

Report to the Audit and Governance Committee



Report reference: AGC-005-2019/20
Date of meeting: 12 September 2019

**Epping Forest
District Council**

Portfolio: Leader of the Council
Subject: Internal Audit Monitoring Report - April to July 2019
Responsible Officer: Sarah Marsh (01992 564446).
Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) The Committee notes the progress made against the 2019/20 Internal Audit plan and the summary of the work of Internal Audit for the period April to July 2019.

Executive Summary:

This report updates Members on the work completed by the Internal Audit Shared Service since the March 2019 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

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:

2019/20 Internal Audit Plan

1. The 2018/19 Audit Plan has been completed except for Access to Housing (Homelessness) which was approved for deferral by the Committee and added to the 2019/20 Audit Plan. Sufficient work has been undertaken for the Chief Internal Auditor to give their annual assurance opinion, which is reported elsewhere on the agenda.
2. Work has commenced on the 2019/20 Audit Plan as detailed in Appendix 1. The timings of the audits have been agreed with Leadership Team to ensure a timely flow of audit reports throughout the year.
3. As requested by the Committee the current risk register is attached at Appendix 2. This was approved by the Finance and Performance Management Cabinet Committee on 24 January 2019 and will be next reported at their 26 September 2019 meeting.

Internal Audit Reports

4. The following eleven reports have been issued since the Committee received its last update in

March 2019:

Planning Applications – Substantial assurance

The Council has established appropriate planning application policies, taking into consideration national policies, and these are well publicised on the Council's website.

Validation procedures ensure that applications are only considered once all information has been received from the applicant, and supporting internal planning application procedures ensure applications are dealt with in a consistent manner. Fees are charged in accordance with Council policy.

Planning application decisions are made in accordance with the delegated powers set out in the Constitution following formal consultation processes.

Commercial Rents - Substantial assurance

There are robust processes in place to ensure the commercial property database (Propman) is complete and accurate. Propman highlights upcoming rent reviews and lease renewals at each log on, ensuring outstanding tasks are notified until actioned.

Rent reviews and lease renewals are carried out in a timely manner in line with legislation, with all valuations agreed by the Chief Estates Officer prior to serving notice on the tenant.

Rents and service charges are correctly charged in accordance with the lease. Invoices are raised on the sundry debt system, AIMS, and reconciled to Propman. Rental income is monitored and reconciled, and debts appropriately managed in conjunction with Legal and Accountancy staff.

Right to Buy – Substantial assurance

Right to Buy (RTB) applications are processed in accordance with legislative requirements and Council procedures, and are consistently applied. A number of checks are in place, including an 'Additional Information Form' which is used by the Corporate Fraud Team, to help ensure only genuine RTB applications are successful.

The Council's housing strategy has appropriate corporate objectives regarding one-for-one replacement of RTB capital receipts. Robust controls ensure income from RTB sales is correct and collected promptly.

Section 106 Agreements – Substantial assurance

The Council has appropriate policies, procedures and guidance in place for Section 106 Agreements. An infrastructure strategy is currently being produced, which includes Section 106 Agreements, and is subject to examination along with the Local Plan.

Section 106 Agreements are held on a database which is reconciled annually to the finance records, and there is timely monitoring of trigger points and of expenditure to ensure monies are collected and used as per the terms of the original agreement.

A quarterly Section 106 report is to be provided to the Local Plans Cabinet Committee to improve awareness and monitoring by stakeholders.

Economic Development – Substantial assurance

The Economic Development Strategy defines an economic vision for the Council, is aligned with the Corporate Plan and recognises the value of working in partnership to further its economic aims. Implementation of a formal operational work plan would help focus limited resources on key priorities and monitor the progress of initiatives.

The Partnerships and Economic Development Team have played a lead role in setting up the One Partnership that has been successful in pooling skills and resources of the members and

attracting funding. Progress of work streams is reported to the Economic Board.

HR Starters, Movers and Leavers – Substantial assurance

Starters, movers and leavers are actioned promptly by Human Resources on receipt of the relevant completed form. The new iTrent recruitment module, to be introduced in January 2020, will eliminate the need for manual starter forms as this will be completed during the recruitment process.

Details are accurately input to iTrent and agree to the contract of employment / leaver documentation as appropriate. Processes on iTrent ensure that employee details are fully completed before adding an employee to the payroll.

There are robust controls around access to iTrent, providing security of electronic data and clear segregation of duties between the HR and payroll functions.

