

# **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-010-2018/19**

**Date of meeting: 26 November 2018**

**Portfolio: Technology and Support Services**

**Subject: Internal Audit Monitoring Report September to November 2018**

**Responsible Officer: Sarah Marsh (01992 564446).**

**Democratic Services: Steve Tautz (01992 564180)**

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## **Recommendations/Decisions Required:**

(1) The Committee notes the progress made against the 2018/19 Internal Audit plan and the summary of the work of Internal Audit and the Corporate Fraud Team for the period September to November 2018.

(2) The revised Anti-Fraud and Corruption Strategy be referred to Council for approval

## **Executive Summary:**

This report updates members on the work completed by the Internal Audit Shared Service and the Corporate Fraud Team since the September 2018 Audit and Governance Committee, and also provides the current position in relation to overdue recommendations.

The revised Anti-Fraud and Corruption Strategy, attached at appendix 4, has been revised to reflect the new United Kingdom Anti-Corruption Strategy 2017-22.

## **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:**

### **2018/19 Internal Audit Plan**

1. Work continues on the 2018/19 Audit Plan and timings have been agreed with Senior Management to ensure a steady flow of reports throughout the year.
2. Progress with the plan may be hampered because the Internal Audit service is currently carrying a vacancy (and the recent recruitment campaign was unsuccessful) and one of the team on is long term sick. In the short term specialist services have been brought in to undertake a set number of audits at no additional cost to Epping Forest. The situation is being

closely monitored by the Internal Audit Shared Service Board as this may affect Broxbourne and Harlow plans too.

3. The current audit plan has been reviewed and Appendix 1 sets out the current status and the order in which the audits will be completed based on their risk profile. Subject to approval some of the later audits may need to be deferred to the next financial year.
4. A proposed process for approving changes to the Audit Plan, and the criteria to be applied, is provided at Appendix 2.

### **Internal Audit Reports**

5. The following five reports have been issued since the Committee received its last update in September 2018:

- *Software Licensing – moderate assurance*

The Council cannot demonstrate definitively that it currently has sufficient licences as the data supporting assessment is drawn from a number of different sources. This is partly due to a lack of reconciliation between expected software licencing and the IT asset register/deployment database which is not up to date.

The Software Licencing Officer is able to track all devices as they attach to the network and any anomalies or unknown devices are then analysed in terms of the need for licencing. This is backed up by information provided by an external provider and together the details are assimilated to provide an assessment of the licences required.

Monitoring and reporting on software and access implications is limited due to resource constraints. This is an important issue as it acts as a means of identifying continued software utilisation and potential value for money issues where software or licences may no longer be required. Additionally, as the Council has transformed over recent years, administrative access that allows uploading of software is held by a number of users. Levels of access should be recorded, with continued permission being at the discretion of the Assistant Director, ICT and Facilities Management as a security measure.

- *Equalities Impact Assessments – moderate assurance*

The Council has formed appropriate structures for developing equality and diversity initiatives to help ensure it complies with the Equality Act 2010 and that it improves access to its services for certain disadvantaged groups

A key forum is the Equality Working Group whereby equality leads from each directorate meet on a regular basis to share approaches, discuss improvement actions underway and the status of Equality Impact Assessments (EqIAs). However, due to restructuring activities, the Group has not met since February 2017 although an exercise is currently underway assessing the suitability of the various working groups across the Council.

A significant number of EqIAs are completed across the Council each year and submitted with policy or project reports so the information can be considered by decision makers. EqIAs are also published in-line with best practice set out by the Equality and Human Rights Commission (EHRC). Notwithstanding, the Council is not currently using the EqIAs to proactively monitor the potential equality impact of its policy decisions and develop appropriate improvement actions. This should be overseen by Equality Working Group and developed into improvement actions to be progressed as part of the Council's Equality and Diversity Action Plan.

- *Creditors – moderate assurance*

There is adequate segregation of duties to ensure the same member of staff cannot set up a new supplier, raise orders, and approve payments.

The audit identified that whilst an 'Authorised Signatory List' is in place across the Council detailing levels of authorisation assigned to staff, it does not set out financial limits. Furthermore, the Council's 'Financial Scheme of Delegation' could not be located which increases the risk that staff may be authorising transactions which do not fall within their delegated authority albeit the audit did not find any evidence of this.

Additional recommendations have been made regarding the need to produce and follow-up regular exception reports, evidence due diligence checks on new suppliers and other financial controls such as review of the weekly payment run report.

- *St. John's Road Development – limited assurance*

An audit of the St John's Road Development project was carried out to review the governance arrangements and project management processes employed for the project. The audit included discussions with the District Council's Assets and Economic Development Portfolio Holder and the Clerk of Epping Town Council to get their views of the project from their perspectives.

In September 2018 the project changed direction and the following learning points need to be considered before further action is taken:

Establish clear governance arrangements for the new project to provide high level oversight of the project. Consideration given to establishing a 'project board' to ensure there is full stakeholder engagement to facilitate the new project and provide regular formal reporting.

Set up an internal project group which includes Officers from Legal and Accountancy with a project plan setting out the timescales for the project including key milestones and tasks which is monitored and reported upon.

Provide regular progress reports to the Council's Strategic Board and to Members, which details of progress against the project plan, budgets and significant risks.

