

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-010-2019/20
Date of meeting: 25 November 2019

Portfolio: Leader of the Council
Subject: Internal Audit Monitoring Report - September to November 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 and the Corporate Fraud Team for the period September to November 2019; and**
- (2) The Committee approves the changes to the Anti-Fraud and Corruption Strategy and refers it 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 2019 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

The Anti-Fraud and Corruption Strategy, attached at appendix 4, has been revised to reflect the new Money Laundering Regulations 2017.

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. Good progress has been made on the 2019/20 Audit Plan as detailed in Appendix 1. The timings of the audits have been agreed with the Leadership Team to ensure a timely flow of audit reports throughout the year.

Internal Audit Reports

2. The following three reports have been issued since the Committee received its last update

in September 2019:

(a) Disabled Facilities Grants – Moderate assurance

3. Overall there is a sound control framework to manage and monitor the assessment and award of Disabled Facilities Grants, and sample testing confirmed that the controls are working effectively. Appropriate policies and procedures are in place and are compliant with legislation and regulatory guidance, although the procedure manual requires updating to reflect recent changes in operational arrangements.

4. Grant applications are assessed and approved in accordance with the approved eligibility criteria, with checks that the works will address the service user needs. Grant payments are only made for completed works and repayable assistance is secured by a charge on the service users' property.

5. For applications by Housing Association tenants, the landlord's permission for the works is obtained and a request is made for the Housing Association to contribute towards the cost of the disabled facilities works. One case was identified where the Housing Association agreed to contribute £6,692.91 towards the costs, but this had not been raised as a debtors account and as such the agreed sum had not been collected. Further investigation by the service area found this was an isolated incidence.

(b) Homelessness – Substantial assurance

6. A Homelessness Strategy is in place and there are a wide range of homelessness prevention and support services in place to provide advice and assistance for clients who are homeless or threatened with homelessness. These services are fairly and consistently applied and there is a clear trail of the review and approval of decisions made. Where a homelessness duty has been accepted, the evidence supporting case decisions was found to be complete, accurate and properly approved. Data protection processes need to be reviewed to ensure that all data sent using email is securely encrypted.

7. A quarterly housing forum with other local authority housing teams in Essex, chaired by the Housing Options Manager, and regular in-house team meetings ensure staff are aware of the latest housing and homelessness legislation and current best practice.

8. Discretionary Housing Payments (DHP) provide an important facility to help prevent homelessness. Robust budgetary control of the DHP funding resulted in £153,000 of unused funding in 2018/19. Whilst well managed, the underspend DHP funding could have been more effectively used to help relieve the pressure on temporary accommodation and therefore efforts should be made to maximise the uptake of DHPs. Controls around the completeness and verification checks of DHP decision forms need to be reviewed following one DHP claim tested being overpaid by £672.44 due to a miscalculation on the DHP decision form.

(c) Review of Payroll HM Revenues and Customs and BACS Payment processes

9. A review of three payroll related incidences found that poor processes relating to the handover to the shared payroll service in June 2019 contributed to control failings.

10. A discrepancy concerning April's tax and national insurance payment was difficult and time-consuming to investigate as details of an established contact at HM Revenues and Customs (HMRC) had not been passed on to the shared service. This has been resolved (HMRC had allocated the payment to the wrong account) and a monthly check of the HMRC on-line account is now completed by the Payroll Manager enabling any further discrepancies to be addressed

promptly.

11. June's salary was paid four days early because the officers completing the BACS payment were unfamiliar with the procedure and the payroll BACS processes requested by the Shared Service Payroll Manager to be introduced prior to the handover had not been implemented by the Council. The new process was implemented by the Shared Service Payroll Manager for the July 2019 pay run and staff, including a designated deputy for each role, have been fully trained.

12. A duplicate pension strain payment was made in May 2019 because it was included in the standard pension contributions and paid through Accounts Payable. A refund has been received and to prevent further occurrences, pension strain payments processed by the shared service will not be included in the monthly pension payment. The Council will pay all these by invoice.

Recommendation Tracker

13. 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.

14. The current tracker is shown at Appendix 2 and contains one high, seven medium and five low priority recommendations which have passed their due dates (compared to five medium and five low priority overdue recommendations, and one high priority recommendation not passed its due date in August 2019).

Table 1. Summary of tracker as at November 2019.

Recommendation type	Number (November 2019)	Number (August 2019)	Number (March 2019)	Number (January 2019)	Number (November 2018)
High Priority not passed its due date	0	1	0	0	0
High Priority passed its due date	1	0	0	0	0
Medium Priority passed its due date	7	5	5	6	4
Low Priority passed its due date	5	5	2	3	5
Total	13	11	7	9	9

15. The high priority recommendation relates to the business continuity planning project. A summary of progress regarding implementation of the business continuity project plan has been provided by the risk owner and is attached as Appendix 3.

Other Internal Audit Activities

16. 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.

(a) Delegated authorities: Internal Audit is working with Business Services as part of a Council-wide review of delegations to align responsibilities with the DMA (Decision Making Accountability) model adopted by the Council as part of the People Strategy and ensure these are reflected in the Council's policies and procedures.

