

AUDIT & STANDARDS COMMITTEE
Wednesday, 9 March 2016 at 7.30pm
Council Chamber - Civic Centre

AGENDA

1. Apologies for Absence and Substitutions

2. Declarations of Interest

Councillors' declarations of interest (if any) in relation to any matters on the agenda.

3. Minutes (Pages 3 - 6)

To note the minutes of the meeting held on 25 November 2015.

4. Matters Arising

5. Written Questions and Petitions

6. Non Contentious Business

7. Committee Work Plan (Page 7)

8. Harlow District Council Audit Plan 2015-16 (Pages 8 - 26)

9. Certification of Claims and Returns Annual Report 2014-15 (Pages 27 - 35)

10. Risk Management Report (Pages 36 - 45)

11. Internal Audit Strategy and Plan 2016/17 (Pages 46 - 61)

12. Internal Audit Activity Report: December 2015 - February 2016 (Pages 62 - 85)

13. Internal Audit Compliance with the Public Sector Internal Audit Standards (PSIAS) (Pages 86 - 89)

14. References from other Committees

Any references arising from meetings held after the publication of this agenda will be circulated separately.

15. Matters of Urgent Business

Such other business which, in the opinion of the Chairman, should be considered as a matter of urgency by reason of special circumstances to be specified in the minutes.

**MINUTES OF THE AUDIT & STANDARDS COMMITTEE
HELD ON**

25 November 2015

7.30pm - 8.46pm

PRESENT**Committee Members**

Councillor Karen Clempner (Vice-Chair, in the Chair)
Councillor Ian Beckett
Councillor Simon Carter
Councillor Jean Clark
Councillor Waida Forman
Councillor Eddie Johnson
Councillor Edna Stevens

Officers

Graeme Bloomer, Head of Place
Simon Freeman, Head of Finance
Joe McGill, Properties, Facilities and Projects Manager
Sarah Marsh, Internal Audit Manager
Jonathan Russell, Senior Internal Auditor
Jo Maskell, Governance Support Officer

External Auditor

Steve Bladen, Ernst & Young

APOLOGIES

Councillor Manny Doku
Councillor Russell Perrin

25. **DECLARATIONS OF INTEREST**

None.

26. **MINUTES**

RESOLVED that the minutes of the meeting held on 9 September 2015 are agreed as a correct record and signed by the Chairman subject to the following amendments:

- (a) include Pat Buttleman, Senior Auditor to list of Officers present and record Councillor Eddie Johnson's apologies;

- (b) Insert the following additional paragraph at the end of Minute 13:

“The Chairman commented on the fact that the Committee had neither been informed nor was involved in any discussions concerning the inclusion of Epping Forest District Council in the partnership scheme this Council had with Broxbourne Council.”

27. **MATTERS ARISING**

- (a) Internal Audit Activity Report
(Minute 21 Refers)

Further to his briefing note to members of the Committee, the Head of Place confirmed that the Internal Audit's recommendations to formalise the pricing policy at the Latton Bush Centre had now been implemented.

- (b) Any Other Matters Arising

None.

28. **WRITTEN QUESTIONS AND PETITIONS**

None.

29. **NON CONTENTIOUS BUSINESS**

RESOLVED that the following items are taken as non-contentious:

7. Committee Work Plan.
11. Review of Internal Audit Charter.

30. **COMMITTEE WORK PLAN**

The Committee received its current work plan.

RESOLVED that the work plan is noted.

31. **ANNUAL AUDIT LETTER 2014/15**

The Committee received the Annual Audit Letter presented by the external auditor, which summarised their findings on the audit work they had carried out at the Council during 2014/15.

They had issued an unqualified opinion on the Council's accounts for the 2014/15 financial year.

In response to a query regarding the Council's readiness to implement a new requirement to account for Highways Network Assets under Depreciated Replacement Cost, the Head of Finance undertook to circulate a briefing note to members of the Committee on the Council's approach to these changes to the accounting arrangements.

RESOLVED that the Annual Audit Letter for 2014/15 and the key issues identified regarding the audit opinion, financial statements and key challenges are acknowledged.

32. **RISK MANAGEMENT PROGRESS REPORT 2015/16**

In line with the Council's Risk Management Strategy, the Committee received an amended Corporate Risk Register for analysis and scrutiny.

The Committee agreed to focus on the two highest risks regarding financial resilience and housing mix (CR3 and 4) simultaneously, for consideration at a future meeting to ensure they were satisfied with the detail presented in the risk register.

The risks associated with resources/capacity to fulfil community aspirations for street cleaning, waste & recycling, unadopted highways maintenance and landscaping (CR6) were highlighted for further consideration; as was the need to ensure that a process was in place to keep members of the Committee informed of all risks and any specific issues which could have a bearing on risk.

RESOLVED that

- (a) the revised Corporate Risk Register is endorsed and the new format is approved;
- (b) the work being undertaken to define the Council's overall risk appetite is noted;
- (c) CR 3 and 4 be considered in detail at a future meeting of this Committee, and CR 6 be considered at the next meeting of this Committee;
- (d) consideration of items from the Corporate Risk Register is added to the Committee's Work Plan as a standing item;
- (e) a training session on Risk Management is held for Councillors prior to the next meeting of this Committee.

33. **INTERNAL AUDIT ACTIVITY REPORT**

The Committee received the Internal Audit Activity report which showed the progress made against the Audit Plan for the period September to November 2015.

It was noted that the Internal Audit Team had received three additional assignments which had fallen outside the scope of the original Plan, but which had been accommodated through contingency provision.

RESOLVED that the report is noted.

34. **REVIEW OF INTERNAL AUDIT CHARTER**

The Committee received the Internal Audit Charter, unamended since it was approved last year.

RESOLVED that the Internal Audit Charter attached as Appendix A of the report, is approved.

35. **REFERENCES FROM OTHER COMMITTEES**

None.

36. **MATTERS OF URGENT BUSINESS**

None.

