Report to the Audit and Governance Committee

Report reference: AGC-007-2020/21
Date of meeting: 25 June 2020

Epping Forest District Council

Portfolio:	**Leader of the Council**
Subject:	**Internal Audit Monitoring Report June 2020**
Responsible Officer:	**Sarah Marsh** **(01992 564446).**
Democratic Services:	**Gary Woodhall** **(01992 564470).**

Recommendations/Decisions Required:

(1) The Committee notes the summary of the work of Internal Audit for the period January to June 2020

(2) The Committee approves the deferral of the Infrastructure Delivery Plan audit from the 2019/20 Audit Plan

Executive Summary:

This report updates Members on the work completed by Internal Audit since the January 2020 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

Approval is sought to defer the Infrastructure Delivery Plan audit until after adoption of the Council's Local Plan.

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 audit plan for 2019/20 is almost complete and enough work has been undertaken for the Chief Internal Auditor to give their annual report and assurance opinion which is reported elsewhere in the agenda.

2. When the 2019/20 audit plan was approved in March 2019 it was anticipated that the Council's Local Plan would be adopted during the year. On the basis that the Local Plan has not yet been approved, it is proposed to defer the audit of the Infrastructure Delivery

Plan.

3. Work on the 2020/21 Audit Plan, which is subject to approval at this meeting, has been delayed as a result of Covid-19. Internal Audit has been providing advice and guidance (see the other Internal Audit activities in paragraphs 11 to 15) as well as completing audits from the 2019/20 plan.

Internal Audit Reports

4. The following seven reports have been issued since the Committee received its last update in November 2019:

Houses in Multiple Occupation (HMO) Licences – Substantial assurance

The control framework for licence applications, fee collection and issue of licences is operating effectively. The Council has detailed guidance on Enforcement and Service Standards in Private Sector Housing, which includes the licencing of HMOs, and has adopted the Essex Amenity Standard to ensure there are adequate facilities and living space based on the number of occupants.

Licence applications are now all online and include the requirement to upload supporting documentation. Fees payable are calculated automatically based on the units of accommodation in the property and the payment is taken online at the end of the application process. Visits of all properties are undertaken, and conditions are attached to the licence if issues are identified at the visit. There is a formal management review and sign off process before a licence is issued.

Environmental Health Officers monitor potentially unregistered HMOs through a review of room rental and letting agency websites, and penalties are issued for failure to licence an HMO.

An issue with one incomplete record on the public register of HMO licences published on the Council's website was identified and corrected immediately. A new HMO public register application is now live on the Council's website, which means that the data is always up to date.

Housing Register and Allocations – Substantial assurance

The arrangements regarding the Housing Register and allocations are well managed. The Council's Housing Allocation Scheme was updated in July 2018 and is available on the Council's website.

Valid applicants are admitted onto the Housing Register in accordance with the Council's eligibility criteria on residency, housing need and financial situation. The audit recommended that all applicants (and not just those where there was judged to be a risk or concern) are subject to Experian credit checks as part of the verification procedure. The re-distribution of tasks within the Rehousing Team new structure has enabled this to be implemented with immediate effect.

Applicants are correctly banded as to their housing need status in line with the Housing Allocation Scheme criteria, and housing is allocated in priority order to those who bid on each available property. Checks for compliance with the Allocation Scheme conditions before an offer of tenancy is made can lead to delays in re-letting properties. Changes have already been introduced and a process of pre-verification is now in place for new applicants. An action is in progress to ensure all applicants who make successful bids on properties will have been subject to pre-verification. As this is resource dependent, a concerted effort to pre-verify the 'backlog' of all likely successful applicants is to be

completed by the end of June 2020.

Housing Rents and Arrears – Moderate assurance

The processes for the setting of housing rents and the collection of current and former tenants' rents are operating effectively, ensuring that:

• Rents are set in accordance with the prevailing rent-setting regime;

• Rents are calculated correctly;

• Rents are collected in a timely manner; and

• There is effective debt management of current and former tenants' arrears.