(b) Risk Management: The Officer Risk Management Group has reconvened and reviews and challenges risk at both the corporate and service level; considering whether risks should be escalated to the corporate risk register. The service risk registers have been updated to reflect the Council's new structure and a review and update of the service risks has been completed by service directors and managers in conjunction with Internal Audit. Internal Audit has reviewed the Group Company and Accommodation Project risk registers, which will be presented to the Risk Management Group in November.

Corporate Fraud Team update

17. Five Right to Buy applications have been stopped or withdrawn as a result of Corporate Fraud Team (CFT) intervention resulting in a discount saving of approximately £414,000 and potential ongoing rent revenue streams of around £260,000.

18. Two properties have been recovered as a result of investigations into tenancy fraud related matters representing an approximate saving to the Council of £186,000. In addition, two people have been removed from the housing register as a result of investigations into their respective housing applications. On both occasions it was found that the applicants had submitted false information / failed to disclose material facts.

19. Three internal investigations have been undertaken. Two of these are still subject to ongoing enquiries; however, in the other case, whilst no evidence of any impropriety / misconduct was found, a need for revised control measures was identified.

20. The team is due to receive a Proceeds of Crime Act award of approx. £50,000 on 1 November deriving from a previous successful prosecution for tenancy fraud.

21. The CFT is actively supporting National Fraud Awareness Week which runs from 17 – 23 November and will be organising a series of activities to take place during this week.

22. The CFT is currently undertaking a series of proactive projects including Fraud Resilience testing in a number of areas, the results of which will be reported to Corporate Governance Group and Audit and Governance Committee when available.

Revised Anti-Fraud and Corruption Strategy

23. The Council's Anti-Fraud and Corruption Strategy has been revised and is attached at Appendix 4. The proposed changes are shown in bold and underlined. The strategy has been revised in light of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).

24. The Audit and Governance Committee is requested to comment on and approve the revised Anti-Fraud and Corruption Strategy and refer to Council for approval.

Progress against Annual Governance Statement

25. In July 2019, the Audit and Governance Committee noted reviewed 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 2019/20 is shown in table 2.

Table 2.

No.	Improvement area	Risk area/action plan for 2019/20	Progress at November 2019
1	Business Continuity Planning (BCP)	<p>An internal audit of BCP found that although there is a corporate Business Continuity plan it is not fit for purpose and contingency arrangements in place are inadequate.</p> <p>An urgent project has been initiated due for completion November 2019, and action is already being taken to address the concerns raised by Internal Audit which involves a dedicated Officer group working in conjunction with an external specialist. Progress against the project is being closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.</p>	Good progress is being made although there has been some slippage with the project.
2	Economic climate: Uncertainty over Brexit may impair the Council's strategic aims and objectives	Brexit implications, and other economic uncertainties, are being regularly monitored by Leadership Team. The Council liaises with the Local Resilience Forum Lead and with the East of England Local Government Association on Brexit related operational issues and community impact. In turn both these organisations liaise with Ministry for Housing, Communities and Local Government	The Economic climate continues to be monitored by Leadership Team and Corporate Governance Group on at least a monthly basis.
3	Statutory posts: It is important the Council ensures that the role, responsibilities and standing of the Council's Section 151 Officer and Monitoring Officer complies with legislation (in particular the Local	This will be kept under review by the Leadership Team in consultation with the Monitoring Officer, Section 151 Officer, Internal and External Audit. External legal advice will be obtained if deemed necessary.	These posts are working as intended and the officers are suitably positioned within the Council's new structure but will be kept under review.

	Government and Housing Act 1989) and good practice as the Council's restructure is completed		
4	Close down of Accounts: Delays have been encountered in the closure of the Council's 2018/19 accounts due to a variety of internal and external factors and will result in an increase in Audit fees.	The Council is jointly working on improvements with its External Auditors, which includes a review of processes, working papers and electronic files. Ultimately this will ensure streamline and efficient processes are in place ahead of closing next year's accounts.	An Improvement Plan detailing the changes to be implemented to address the process and procedural issues associated with the preparation of the final accounts is being monitored by the Corporate Governance Group and will be by the Audit and Governance Committee
Common themes from the Service Assurance Statements were:			
5	Restructure: As a result of the restructure many Officers have/or will be taking on new roles and responsibilities. The Council's scheme of delegation needs to remain robust and fit for purpose. In addition, support and guidance needs to be offered to these Officers	Delegated authorities are being reviewed by the Service Director (Business Services) and is included in the Leadership Team Work Plan. A staff awareness campaign will be undertaken to ensure Officers are aware of their responsibilities regarding corporate policies and training offered as appropriate. This includes Financial Regulations, Procurement Rules, Anti-Fraud and Corruption Policy, Whistleblowing procedure, Code of Conduct and Customer Service Standards.	A schedule of delegated authorities has been drafted. Work is ongoing to ensure consistency with the Council's policies and to determine appropriate financial limits of authority.

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.