CHAIRMAN OF THE COMMITTEE

AUDIT & STANDARDS COMMITTEE WORK PLAN 2015/16

Standing Items	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
○ Risk Management Report (arising from the Corporate Risk Register) <i>(Min 32, 25/11/15)</i>	Sarah Marsh
Unallocated Items	
○ Review of Audit & Standards Committee Effectiveness	Sarah Marsh
○ Corporate Risks 3 & 4 from the Corporate Risk Register <i>(Min32, 25/11/15 – financial resilience – housing mix)</i>	Sarah Marsh

Harlow District Council

Year ending 31 March 2016

Audit Plan

9 March 2016

Ernst & Young LLP



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working world



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Audit and Standards Committee
Harlow District Council
Civic Centre
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9 March 2016

Dear Members

2015/16 Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Standards Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. We welcome the opportunity to discuss this Audit Plan with you on 9 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson
Executive Director
For and behalf of Ernst & Young LLP
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit and Standards Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Harlow District Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Audit and Standards Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue recognition	
<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of revenue recognition. We will undertake specific testing to address this risk.</p>	<p>We will</p> <ul style="list-style-type: none"> ▶ Review and test revenue and expenditure recognition policies. ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias. ▶ Develop a testing strategy to test material revenue and expenditure streams. ▶ Review and test revenue cut-off at the period end date. ▶ Test capital expenditure on property, plant and equipment to ensure it meets the definition of capital expenditure as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will be to:</p> <ul style="list-style-type: none"> ▶ Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Review accounting estimates for evidence of management bias. ▶ Evaluate the business rationale for significant unusual transactions.
Classification and valuation of investment property and property, plant & equipment	
<p>The Council undertakes an annual exercise to revalue property assets (including its social housing stock and investment property assets). The valuation of property assets represents a significant accounting estimate. The accounting entries arising from changes in value are complex and will have a significant impact on the Council's financial statements.</p> <ul style="list-style-type: none"> ▶ The Council's Fixed Asset Register is unable to calculate the accounting entries arising from changes in the valuation of these assets. The Council is therefore reliant on excel-based spreadsheets to manually calculate the accounting entries, using data provided by the Council's valuer and historic data recorded on the Council's Fixed Asset Register. ▶ The Council has confirmed to us that it intends to reclassify assets previously recorded as investment property to other land and buildings. These assets had a market value at 31 March 2015 of £19.5 million. <p>Taken together, we consider these factors present a significant risk to the financial statements, and we will undertake specific testing to address this risk.</p>	<p>Our approach will be to:</p> <ul style="list-style-type: none"> ▶ Assess the reliability of management's experts (in relation to the valuation work undertaken for the Council by the District Valuer, we will place reliance on experts commissioned by the National Audit Office in respect of land and property values, and our own valuation specialists). ▶ Test the reliability of the information provided by the Council to valuers. ▶ Testing the accounting treatment applied to changes in the valuation of property assets. ▶ Test the classification of property assets within the balance sheet, ensuring that the classification is consistent with the Accounting Code. ▶ Confirm that any prior period adjustment arising from the reclassification of property assets is adequately disclosed, and consistent with guidance in the Accounting Code.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2015/16 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment considers both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Our work to date, which is still in progress, has not identified any risks which we view as relevant to our value for money conclusion. We update our risk assessment throughout our audit, and will update you on any changes to that assessment.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Processes

Our intention is to undertake a fully substantive audit. We believe this to be the most efficient approach to gaining assurance over the Council's financial statements. Although we are not intending to rely on the control processes established within individual systems, the overarching control arrangements established by the Council form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement. We will review the work completed by internal audit as part of this element of our work.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

- ▶ As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit planning, where they identify issues that could impact on the Council's year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property valuations	Management's expert (District Valuer, Savilles & Wilks Head and Eve); EY's valuation team
Pension fund liability	Management's expert (pension fund actuary); EY's pension team.
Fair value of short and long-term borrowing	Management's expert (Public Works Loan Board)
Non Domestic Rates Appeals Provision	Management's expert (Wilks, Head and Eve)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;

- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £3,045k based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £152k to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative scale fee for the audit of Harlow District Council is £77,514.

4.6 Your audit team

The engagement team is led by Debbie Hanson. Debbie has significant local government experience, and is the engagement lead for a number of EY's unitary and district council's audits across the east of England. Debbie has led the audit of Harlow District Council since 2012/13. Debbie is supported by Stephen Bladen who is responsible for the day-to-day direction of audit work and is the key point of contact for the Council's finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Standards

Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Standards Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit and Standards Committee timetable	Deliverables
High level planning	April 2015		Audit Fee Letter
Risk assessment and setting of scopes	February 2016	March 2016	Audit Plan
Testing routine processes	March 2016	June 2016	Update to Audit Plan (where necessary)
Year-end audit	July 2016		
Completion of audit	August 2016	September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2016	December 2016	Annual Audit Letter
Certification work	October - November 2016	March 2017	Annual certification report.

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

In 2014/15, we performed the procedures agreed with the Council in respect of its Pooling of Housing Capital Receipts return. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The ratio of non-audit fees to audit fees was approximately 29:1. On this basis, we considered that no additional safeguards were required to maintain the independence of our engagement team.

Should the Council engage us to undertake this work in 2015/16 the ratio of non-audit fees to audit fees will be broadly similar to that in 2014/15. On this basis, we would again consider that no additional safeguards would be required to maintain the independence of our engagement team.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, the audit engagement Director, and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned/Scale Fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	77,514	103,352	The planned fee is in line with the scale fee. This is based on the fee initially set by the Audit Commission' following the 2012 procurement exercise. This has been further reduced by 25% following the additional tendering of contracts in 2014.
Total Audit Fee – Code work	77,514	103,352	
Certification of claims and returns ¹	18,695	31,386	
Non-audit work	0	3,200	We undertook Agreed-upon Procedures in relation to the Council's Pooling of Housing Capital Receipts return.

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Standards Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	▶ Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Report to those charged with governance
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Report to those charged with governance
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Report to those charged with governance
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Report to those charged with governance
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of 	▶ Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement director’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising findings from grant certification work, and Annual Audit Letter if considered necessary</p>

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Certification of claims and returns annual report 2014-15

Harlow District Council

February 2016

Ernst & Young LLP



Audit and Standards Committee
Harlow District Council
Civic Centre
The Water Gardens
Harlow
Essex CM20 1WG

24 February 2016

Dear Members

Certification of claims and returns annual report 2014-15 Harlow District Council

We are pleased to report on our certification work. This report summarises the results of our work on Harlow District Council's 2014-15 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims in respect of the 2014-15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions (DWP) and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the Council's claim for housing benefit subsidy. This claim had a total value of £38,923,250. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in section 2.



We made no recommendations in the prior year and have none to make this year.

Fees for certification work are summarised in section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 9 March 2016 meeting of the Audit and Standards Committee.