Prior to commencement of the 2020/21 rent-setting process, procedure notes were not available. Given the significant staffing changes as a result of the restructure, the need for up to date and accurate procedure notes is of increasing importance. Policies relating to rent arrears and collection are being drafted, and procedure notes around rent setting are in the process of being updated. An action plan has been prepared by the Service Manager to ensure these are achieved within appropriate timescales.

Whilst it has been collecting service charges, it has been recognised that the Council is not fully recovering its costs. Through discussions with management it was noted that that there is an adequate plan in place to address this matter and consequently no recommendation has been made.

Asbestos Management – Moderate assurance

An asbestos register and programme of works for asbestos management surveys and inspections is in place for the Council's housing stock. Housing asset movements, acquisitions and disposals records are updated on a periodic basis to ensure the records of properties requiring asbestos surveys are up to date.

Asbestos management processes and procedures require formally documenting to provide clear roles and responsibilities of how and when information is shared between the Housing Assets and Housing Repairs teams to ensure there is a robust process to maintain the accuracy of the asbestos register. In addition, a review of asbestos management team roles is to be undertaken by the Service Manager Property Maintenance to ensure that there is an adequate cover for staff absences and asbestos incidents occurring out of normal business operating hours.

The corporate asbestos policy was last reviewed in 2016 and currently resides with Human Resources, as they were previously responsible for corporate health and safety. It has been agreed that the policy will be formally assigned to Property Maintenance who will take ownership of the policy to ensure it remains current and the Council is complying with asbestos health and safety law.

Housing Assets and Housing Repairs Officers receive asbestos awareness training and records of staff that have completed training are maintained. Asbestos awareness training is to be introduced to all visiting Housing Officers and training records maintained for these to ensure all relevant staff are aware of requirements.

Data Retention and Disposals – Limited assurance

There is good awareness of data retention and disposal principles within services; however, there is a lack corporate guidance to provide clarity and consistency in its application. In order to demonstrate compliance with data protection requirements, the

Council needs to identify appropriate data retention periods for all categories of data and ensure that adequate processes are in place to dispose of the data securely when the retention periods expire. These will be formalised in a corporate data retention and disposals policy and procedures, which is being currently being drafted.

Services have reviewed and disposed of manual data as part of transformation but the approach to dealing with electronic data, including emails, differs across the Council, although some teams are applying good practice through local policies and service specific retention schedules. Services have been asked to review their document retention schedules as part of updating their Register of Processing Activities (RoPAs) and develop mechanisms to ensure retention periods are complied with. This will be monitored by the Information Governance Group.

Development of information governance policies and procedures is being addressed through the Information Governance Group (IGG) action plan and will be supplemented by a programme of training and awareness.

IT Change and Patch Management – Limited assurance

Overall a level of operational control is being maintained, including a clear allocation of roles and responsibilities, and the majority of IT devices (PCs, workstations, servers, switches, firewall), and business applications are up to date in terms of security patches and firmware upgrades. A small number are not as up to date, mainly servers that are required to be manually updated. There is a programme in place to manage these and bring them up to date.

The operation of the Change Advisory Board (CAB) had become less robust with many approvals being undertaken by the ICT Infrastructure and Compliance Manager, resulting in a single point of failure. The formal CAB has been re-constituted as a result of the audit and is now Information Technology Infrastructure Library (ITIL) compliant, ensuring priorities are adequately determined and providing a segregation of duties.

Policy and procedure documentation in relation to change and patch management activities were found to be out of date. These will be reviewed and developed as part of the overall review and ICT transformation to reflect the new operational processes and controls.

Work has started on implementing a previous Internal Audit recommendation to address the lack of an annual verification of IT assets but there are still some assets that have old or missing 'last audit' verification dates. ICT will undertake a full IT asset audit over the next six months during the office moves taking place as part of transformation.

Health and Safety Satellite Offices – Limited assurance

Policies and procedure notes are in place to ensure the health and safety framework for staff working away from the Civic Office is defined, documented and communicated to staff working remotely.

The audit found that the Corporate Safety Group was no longer meeting. The Group, chaired by the Chief Executive, has now been re-established and will meet quarterly to ensure the Council is receiving the information required to enable it to gain assurance that health and safety risks are being appropriately managed.