Corporate Performance Indicators – Substantial assurance

Robust controls ensure that performance indicators are calculated promptly each quarter in line with the approved methodology, using reliable and appropriate source data. Independent scrutiny and challenge over performance indicators, including proposed corrective action where performance targets are not met, is provided through timely reporting to Members.

Corporate oversight of performance indicators is provided through quarterly reporting to the Leadership Team.

The Corporate Plan Performance Report format has been revised for 2019/20 to provide more clarity over performance including a more concise presentation of data, which should enable a more thorough review of progress against the Corporate Plan objectives to be made.

Council House Building Programme – Moderate assurance

Since the last audit in 2017/18, the Development Agent East Thames Housing has exited the contract and their role has been replaced by closer monitoring of the Programme by the Housing Development and Finance teams. The contract with the Employer's Agent, Pellings, has been novated so that they are now working directly for the Council resulting in retention of Programme knowledge and significant cost savings.

Due to its scale and complexity, achieving the Programme timetable and budget remains an ongoing challenge. Specific mitigations should be included in the programme risk register.

Contract Register – Moderate assurance

Contracts dealt with by Legal Contracts Officers are recorded in the Contracts Register and are General Data Protection Regulation compliant. Due to a lack of awareness and understanding of the Procurement Rules some contracts have not been added to the Contracts Register as Legal Contracts Officers were not informed of the agreements.

Contract managers should be reminded to monitor contract expiry dates ensuring there is adequate resource to complete the procurement process before the existing contract expires.

A review and update of the Procurement Rules and a refresh of all procurement documentation (toolkit, checklist etc.) should take place; following which there should be a Council-wide communication and training programme.

North Weald Airfield – Moderate assurance

There are effective governance arrangements in place regarding the management, health and safety and security of facilities at the airfield.

A scale of charges for use of the airfield was identified but there is no evidence that fees have been approved since 2008 through the standard Council procedures. Landing fees are not charged for tenants who exceed their annual runway movements nor are the tenants being

restricted from undertaking additional flights. NWA is also used without a runway license by an increasing number of non-NWA based aircraft and visitors. Fees are not being collected for such usage and no facility exists to allow fees to be collected.

Business Continuity Planning – No assurance

Although there is a Business Continuity (BC) plan and IT Disaster Recovery plan neither are fit for purpose and contingency arrangements in place are inadequate. The Council’s IT Disaster Recovery Plan is out of date and has not been reviewed for several years and does not dovetail into the Council’s corporate BC plan, especially on recovery times and priority order for systems.

An urgent project has been initiated to address the concerns raised, which involves a dedicated Officer group working in conjunction with an external specialist. Progress against the project will be closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.

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 tracker is shown at Appendix 3 and contains five medium and five low priority recommendations which have passed their due dates (compared to five medium and two low priority recommendations in March 2019) in addition to one high priority recommendation not passed its due date.

Table 1. Summary of tracker as at July 2019.

| Recommendation type | Number (August 2019) | Number (March 2019) | Number (January 2019) | Number (November 2018) | Number (September 2018) |
|---------------------------------------|----------------------|---------------------|-----------------------|------------------------|-------------------------|
| High Priority not passed its due date | 1 | 0 | 0 | 0 | 0 |
| High Priority passed its due date | 0 | 0 | 0 | 0 | 0 |
| Medium Priority passed its due date | 5 | 5 | 6 | 4 | 2 |
| Low Priority passed its due date | 5 | 2 | 3 | 5 | 2 |
| Total | 11 | 7 | 9 | 9 | 4 |

7. The high priority recommendation relates to the business continuity planning project. Internal Audit forms part of the Officer group that is overseeing the business continuity project. A summary of progress regarding implementation of the business continuity project plan is attached as Appendix 4.

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 significant work is summarised here for information.

Review of invoicing processes: A review of lessons to be learnt when late payment of invoices led to possible legal proceedings against the Council identified control weaknesses which have subsequently been addressed by management.

Delegated authorities: Internal Audit is working with the Monitoring Officer to resolve issues around delegated authorities and with Business Services as part of a wider Council-wide review of delegations.

Risk Management: The Officer Risk Management Group has reconvened after a lapse of more than a year. This group reviews and challenges risk at both the corporate and service level. Discussions are in progress with the Leader and the Chairman of the Finance and Performance Management Cabinet Committee on whether risk management would sit better with the Audit and Governance Committee, being mindful of any Constitutional changes that may be required.

Resource Implications:

Within the report

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Corporate Governance Group

Background Papers:

2019/20 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.