Yours faithfully

Debbie Hanson
Executive Director
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,923,250
Amended/Not amended	Not amended
Qualification letter	Yes
Fee - 2014-15	£31,386 (this comprises the scale fee of £27,970 plus a proposed scale fee variation of £3,416. Further detail on the scale fee variation is included in section 2 of this report).
Fee - 2013-14	£26,976

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in the following areas:

- HRA rent rebates - Initial testing identified one instance of the claimant's income being incorrectly assessed, as a deduction relating to pension contribution was incorrectly calculated. 40+ testing was undertaken, and no further errors were identified. We reported the extrapolated effect of this error (a potential reduction in benefit eligible for subsidy of £691) in our qualification letter.
- Rent allowances - 40+ testing was undertaken as errors were identified in the previous year in relation to the classification of overpayments. No such errors were identified in 2014-15.
- Rent allowances - Initial testing identified one instance where the Council were unable to locate the supporting payslip for earned income. 40+ testing was undertaken, and no further errors were identified. We reported the extrapolated effect of this error in our qualification letter. Subsequent to our certification of the claim, the Council reported to DWP that the missing information had been located. The DWP asked us to confirm that this was the case, which we did on 2 February 2016.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	26,976	27,970	31,386

We are proposing a scale fee variation of £3,416 in addition to the indicative scale fee of £27,970. The proposed variation reflects that:

- Additional time was needed to agree the nature and scope of the 40+ testing arising from errors identified in the previous year; and
- Some elements of the 40+ testing were undertaken by us, as the Council did not have sufficient capacity to complete all of this work.

We are currently awaiting approval of this proposed variation by PSAA.

3. Other assurance work

During 2014-15, we also acted as reporting accountants in relation to pooling of housing capital receipts return. We have provided a separate report to the Council in relation to this return. Our fee for this work was £3,200.

As this work was undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included within the fees reported in section 2. They are referred to here for completeness to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance. We did not identify any significant issues as part of this work that need to be brought to the attention of Members

4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £18,695. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:

<http://www.psaa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance before seeking any such variation.

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REPORT TO: **AUDIT AND STANDARDS COMMITTEE**
DATE: **9 MARCH 2016**
TITLE: **RISK MANAGEMENT REPORT**
LEAD OFFICER: **SIMON FREEMAN, HEAD OF FINANCE**
(01279) 446228

RECOMMENDED THAT:

A the Committee agrees the Council's risk appetite.

INTRODUCTION

1. The Audit and Standards Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management and corporate governance in the Council.
2. The Council's Risk Management Strategy, previously agreed by the Committee, states that the responsibility of the Audit and Standards Committee is to *"understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite."*

NEW CORPORATE RISK REGISTER

3. At its November 2015 meeting the Audit and Standards Committee endorsed the revised corporate risk register and approved the new format.
4. As a reminder, the new risk register has been enhanced in the following ways:
 - Each risk is explicitly linked to a corporate objective and each of the five corporate objectives are represented as well as the guiding principle on sound resource management.
 - Each risk is articulated in a single sentence but is supported through detailed background narrative and the likelihood and impact columns.
 - The risk score has been split into:
 - Inherent risk score – before controls are put in place;
 - Residual risk score – effect on likelihood and impact following the introduction of controls; and
 - Foreseeable risk score – where we see the risk score will be in future, based on our knowledge of internal and external factors and implementation of the additional actions identified it in the latter column.
 - The use of the four 'Ts' in the Additional Actions column when considering how to address a risk.

- Tolerate – do nothing special and continue as planned. The ability to do anything may be limited or the cost of taking action may be disproportionate to the potential benefit gained.
 - Treat – introduce control procedures to increase the chance of success.
 - Transfer – share the exposure of risk with insurance or a contractor. The relationship with a contractor needs to be carefully managed as it may not be possible to fully transfer all risks and some aspects might remain such as reputational risk.
 - Terminate – withdraw from the activity if possible.
5. The corporate risk register continues to be reviewed on at least a quarterly basis by CMT/HoS, who also continue to monitor any cross cutting or strategic risks contained in service plans. Risks scoring 20 or higher are presented to Cabinet within the quarterly Joint Finance and Performance Report.
 6. The Corporate Risk Register is brought to each Audit and Standards Committee meeting for scrutiny and challenge.
 7. The revised Risk Register format is being built into the new service planning and risk management system, which is currently being trialled. This database will also hold the Corporate Risk Register and ensure linkages with operational risks, corporate objectives and performance management information and will allow for more detailed reporting to the Audit and Standards Committee.

SUMMARY OF KEY RISKS, FEBRUARY 2016

8. The Corporate Risk Register (Appendix A) was reviewed by CMT/HoS at the beginning of February 2016. There were no proposed amendments to the Risk Register made but it will continue to be reviewed on a regular basis.
9. Good practice is for the Audit and Standards Committee to focus on one or two key risks at each of their meetings, ensuring all risks are covered within an acceptable cycle of meetings. As agreed at the last meeting, the focus this time will be on Corporate Risk CR6 regarding a clean and green environment; the narrative of which from the Risk Register is presented in an easier to read format as Appendix B.
10. Existing procedures and processes are currently ensuring that Risk CR6 is well managed. This can be borne out through the last Joint Finance and Performance report which went to the Cabinet in December 2016 where financial control has been good for the first two quarters and there were no indicators from the current quarter results pointing towards areas of concern.

11. The Committee should satisfy themselves that the supporting narrative, associated risk scores, and risk mitigation strategies (controls and action plan) are appropriate or request further information.

RISK APPETITE

12. The Risk Management Group, chaired by the Head of Finance, received in October 2015 a proposal on how to better define the Council's risk appetite based on a training course attended by the Internal Audit Manager in July 2015. This was run by Amberwing, who has previously helped Harlow District Council develop its risk management framework.
13. Risk appetite can be defined as 'the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives' and its purpose:
 - Helps unlock value by better aligning decision making and risk and sets the tone for the Council's risk culture.
 - Is more than just a set of benchmarks; it is also a means of communication across interested stakeholders on the Council's willingness and capacity to take on risk.
14. The risk appetite statement for the Council is based on facilitated discussions with CMT/HoS and Third Tier Managers and a consensus was arrived at on the overall risk appetite for the Council.
15. The Council's proposed risk appetite statement is detailed in Appendix C for Audit and Standards Committee discussion and approval.

CONCLUSION

16. This is the second time that the Committee has seen the new Corporate Risk Register and introduces a mechanism for Committee challenge by looking at a key risk in detail at each meeting.
17. It has also set out the Council's risk appetite for Committee approval.

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

Any specific implications are set out in the report.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

Risk Management is an important part of the council's overall governance arrangements and this is why the Audit and Standards Committee needs to consider the adequacy of overall arrangements on a regular basis.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Corporate and service risk registers.

Risk Management Strategy and Toolkit.

Glossary of terms/abbreviations used

CMT – Corporate Management Team.

HoS – Heads of Service.

Appendix

Appendix A – Corporate Risk Register.

Appendix B – Corporate risk CR6.

Appendix C – Risk Appetite.