Risk assessments have been prepared by managers to ensure health and safety measures are in place. However, in some cases these have not been regularly reviewed to ensure they remain relevant and reflect current risks. A formal monthly checking programme is to be introduced with immediate effect to ensure this takes place.

Health and safety training records maintained locally are inconsistent, and records held centrally by the People Team relate only to training arranged or facilitated by the People Team. Consequently, for some satellite offices it is not clear as to what training is required and what has been delivered. Each satellite office has now created a training matrix showing training needs and details of all training delivered and these will be submitted to the Contingency Planning and Corporate Safety Officer for review and monitoring.

At a local level there is accurate and timely recording and reporting of accidents, incidents and near misses to the Contingency Planning and Corporate Safety Officer to prevent a reoccurrence. However, the previous upward reporting arrangements to the Leadership Team, Chief Executive and elected Members have fallen into abeyance. This will be provided going forward through monthly verification checks and quarterly certification of compliance with the Health and Safety Policy and Procedures reported to the Corporate Safety Group. Meetings of the Corporate Safety Group have recommenced as a consequence of the audit.

There is a framework of controls to ensure the Council is discharging its duty of care in compliance with legislative and other requirements in relation to gas, electrical and fire safety, and current valid Gas Safety Certificates for each of the satellite offices visited as part of this review were evidenced during the audit.

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 1 and contains 14 recommendations which have passed their due dates and two high priority recommendations which are not yet due as detailed in table 1.

Table 1. Summary of tracker as at June 2020.

Recommendation type	Number (June 2020)	Number (March 2020)	Number (January 2020)	Number (November 2019)	Number (August 2019)	N (
High Priority not passed its due date	2	1	1	0	1	
High Priority passed its due date	1	0	1	1	0	
Medium Priority passed its due date	6	7	10	7	5	
Low Priority passed its due date	7	4	5	5	5	
Total	**16**	**12**	**17**	**13**	**11**	

7. The two new high priority recommendations (not overdue) concern data retention and disposals. There is a need to develop a corporate data retention and disposals policy and ensure this is communicated to staff. Services need to review the basis for keeping their data (manual, electronic and emails) in line with legislation and service requirements and formalise these in service-specific data retention schedules. These actions will be overseen

by the Information Governance Group.

8. The overdue high priority recommendation relates to team managers updating health and safety risk assessments and training records and reporting these on a regular basis to the Contingency Planning and Corporate Safety Officer. The action, which was due for completion by 31 March 2020, had not been fully implemented before the start of the pandemic.

9. Other recommendations are not progressing as quickly as first agreed with the relevant manager. Internal Audit, with the assistance of the Corporate Governance Group, continues to actively monitor progress of all recommendations.

Other Internal Audit activities

10. **Business Grant Funding Schemes:** Internal Audit and the Corporate Fraud Team are providing advice and assistance on the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF) schemes introduced by the Department for Business, Energy & Industrial Strategy in March 2020 in response to Covid-19.

    Work has included pre-award checks using the Cabinet Office tool, Spotlight, to determine whether limited companies were dissolved or liquidated at 11 March 2020 and therefore not eligible for a grant.

    Post-award checks are ongoing with regards to companies with no company number recorded on Academy (the Business Rates IT system) and those businesses with a different business and billing address.

    Further advice is now being provided with regards to the Local Authority Discretionary Grants Fund, aimed at small and micro businesses who were not eligible for the SBGF or the RHLGF.

11. **Finance related work:** Internal Audit and Corporate Fraud resource is being used to assist Finance with their year-end processes and reconciliation of the business grant payments.

12. **Accounts Payable:** Internal Audit has been advising on processes and controls around Accounts Payable where these have had to be flexed to allow for staff working remotely. Additional work has included a review of Marketplace purchase orders and invoice payments to check for duplicates and compliance with revised processes.

13. **Payroll Processes:** A review of payroll processes is being carried out to streamline and align these with the new structure.

14. **Service Assurance Statements:** Internal Audit co-ordinated the process to ensure service assurance statements are completed by each Service Director as part of year-end processes. The results of these have been analysed by Internal Audit, shared with the Corporate Governance Group and the results contributed to the 2019/20 Annual Governance Statement which will be presented to the committee in due course.

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 2 to the report.