full details of the goods or services provided.

At the time of the audit there was around £1M in the suspense account because no payment reference was provided by the customer. There has been a drive to investigate and allocate suspense account items, and the balance is currently down to around £30,000. This is a Council-wide issue, and a project is ongoing to identify improvements to the payment process.

In July 2022, outstanding debts totalled approximately £8.2M, and aged debt analysis showed that £3M of these were over one year old, with some invoices dating back to 1995. A substantial amount of work has been, and continues to be, undertaken on reviewing and actively pursuing debts following the audit, and total outstanding debts are currently around £5.5M, of which approximately £1.8M is over one year old.

There have been no write offs of debts. A review of invoices should be undertaken to identify irrecoverable debts which should then be written off in line with the Council's approved process.

Reconciliation of the sundry debt system, ASH, to the general ledger was started in August 2022 and officers are still working on resolving the differences identified.

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 and one low priority recommendations which have passed their due date. There are no high priority recommendations.

Table 1. Summary of tracker in March 2023

Recommendation type	Number (March 2023)	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	0
High Priority passed its due date	0	0	0	0	0	0
Medium Priority passed its due date	7	7	7	7	7	8
Low Priority passed its due date	1	1	0	1	1	1
Total	8	8	7	8	8	9

Corporate Fraud Team (CFT) Update

5. A further two Right to Buy applications have been stopped by the CFT, one where it was discovered the applicant was using a dual identity and the other where evidence shows that the tenant is not using our property as their main and principal home and living elsewhere.
6. A Right to Buy that was stopped in December 2022 when it was discovered that the tenant was not living at the property was subject to further investigation and it was discovered that they had been subletting to another family for over two years. Following contact from the investigation officer, the tenant surrendered the tenancy and handed the keys to the property back to Housing.
7. Investigations into two separate tenancy successions have found that family members have made false applications. They are now subject to legal action by the Council to secure possession of the properties back so that they can be re-let.
8. Preliminary work has begun on the new data matches received from the National Fraud Initiative (NFI).
9. Three internal investigations have been undertaken. One has been closed with recommendations made, whilst the other two are still active and ongoing.

Progress against Annual Governance Statement

10. 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	Economic issues 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.	Implications of the economic situation are being monitored with mitigating strategies being developed and implemented by the Senior Leadership Team. 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.
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	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

	with councils being unable to get their final accounts audited. This will have a knock effect on the 2021/22 Accounts	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 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.