Revised Corporate Risk Register for Harlow District Council

Objective	Risk No.	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
							Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Sound Resource Management	CRO1	If a sustainable budget is not secured, the Council will lack financial resilience	The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk.	Options for increasing revenue to enable the Council to compensate for reduced Government Funding are becoming extremely limited. Raising Council tax to meet the shortfall beyond the levels already included within the MTFS is unlikely to be an option. Given the budget reductions already made further budget savings will be extremely challenging if services are to be protected. Impact of recent govt announcements on General Fund and HRA budgets.	The impact of Significant budget cuts to enable a balanced budget to be delivered could have a major impact on delivery of the Council's corporate objectives. Impact on Council meeting statutory responsibilities and community aspirations in respect of discretionary services.	Head of Finance	4	4	21	MTFS and detailed planning of future budgets undertaken early in the financial year. Budget Monitoring process. However, for the period of the MTFS there are substantial budget reductions required to meet the Governments funding cuts which may impact on this in the medium to long term forecasts.	4	4	21	4	3	17	The majority of issues relating to the Council's finances are dictated by Government. However, the Council's financial situation continues to be monitored at a high frequency. The Administration will continue to be provided with options concerning the work of the Council and will decide upon how these financial challenges can be faced. Scrutiny review of discretionary services (Playhouse and Pets Corner).	Annual review
Regeneration and a thriving economy	CRO2	If the Harlow Offer is poor, the town will fail to attract new or retain current businesses	A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination. The Harlow Offer is key to retaining and attracting new investment in to the town	The macro economic impact on the retail sector is very uncertain. Low land values hinder investment. If priority allocation and funding by the Highways Agency and Government for M11 Junction 7a is not achieved impacting on attractiveness of Harlow.	Delays or failure to deliver regeneration. Timely delivery of M11 Junction 7a will be put at risk. Damaged reputation and perception towards the town. Potential loss of jobs and employment. Reduction in amount of income to the Council.	Head of Community Wellbeing	4	4	21	Infrastructure plan (incl M11/J7A). Town centre improvements. Housing mix. Enterprise Zone delivery lead. Economic Development Strategy (currently being drafted)	3	4	18	3	3	13	Continued work with ECC to deliver road and transport infrastructure improvements. Develop forward plan for improving transport infrastructure in Harlow. Take forward EZ skills plan to support development of a skilled workforce, Templefields public realm improvement initiatives	Annual review
More and better housing	CRO3	If the town lacks a suitable housing mix, it will not attract or retain residents	The town requires a suitable housing mix to attract new and retain existing residents for an evolving and sustainable community. Supply must be balanced with demand and housing need, taking into account National Housing and Planning policies. As part of that mix, housing for local people that is genuinely affordable remains a high priority for the Council.	Lack of funding to build new homes. Lack of available land. Low land values. Lack of Local Plan (or non-approval due to failure to demonstrate Duty to Cooperate). Reluctance of housing developers to build out approved schemes will limit the supply of affordable housing as a proportion of private developments. Government policy in relation to social housing may limit the supply of affordable housing.	Lack of Local Plan could create lack of local control or direction, Lack of suitable housing may lead to people moving out of area. Inability to generate sufficient affordable housing. Impact on right population mix.	Head of Place	4	4	21	Duty to cooperate discussions. Housing studies including joint ones to support the Local Plan.	4	4	21	3	4	18	Implement Local Development Plan	Annual review
More and better housing	CRO4	If the Council does not provide adequate Council Housing it will not be able to fulfil housing needs.	Investment in the existing Council Housing stock is required to fulfil housing needs, maintain Decent Homes standards and improve housing conditions and Housing Options for tenants.	Lack of investment in Council Housing stock. Changes in government policy in relation to housing finance affects ability of the Council to maintain Decent Homes Standards.	Lack of suitable mix and quality of Council Housing stock. Increasing numbers on Housing Needs Register. impact on homelessness.	Head of Housing	3	3	13	Pathfinder Project, Priority Estates schemes (which includes provision for re-housing within Housing Association properties). Modern Homes (Housing Investment) programme, Asset Management Strategy, Tenancy Strategy, Allocations Policy, Homelessness Strategy, Tenant and Leaseholder Engagement Strategy	4	3	17	3	3	13	Consult on preferred options for housing growth in LDP, actions from Tenant Satisfaction Surveys and Landlord Survey, re-let repairs and maintenance contract (2017). Continuation of planning and modelling of HRA business plan.	Annual review
Wellbeing and social inclusion	CRO5	If the Council is unable to fulfil its community leadership role, then partnering and strategic opportunities may be lost, impacting on strategic plans and the future of discretionary services	Discretionary services are dependent upon the Council's community leadership role which relies to some extent on co-production and co-operation of other agencies and organisations	Health and wellbeing of the community could be affected due to inability to bring together partners and agencies to deliver adequate services. Discretionary services budget likely to be restricted or removed.	Residents unable to access adequate services. Frustration of community cohesion. Perception of Harlow Offer could deteriorate.	Head of Wellbeing	3	4	18	Harlow Wellbeing Strategy, Harlow Fairness and Diversity Partnership, Safer Harlow Partnership	3	4	18	3	3	13	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services.	Annual review

Revised Corporate Risk Register for Harlow District Council

Objective	Risk No.	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
							Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
A Clean and green environment	CRO6	If the resources and capacity of the Council and key partners are diminished, the Council may not be able to fulfil its community aspirations	Tension between expectations of residents, priorities and resources available for street cleaning, waste & recycling, unadopted highways maintenance & landscaping requires careful prioritisation and management of expectations	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed	Environmental services actions delayed, recycling rates stagnate or diminish, Resources diverted to reactive rather than proactive actions e.g. increase fly tipping. Reduced resident satisfaction.	Head of Place	3	4	18	Essex Waste Management Plan, Veolia contract, Street Scene contract, Landscapes contract, Town Park regeneration project, NEPP,	3	4	18	4	4	21	Implement Community Engagement Strategy, actions from resident satisfaction surveys and budget survey, increase transparency, Communications Strategy, re-let streetscene and landscapes contracts (2017), consider Veolia contract long term options. Continue review of scope and spec of services.	Annual review
Successful children and young people	CRO7	If we are unable to support children and young people's (and their families) aspirations, this will adversely impact the skills and educational attainment of school leavers	Engagement of young people (and their families) and opportunities for all in education employment and the community will provide opportunities to raise aspirations and the current low skill base	Lack of: leisure opportunities for children; youth services; health services; clubs e.g. scouts. Low levels of 'school readiness'.	Lack of educational attainment and aspirations leading to restriction in future employment opportunities for school leavers.	Head of Wellbeing	3	3	13	Strategic Partnership chaired by Chief Exec, Signposting for residents (often through ECC), Partner agencies (statutory, voluntary, schools), promotion of and support to UTC and ARU , Youth Council, Harlow School Readiness project initiation	2	3	9	2	3	9	Support creation and development of apprenticeships for young people in Local Plan and Procurement Policy, Engage with a range of partners to support families with complex needs, Extend Harlow School Readiness project across town, Dedicated post (add title) with 3 year funding.	Annual review

CR06 - Lack of Resources and Capacity, Council and key partners

Risk Owner: Bloomer, Graeme
Position: Head of Place

Last Reviewed	This risk impacts upon
31/07/2015	■ 4. A clean and green environment

If	Then	Background
If the resources and capacity of the Council and key partners are diminished	Then the Council may not be able to fulfil its community aspirations	Tension between expectations of residents, priorities and resources available for street cleaning, waste & recycling, unadopted highways maintenance & landscaping requires careful prioritisation and management of expectations

Inherent Likelihood	Likelihood Comment	Inherent Impact	Impact Comment
Moderate (3)	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed	Major (4)	Environmental services actions delayed, recycling rates stagnate or diminish, Resources diverted to reactive rather than proactive actions e.g. increase fly tipping. Reduced resident satisfaction.

