

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference:

Date of meeting: 28 March 2024

Portfolio: Leader of the Council

Subject: Internal Audit Monitoring Report March 2024

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 2024**
- (2) The Committee approves the deferral/cancellation of three audits**

Executive Summary:

This report updates Members on the work completed by Internal Audit and the Corporate Fraud Team since the February 2024 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

Approval is sought to cancel one and defer two audits from the 2023/24 Audit Plan for which other assurances have been obtained.

This report gives an 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:

2023/24 Internal Audit Plan

1. Progress is being made on the 2023/24 Audit Plan as detailed in Appendix 1.
2. It is requested that the Committee agrees to the cancellation of the following audit:

- Section 114 Notices – The Council has robust spending controls in place and has issued a balanced budget for 2024/25.

and approves the deferral of two audits as follows:

- Delivery of the Local Plan – To allow more time for implementation of the Local Plan which was adopted in March 2023.
- Council Tax and Business Rates – This audit has been deferred to 2024/25 due to timing issues and to ensure the service is not audited during Quarter 4 when the service is preparing for and undertaking its annual billing process.

3. One final report has been issued since the Committee received its last update in February 2024.

Purchase Cards (Reasonable Assurance)

Card purchases are made in line with the Council’s Purchase Card Policy which was revised in January 2024 to reflect the changing business needs of the Council. Staff should be reminded of the requirement to save receipts in the designated folder so the Council can reclaim VAT on purchases.

Purchases are subject to robust approval and monitoring processes. To improve efficiency, the Council is currently undertaking a small pilot trialling approval and expenditure coding via the NatWest portal as the current manual process is time consuming.

There are robust processes for issuing and cancelling cards. A business case and Section 151 Officer approval is required before issuing new cards, and cards are cancelled promptly when officers leave the Council. A periodic review of card usage to identify any cards no longer needed will reduce the risk of fraud.

Recommendation Tracker

4. 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.
5. The current overdue tracker is shown at Appendix 2 and contains six medium and one low priority recommendations which have passed their due date. There are two high priority recommendations which are not yet due for completion. These relate to the Qualis Property Solution - KPIs and Payment Mechanisms audit.

Table 1. Summary of tracker in March 2024

Recommendation type	Number (March 2024)	Number (February 2024)	Number (November 2023)	Number (June 2023)	Number (March 2023)	Number (February 2023)
High Priority not yet passed its due date	2	2	2	0	0	0
High Priority passed its due date	0	0	0	0	0	0

Medium Priority passed its due date	6	7	9	11	7	7
Low Priority passed its due date	1	2	3	1	1	1
Total	9	11	14	12	8	8

Other Internal Audit activities

6. Internal Audit adds value by providing advice and guidance to various services across the Council. During the period

Risk Management: Internal Audit continues to assist with the roll out of the new corporate risk management framework. In addition to the quarterly review of the corporate risks by the Senior Leadership Team, an operational risk management group has been established (chaired by the Head of Internal Audit) to further embed risk management in the organisation.

Information Governance: Internal Audit supports both the Strategic Information Governance Group and the operational Information Asset Owners Group, assisting with implementation of the workplan.

Decision Matrix: Internal Audit is Involved with revising the Council's decision-making matrix to align with other Council policies and to ensure it is fit for purpose.

Progress against the 2022/23 Annual Governance Statement

7. In July 2023, 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 2023/24 is shown in the table below.

No.	Objective	Progress update
1	<p>Economic Issues</p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening</p>	<p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p> <p>This includes the Section 151 Officer's quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services, especially Revenues and Benefits, continue to prioritise and resource the delivery of the various support packages offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p> <p>The Council has a Cost-of-Living page on its website, which includes useful websites,</p>

	<p>the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p>	<p>organisations, and advice to help with rising costs.</p>
2	<p>Statement of Accounts</p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector. Locally, the Council has an increasingly resilient Finance function, but a shortfall in External Audit resources has prevented the final sign off of the draft 2020/21 Accounts and limited audit work has been undertaken on the draft 2021/22 Accounts. Concerns include potential accuracy of rolled forward balances in the 2022/23 Accounts.</p>	<p>The Council is continuing to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer is also accessing professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>The delay in auditing accounts is a national issue. In February 2024 the Minister for Local Government launched a consultation on measures to clear the local audit backlog in England.</p> <p>The 2020/21 Accounts were approved by the Audit and Governance Committee in February 2024 and there has been significant progress made on the 2021/22 Accounts.</p> <p>The Audit and Governance Committee is being kept informed on progress.</p>
3	<p>Financial Management Code</p> <p>The assessment has carried over from the 2021/22 AGS action plan, although further progress was made in addressing the underlying principles of the Code in 2022/23.</p>	<p>The Code assessment will now be undertaken in 2024/25 to ensure that the Council can demonstrate compliance with the Code. If there are any remaining deficiencies, an action plan will be developed to address these.</p> <p>A template for the review has been identified and resource being identified to undertake the review.</p>
4	<p>Income Recovery</p> <p>The Income Recovery functions require improvement, with the Council experiencing a range of interlinked financial pressures as a consequence of sub-optimal performance (leading to increased revenue costs through additional bad debt provisions and lower returns from funding incentives such as the Essex</p>	<p>Additional performance measures have been introduced in 2023/24 to monitor and capture the Council's progress in tackling a backlog in outstanding Sundry Debts more closely. Additional resources are also being engaged within the Revenues function.</p> <p>Income collection and recovery systems (including performance), for both Local Tax and Sundry Debts, is being explored and benchmarked as part of the shared services partnership with Braintree District Council and</p>

	“Council Tax Sharing Agreement” (CTSA). The Sundry Debtors function has a substantial backlog of outstanding cases (exacerbated by the recent installation of a new IT system) and the Council experienced higher Local Tax arrears than expected at the year end, due to a decline in both Council Tax and Business Rates collection performance in Quarter 4 of 2022/23.	Colchester City Council.
5	Financial Regulations The review has carried over from the 2021/22 AGS action plan, with the delay partly as a consequence of ongoing delays to the introduction of the new Management Structure.	The review has been scheduled in for 2024/25. The updated Financial Regulations will be systematically rolled out in a structured way to ensure that they are suitably disseminated and clearly embedded within frontline service areas.
<i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i>		
6	Risk Management Further work is required to develop and embed risk management processes.	A revised risk management strategy and policy has been developed and approved by Cabinet in December 2023. Risk management features quarterly at SLT to review strategic risks and an operational risk management group meets quarterly. Service and Directorate risk registers have been developed. Member training on risk management was provided in January 2024.
7	Business Continuity A Business Continuity project has been ongoing during 2022/23 which has included providing relevant training to services so that they can develop their business continuity plans.	Business continuity arrangements are being strengthened through the completion of all Business Continuity Plans (corporate and service level). A business continuity exercise by the Wider Leadership Team was undertaken in November 2023, the outcomes of which are being used to help inform the Plans.

Corporate Fraud Team (CFT) Update

8. The CFT have begun an internal investigation in respect of procurement anomalies and assisted a service area in enquiries related to a disciplinary matter.
9. Consultation with the existing software provider looking at the use of Artificial Intelligence (AI) tools in fraud investigation is underway.

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2023/24 Internal 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.