- *Off Street Car Parking – moderate assurance*

An Off Street Parking Partnership Board was established to provide high level oversight of the new contract with NSL Limited, which started in April 2017. To properly monitor the contract, it is recommended the Partnership Board meets six-monthly, as agreed. At an operational level the contract is managed through monthly Officer meetings with the contractor. There is a robust process for monitoring the Key Performance Indicators set out in the contract, and penalties, where applicable, are calculated in accordance with the agreement.

Off street parking income is identified and reconciled, but there is no guidance around notifying the Parking Team of these differences. A process should be developed for reporting variances to ensure there is a formal and consistent approach to enable proper monitoring and resolution of discrepancies.

Off street parking enforcement complies with Council policies and procedures. Appeals and cancellations against Penalty Charge Notices (PCNs) are dealt with in line with Council policy and recovery processes are instigated promptly if the PCN remains unpaid. To ensure the Parking Team are aware of the status of outstanding parking debts, progress of PCN cases referred to the Council's Enforcement Agents should be monitored through quarterly update reports.

### **Recommendation Tracker**

6. 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. This tracker does not feature those recommendations made in very recent reports as these are in the process of being finalised.
7. The current tracker is shown at Appendix 3 and contains four medium and five low priority recommendations which have passed their due dates (compared to two medium and two low priority recommendations in September 2018).

Table 1. Summary of tracker as at November 2018.

Recommendation type	Number (November 2018)	Number (September 2018)	Number (July 2018)	Number (March 2018)
High Priority not passed its due date	0	0	0	0
High Priority passed its due date	0	0	0	1
Medium Priority passed its due date	4	2	2	1
Low Priority passed its due date	5	2	0	2
<b>Total</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>4</b>

### **Other Internal Audit Activities**

8. A number of assignments in the Audit Plan are included to provide advice and guidance throughout the year on current and future issues relevant to the Council, and ultimately help to inform the Chief Internal Auditor's annual opinion. These do not result in a traditional audit report and are summarised here for information.

**National Fraud Initiative:** The mandatory biennial National Fraud Initiative (NFI) exercise for 2018/19 has commenced. Data has been extracted and uploaded to the NFI site. Officers within individual departments have been responsible for extracting their own data and uploading it with assistance from Internal Audit. The annual Electoral Roll to Council Tax data matching exercise will be uploaded in December 2018. All matches are expected to be released in January 2019.

**Internal Audit plan 2019/20:** The annual planning process will commence shortly. The Audit Needs Assessment is being reviewed and Service Directors across the Council will be contacted to ensure that all service areas are captured and audits planned in accordance with risk.

**General Data Protection Regulation:** Work is ongoing in conjunction with ICT to identify and implement effective IT solutions to further ensure General Data Protection Regulation compliance.

### **Corporate Fraud Team Update**

9. Since September 2018, a further five Right To Buy applications have been stopped / withdrawn

as a result of Corporate Fraud Team (CFT) intervention resulting in a discount saving of approximately £399,000 and ongoing rent revenue streams of around £200,000. A further two Council properties, which were the subject of tenancy related fraud investigations, have been recovered, saving around £186,000.

10. Work has begun at looking at several areas of potential fraud relating to Council Tax discounts and exemptions, which includes some joint working with the Council's Compliance Team. This work is focusing on Single Persons Discount, Second Home Premiums and Student Discounts. The savings as a result of this work is currently around £32,000.
11. The CFT is working with the Police Hub within the Safer Communities Team and the two Teams have established processes for information sharing to assist with one another's investigations. Joint working regarding the investigation of social housing tenancy fraud and safeguarding concerns is currently ongoing.
12. The joint working arrangement to provide a fraud service, on a fee basis, for two days per week to Brentwood Borough Council is operating well with a number of successful investigations and outcomes being achieved for them.

***Revised Anti-Fraud and Corruption Strategy***

13. The Council's Anti-Fraud and Corruption Strategy has been revised and is attached as Appendix 4. The proposed changes are shown in bold and underlined. The main changes have been to incorporate amendments around preventing bribery introduced by the Public Contracts Regulations 2015, and to strengthen the anti-corruption elements in light of the new United Kingdom Anti-Corruption Strategy 2017-22, which sets out a long term framework for tackling corruption. The Audit and Governance Committee is requested to comment on and approve the revised Anti-Fraud and Corruption Strategy.

***Progress against the Annual Governance Statement***

14. In July 2018, the Audit and Governance Committee approved 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 2018/19 is shown in table 2.

Table 2. Areas for improvement or monitoring during 2018/19

No.	Key Improvement Area	Action to be taken in 2018/19	Progress at November 2018
1	General Data Protection Regulations	On 25 May 2018, the EU General Data Protection Regulations came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too. This will be delivered through the GDPR Working Group.	A GDPR action plan is being monitored by the Corporate Governance Group in conjunction with Internal Audit to address data protection issues and ensure compliance.
2	Transformation	The Council is embarking on an ambitious transformation programme which involves the delivery of new people, IT and	The transformation programme is being overseen by the new

		<p>accommodation strategies and implementation of new processes, structures and technology.</p> <p>This is being delivered through the Transformation Board and overseen by Council.</p>	Leadership Team.
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**Resource Implications:**

Within the report

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2018/19 Audit and Resource 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 5 to the report.