Current Controls
Essex Waste Management Plan, Veolia contract, Street Scene contract, Landscapes contract, Town Park regeneration project, NEPP,

	Residual Risk		DoT	Foreseeable Risk	Additional actions to mitigate risk
Risk Impact	Moderate (3)	●	➡	Moderate (3)	Implement Community Engagement Strategy, actions from resident satisfaction surveys and budget survey, increase transparency, Communications Strategy. Transfer street scene and landscape services into LATC, providing comfort that risk will not increase beyond current level as existing specifications and standards to be reflected in new arrangements. Consider Veolia contract long term options. Continue review of scope and spec of services.
Risk Likelihood	Likely (4)	■	➡	Likely (4)	
Risk Rating	18	■	✖	18	

RISK APPETITE GENERAL STATEMENT (FOR APPROVAL)

The Council recognises that it must take risks. Indeed, only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders. It must, however, take risks in a controlled manner, this reducing its exposure to a level deemed acceptable, from time to time, by the Cabinet.

Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources, especially when it is to achieve substantial benefit. In addition, the Council may accept some high risks because of the cost of controlling them or our statutory obligations.

As a general rule the Council will seek to control all highly probable risks which have the potential to:

- cause significant harm to service users, staff visitors and other stakeholders.
- compromise severely the reputation of the Council.
- have financial consequences that could endanger the Council's viability.
- jeopardise significantly the Council's ability to carry out its core purpose and statutory duties.
- threaten the Council's compliance with law and regulation.

The Council's current overall risk appetite is defined as **MODERATE** (see Appendix one for definitions). This means the Council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, despite also having greater level of risks. However, the Council's preference is for safe delivery options which have a lower degree of risk, especially for those services required by statute,

Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The Council's risk appetite by corporate priority and guiding principles are set out in Appendix two.

Appendices

Appendix 1 – Risk appetite definitions

Appendix 2 - Risk appetite by corporate priority

Appendix One Risk Appetite definitions

Avoid	No appetite. Not prepared to take risk.
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Appendix Two Risk appetite by corporate priority

Corporate Priority	More and better housing	Open	We invest when there is a good likelihood of return and opportunities to grow, choosing innovative options in order to deliver a significant contribution.
	Regeneration and a thriving community	Open	Our focus is on driving forward regeneration by taking on innovative projects which are resource intensive with long lead in times.
	Wellbeing and social inclusion	Moderate	Often working with partners we will continue to deliver our wellbeing strategy, usually taking moderate to low risk options.
	A clean and green environment	Moderate	Maintaining good levels of standards we tend towards exposure to modest levels of risk in order to achieve acceptable outcomes.
	Successful children and young people	Cautious	We will take low risk options to enhance in our support of children and young people.
Guiding Principles	Sound resource management	Cautious	It is important the Council is getting its best from available resources whilst ensuring long term sustainability. We will seek best use of our resources, and generation of alternative funding in order to protect services.
	Being a community leader	Moderate	Promoting the needs of Harlow and being recognised as a community leader, we tend towards modest levels of risk to achieve outcomes.

- Add value and support to senior management in providing effective control, whilst identifying opportunities for improving value for money.
- Deliver an Internal Audit Service that is compliant with the requirements of the Public Sector Internal Audit Standards.

3. INTERNAL AUDIT MISSION AND CORE PRINCIPLES

In 2015 the Global Institute of Internal Auditors made some new additions to the International Professional Practices Framework (IPPF) which included for the first time a mission and ten core principles. These have been adopted by this Shared Internal Audit Service and are listed below.

Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Core principles:

1. *Demonstrates integrity.*
2. *Demonstrates competence and due professional care.*
3. *Is objective and free from undue influence (independent).*
4. *Aligns with the strategies, objectives, and risks of the organisation.*
5. *Is appropriately positioned and adequately resourced.*
6. *Demonstrates quality and continuous improvement.*
7. *Communicates effectively.*
8. *Provides risk-based assurance.*
9. *Is insightful, proactive, and future-focused.*
10. *Promotes organisational improvement.*

4. THE INTERNAL AUDIT APPROACH

While Internal Audit provides assurance through completing a programme of planned work, the service is also flexible and responsive to changing and emerging issues. Some audit work is delivered on a consultancy basis, contributing advice on risk and controls, for example ex-officio attendance at project meetings or undertaking a specific investigation of a newly identified issue.

The purpose, authority and responsibility of Internal Audit are formally defined in the Internal Audit Charter, which was approved at the November 2015 Audit and Standards Committee.

5. KEY DELIVERABLES

The key deliverables for the Internal Audit service during 2016/17 are:

- *Delivery of the Plan* - the Internal Audit Manager will ensure there is sufficient audit coverage in order to provide an annual internal audit opinion and report, which feeds into the Council's Annual Governance Statement.
- *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers including External Audit to prevent duplication of work.
- *Management commitment* - Ensure agreed management responses to audit recommendations made are implemented thereby improving the overall control framework.
- *Continually develop our approach* – To develop, improve and deliver a quality assurance and improvement programme for the Service, including working closely with the Audit and Standards Committee.

6. PROTOCOL FOR AUDIT REVIEWS

For each audit a Lead Auditee will be identified who will be involved in scoping to ensure the audit is appropriately focused on key risks areas, providing assurance and maximising added value. Terms of reference will be produced for each audit to ensure the scope, objectives and approach are agreed with the appropriate Head of Service.

Following fieldwork a draft Internal Audit report will be issued for discussion with the appropriate levels of management which is normally set out in the terms of reference.

Final reports will be issued after the agreement of draft reports and contain completed management actions plans that identify those responsible for implementation and timescales.

Agreed actions or recommendations will be followed up through the Internal Audit tracker process. All fundamental priority recommendations and any passing their original implementation date are reported to the Audit and Standards Committee.

7. QUALITY ASSURANCE AND PERFORMANCE MANAGEMENT

The Internal Audit Quality Assurance and Improvement Programme ensures the work of the Internal Audit function conforms with the Public Sector Internal Audit Standards (PSIAS), operates in an efficient and effective manner and is adding value and continually improving Internal Audit activity. This is achieved through internal and external assessment, monitoring, and reporting on performance.

In 2016/17 the internal function will undergo an External Quality Assessment (EQA), which, in line with the PSIAS, must be conducted every five years by a qualified, independent assessor or assessment team from outside the Council. The EQA will

cover all three Councils and will help inform the shared service as it moves forward. Each Audit Committee will be consulted on the process and outcomes.

To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, performance targets have been established based on best professional practice and cover the following aspects:

The following Service performance targets will be reported on in 2016/17:

Aspect of Service	Performance Indicator	Target
Audit Plan	<ul style="list-style-type: none"> Achievement of the annual Plan. 	<ul style="list-style-type: none"> 95% minimum
Internal Audit processes	<ul style="list-style-type: none"> Issue of draft report after closing meeting. Issue of final report after agreement with client to draft. 	<ul style="list-style-type: none"> 10 working days 5 working days
Effective management engagement	<ul style="list-style-type: none"> Management responses within 10 working days of draft report. Implementation of agreed audit recommendations. 	<ul style="list-style-type: none"> 10 working days Within agreed timescales
Compliance with professional standards	Public Sector Internal Audit Standards.	Compliant

8. DEVELOPING THE INTERNAL AUDIT PLAN

The methodology for developing the Internal Audit Plan is focused on the quantification of the risks associated with the Council’s objectives in consultation with key officers.

This process also takes into account:

- Knowledge and experience accumulated in Internal Audit, including the results of previous reviews.
- A review of audit themes against the Corporate risk register and Council priorities.
- The work of other assurance providers both internally and externally.
- The external environment including economic climate, government initiatives such as welfare reform and changes in funding.
- Harmonisation of themes with Borough of Broxbourne Council and Epping Forest District Council to enable benchmarking and sharing of good practice.

The Internal Audit Plan is indicative and changes may need to be made as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers and any significant changes brought to the Audit and Standards Committee for approval.

It is important for Internal Audit to plan ahead and allocate resources over the medium term but still maintain a flexibility of approach. This is achieved by documenting known risks over a three year period so that the three year plan includes an indication of proposed audit work for years two and three, based on current known risks if circumstances remain unchanged. However, as new risks emerge audit resources over the medium term will be focused accordingly.

The sections of the Internal Audit Plan include:

- Corporate Framework – key risk areas including those defined in the Council's strategic risk register.
- Strategic themes – including cross cutting issues some of which will be incorporated within operational audits or will be undertaken through consultative work.
- Service areas – operational audits determined on a risk assessment and/or business priorities.

9. PRIORITY AREAS FOR 2016/17

Having regard for the current risk profile of the Council the following have been identified as priority areas for Internal Audit work for 2016/17. These may not be audits in themselves, but cross cutting themes that will be fundamental to the scope of Internal Audit work undertaken.

- *Information Governance and Management*: This includes data quality and security. Internal Audit work will seek to provide assurances over the management information used for making key decisions.
- *Risk Management* – Internal Audit has a key role in promoting effective risk management and will continue to work with the Head of Finance to ensure a robust risk management framework across the Council. Within individual audits Internal Audit will seek compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.
- *Fraud* – Internal Audit will support the Council's anti-fraud work and strategy, with a focus this year on housing related fraud.
- *Value for Money (VfM)* – An increasing focus on VfM will be reflected in Internal Audit's work mainly as a cross cutting theme within operational audits. These will incorporate how the Council makes the best use of resources and assets, the balance of cost and performance and meeting the needs of our residents; and providing challenge on whether services could be provided in a different way.
- *Audit Planning, Strategy and Audit and Standards Committee Support* – Internal Audit will work with the Audit and Standards Committee in developing its role in

relation to best practice and to contribute to effective corporate governance of the Council.

At the operational level the key priorities of Internal Audit work in 2016/17 include:

- *Harlow Trading Services* – Internal Audit will be actively involved and seeking assurances on the adequacy of internal control, governance and the management of risks as the HTS set-up progresses.
- *InPhase* – Internal Audit has contributed to the InPhase project which is a new service planning, risk management and performance management system. Internal Audit will assist the Council as the system goes live to ensure services are using the system to full advantage.
- *Key Financial Systems* – the effectiveness of controls and management of risks with the core financial systems remains a core part of Internal Audit work. Audits have been scheduled on a three year cyclical basis so not all key financial systems will be undertaken each year.

10. RESOURCES

At the start of 2015/16, the Internal Audit function continued as a joint service between Broxbourne and Harlow Councils. This consisted of an Internal Audit Manager, three Senior Auditors (2.3 f.t.e) and one Auditor (1.0 f.t.e) working across both Councils, with the costs shared equally. The Team is employed by Broxbourne except for one Senior Auditor (0.5 f.t.e) who is employed by Harlow. In addition, external expertise was bought in to undertake IT audits at Harlow.

Since June 2015 the Internal Audit Manager has been overseeing the delivery of Internal Audit services for Epping Forest District Council (EFDC), as well as Broxbourne and Harlow Councils, with the cost of this post being shared equally. The internal audit function at EFDC consists of one Senior Auditor, two Auditors and an Auditor vacancy (all 1.0 f.t.e) and their working practices and methodology have been aligned to those of Broxbourne and Harlow.

Early in 2016/17 the part time Senior Auditor employed by Harlow will be leaving. On the basis of a shared Internal Audit Manager and three auditors (2.8 f.t.e) there are 650 audit days available for Harlow and Broxbourne in 2016/17, which equates to 325 audit days each.

The short term plan is not to fill the Harlow vacancy but to utilise the Epping Forest auditors instead depending on the size and coverage of Audit Plan required by the Audit and Standards Committee. The longer term plan is to formalise the shared audit service between the three Councils, and this process is starting with all auditors working across all three Councils in delivering each of the 2016/17 Audit Plans.

11. AUDIT PLAN

The Audit Plan as detailed in Appendix A can only be accommodated within existing resources if those audits identified in square brackets are not carried out or additional resources are brought in. The Audit and Standards Committee needs to decide on the level and breadth of assurances it requires.

The proposed audit plan requires between 348 and 422 days, depending if those audits in square brackets are dropped as detailed in the table below:

Thematic Area	Audit days if full plan accepted (% in brackets)	Audit days if [audits] dropped (% in brackets)
Corporate framework including governance, assurance framework, fraud, value for money and risk management	63 (15%)	63 (18%)
Information and performance management	20 (5%)	20 (6%)
Projects, Joint Working and Partnerships	20 (5%)	20 (6%)
Financial audits	48 (11%)	40 (11%)
IT Audits	20 (5%)	10 (3%)
Cross cutting/themed audits	25 (6%)	25 (7%)
Operational Audits	118 (28%)	62 (18%)
Follow Ups	20 (5%)	20 (6%)
Audit Committee Support	8 (2%)	8 (2%)
Audit strategy and engagement with the business	35 (8%)	35 (10%)
Contingency (including investigations)	25 (6%)	25 (7%)
Advice, training and raising staff awareness	20 (5%)	20 (6%)
TOTAL	422	348

IMPLICATIONS

Place (includes Sustainability)

None specific

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

Author: **Simon Freeman, Head of Finance**

Housing

None specific

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Public Sector Internal Audit Standards.

Internal Audit Charter.

Internal audit resource plan and risk assessment.

Glossary of terms/abbreviations used

f.t.e – full time equivalent

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Corporate Framework					
<p>Governance & Probity</p> <p><i>The corporate priorities are underpinned by sound leadership, management of resources, and governance</i></p>	<p>The Council's governance framework underpins everything it does</p>	<p>Harlow Trading Services (HTS) set up</p>	<p>UK Bribery Act including conflicts of interest and gifts and hospitality</p>	<p>Members expenses and allowances (last audit 13/14)</p>	<p>Internal Audit will provide oversight as the new Local Authority Trading Company (HTS) unfold, and Kier Harlow is wound down.</p> <p>In addition, IA will assess the impact on the Council's BAU (business as usual) activities to ensure internal controls, governance and risk management arrangements remain robust during period of change.</p> <p>Ex officio member of the Corporate Governance Group and the Kier Harlow/LATC Governance Project group.</p>
<p>Fraud</p>	<p>Proactive fraud work</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>	<p>Co-ordinating data matching (NFI), training and awareness, interaction with corporate fraud initiatives including tenancy fraud. Potential for fraud considered in all audits.</p>
<p>Assurance Framework incl. Risk Management and support to Audit Committee</p>		<p>✓</p>	<p>✓</p>	<p>✓</p>	<p>Co-ordination of year end assurance reporting and support to the Audit Committee. Ex officio member of Governance Group and Risk Management Group.</p> <p>Assistance to Head of Finance in developing and embedding risk management as the new InPhase system for performance management, risk management and</p>

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
					service planning is developed. Time also set aside to prepare for External Quality Assessment of IA.
Information Management and Governance	Data protection and security. Data sets, owners and protocols. Governance and data sharing. Training and awareness	Data Protection Data retention and disposal policy (deferred from 15/16)	Data transfers and third party data	Freedom of Information and Data Protection	Data Protection will assess the Council's readiness for the new EU General Data Protection Regulation expected 2017. Data retention and disposals is carried over from 15/16.
Performance Management	Data integrity & quality (collection, collation, analysis and validation). Use of performance targets.	InPhase performance management system	Place	Community Wellbeing	KPIs considered within operational audits plus advice and oversight as the new InPhase performance management system is rolled out. In 17/18 examine key PIs within Place including any reliance on third party data.
Value for Money	Guiding principle of the Council and in the corporate risk register	✓	✓	✓	VfM considered within operational audits including procurement. Specific VfM reviews could be undertaken e.g. use of consultants, printing, or cleaning. Previous VfM audits have included energy management and agency staff.
Joint Working, Shared Services, Outsourcing and Partnerships	On corporate risk register	Harlow Trading Services	✓	✓	To ensure arrangements are working in the best interests of the Council with appropriate governance and monitoring arrangements in place. For 16/17 this will focus on the setting up of Harlow Trading Services (HTS).

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Projects	Business case, project methodology, governance arrangements, contract management and viability	InPhase performance management system Agresso upgrade	✓	✓	Each year examine a sample of capital and smaller projects focusing on the key risks depending where there are in the process e.g. business case, procurement, delivery, return on investment, post project assessment. For 16/17 this will be the InPhase project (see above) and Agresso upgrade (see Finance). Ex officio member of the ICT Operational Board
Contingency	Annual provision for responsive work, special investigations and/or key/emerging risk areas	✓	✓	✓	Will also take into account themes/issues coming out of the Annual Governance Statement
Themed/cross cutting audits					
Procurement	Themed audits - compliance, VfM, fraud, goods and services. End to end processes (need, selection, appointment, contract management & exit strategies)	Contract Management Compliance with Contract Standing Orders	Procurement Strategy	✓	The focus of IA work this year will be the management of contracts (rather than an audit of central procurement processes) and compliance with Contract Standing Orders; both will be picked up in existing audits. Future years will consider application of the Council's procurement strategy to ensure a joined up Council-wide approach in achieving economies of scale.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Health & Safety		Safeguarding Staff H&S – lone working (deferred from 15/16)	Harlow Trading Services (HTS) H&S	Housing Property H&S	16/17 Council's safeguarding practices to protect vulnerable clients (children & adults). Staff H&S carried forward from 15/16, focusing on front line staff working alone e.g. Housing and Community Safety Officers. In 17/18 IA will ascertain adequacy of assurances provided to Harlow District Council that HTS are following safe practices.
Business Continuity Planning		✓	✓		Continue oversight in 16/17 with full assurance audit in 17/18.
Key Financial Controls (KFC)	Three-year rolling programme of full system and key control audits (unless significant change in process/system or poor audit outcome)	Council Tax (last audit 13/14) Housing Benefits (last audit 13/14) Business rates (last audit 13/14) Payroll (last audit 13/14)	Creditors (last audit 14/15) Cash & banking (last audit 14/15) Main accounting system/general ledger (last audit 14/15) Capital expenditure & fixed assets (last audit 14/15)	Treasury Management (last audit 15/16) Debtors (last audit 15/16) Housing Rents (last audit 15/16)	16/17 will include oversight of the Agresso upgrade and early audit on CT and HB to ensure internal controls remain robust after restructure, including access to Civica 17/18 fixed asset review will also link to the Council's asset management strategies (housing & corporate) 17/18 cash and banking will include review of PARIS receipting system

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
Income Streams <i>Management of resources features in the corporate plan</i>	To ensure financial resilience the Council needs to protect and maximise its income streams	Covered under Key Financial Controls audits above [Green waste]	Commercial rents (last audit 14/15)	See KFC audits above	In 16/17 assessment of the green waste service which has been in existence since April 2015. All income related audits will consider internet payments as the Council seeks to increase use of these by its residents and customers.
IT Audits	IT Governance IT Regulation Security/Privacy Business Systems DRP/BCP Network Emerging Technologies e.g. mobile devices IT Applications Projects	Disaster Recovery [System Access]	Specialist IT audit(s) Email and Internet Use Mobile working	Specialist IT audit(s) IT Asset Management	Specific review areas to be determined with specialist IT Auditor and management. In 16/17 this will include IT disaster recovery system and a non-technical audit on system access rights. Ex officio member of the ICT Operational Board.
Operational/service audits - Audits post 16/17 may change depending on the Council's risk profile					
Housing <i>More and better housing is a corporate priority.</i>	Housing Management Property Services Housing Needs and Options Sheltered Housing Area Housing Home Ownership	Tenancy fraud and enforcement Home ownership & Leaseholders service charges [Responsive repairs – recharges only]	Responsive repairs to ensure the HTS is adequately managing these on behalf of the Council. Garages (last audit 13/14) Voids (last audit 14/15) Allocations (last	H&S - statutory testing and compliance e.g. gas safety, legionella, fire risk assessments, lifts, asbestos etc.(last audit 15/16) Right to Buy (last audit 15/16) Planned maintenance and	In 16/17 IA will provide help and support to Housing in tackling tenancy fraud. In addition, IA will examine the process for setting and recovering service charges as well as responsive repairs recharges where these are the tenant's responsibility.

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
			audit 14/15)	major works (last audit 15/16)	
Community Wellbeing (excluding Regeneration) <i>Wellbeing and social inclusion and successful children and young people - are corporate priorities</i>	Community Safety Community, Leisure and Culture Customer & Media Services Youth & Citizenship	Anti-Social Behaviour [Media – implementation of the new Social Media policy] [Leah Manning Centre (if it becomes self-funding)]	Customer contact - following implementation of the new strategy Complaints – service engagement (last audit 14/15)	Community Safety (last audit 14/15) Discretionary Services (last audit 15/16)	Anti-Social Behaviour in 16/17 will take into account new legislation in this area and include ASB regarding our housing tenants. It will also consider ASB in relation to HMOs (Houses in Multiple Occupation). Youth covered under proposed 16/17 safeguarding review to ensure the Council has adequate assurances and training in place.
Regeneration <i>Regeneration and a thriving economy is a corporate priority</i>	Regeneration Enterprise Zone	Priority estates	Enterprise Zone (last audit 15/16)	✓	Each year IA will provide assurances on at least one aspect of regeneration and growth (including the Enterprise Zone) due to the monetary values involved and long lead in times. In 16/17 how the Council delivers neighbourhood regeneration and Priority Estate schemes
Place <i>A clean and green environment is a corporate priority</i>	Properties, facilities & projects Properties & estates Operations, energy & emergency planning	Licensing (last audit 13/14) [Technology Forge] [Planning fees and income (last	Asset management strategy (including acquisitions and disposals) Building Control	Parks and landscapes (following creation of the new delivery model) Energy management (last	Licensing will cover the main activities of the section with detailed focus on taxis, taking into account Scrutiny Panel's review of licensing in Feb 15. Internal Audit in 16/17 will aid the Council in assessing the suitability

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
	Planning & Building Control Environmental Health Licensing Street Scene	audit 12/13)]	(assessing how new arrangements are working in practice if Harlow joins the Essex Partnership) Development Management	audit 14/15) Disabled Facilities Grants (last audit 14/15) Waste and recycling as replacement for current Veolia contract should be in place	of its asset management system (Technology Forge). Planning fees will ensure government guidelines on fees are being followed and income properly accounted for.
Governance	Corporate & Governance Support Legal Services Electoral Services Human Resources Procurement & Relationship (covered elsewhere in the plan) Policy & Performance (covered under performance management)	Covered elsewhere in the plan [Electoral Services (deferred from 15/16)]	HR - Staff performance management (including appraisal arrangements)	HR – Absence management	Electoral Services carried over from 15/16. Legal Services covered under Information Management and Governance section as they are now responsible for Data Protection and Freedom of Information.
Finance	Revenues & Benefits (covered under KFC audits) ICT (covered elsewhere in the	Oversight during the Agresso finance system upgrade	Insurance (last audit 13/14)	Finance – Budgetary control/financial management (last audit 14/15)	The 18/19 audit on budgetary control/financial management will take into account the new budget module within Agresso that is proposed as part of the upgrade in

Risk Area	Business/Risk Factors/Context	2016/17	2017/18	2018/19	Outline/Scope of work for 16/17 (to be finalised when the work is scoped)
	plan) Accountancy (see also KFC audits) Insurance				16/17.
Follow Up Audits	Review of progress against recommendations on the tracker.	✓	✓	✓	Includes specific follow up audits especially where Limited assurance previously given. Includes maintaining the recommendation tracker.

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **9 MARCH 2016**

TITLE: **INTERNAL AUDIT ACTIVITY REPORT
DECEMBER 2015 – FEBRUARY 2016**

LEAD OFFICER: **SARAH MARSH, INTERNAL AUDIT
MANAGER (01279) 446884**

RECOMMEND that the Committee agrees the suggestion to drop or defer a number of audits.

PROGRESS AGAINST AUDIT PLAN

1. Good progress continues with the Audit Plan as detailed in Appendix A, which includes additional audits. In order to deliver this year's Plan within the resources available, the Audit & Standards Committee is requested to approve the deferral or cessation of the audits detailed below.
 - Customer Contact – defer to 17/18 to allow implementation of the new strategy.
 - Data Retention and Disposal Policy – defer until 16/17 as this audit was originally proposed to give assurances over Information Governance and Management. Instead this year we focussed on external data transfers, being a higher priority because of its risk profile.
 - Electoral Registration – defer to 16/17 due to preparations for May elections.
 - Health and Safety (Staff Safety) – defer to 16/17 due to staff changes within Health and Safety.
 - Leah Manning Centre – defer to 16/17 as new funding arrangements still to be confirmed.
 - Cash handling – remove as Internal Audit continues to receive monthly reports of cash office under and overs and cash handling is being considered as part of the new customer contact strategy.
 - Cemetery/Crematorium – originally proposed as a partnership themed audit, At the scoping meeting it was determined that this was a low risk area, as there is little involvement by Harlow Officers, and Internal Audit resources would be better directed elsewhere.
 - Business Continuity Planning (BCP) Follow Up – no need for a formal follow up as progress is being monitored through the recommendations tracker and through regular contact with the Officer responsible for BCP.
 - Regeneration (New Homes) – no longer required as the Council has completed its house building programme.
2. It is important that sufficient audit work is undertaken in order that the Internal Audit Manager can give their annual opinion. It is expected that despite the need to defer/drop a number of audits there will still be sufficient coverage through the remaining audits and Internal Audit's proactive work, to enable the opinion to be provided for 2015/16. This will be kept under constant review in conjunction with the Corporate Governance Group.

3. It is envisaged that the work for the remainder of this year's Audit Plan will be completed in time for year-end reporting to the June Audit and Standards Committee.

INTERNAL AUDIT REPORTS

4. The following reports have been issued since the Committee received its last update in November 2015:
 - Right To Buy (*Limited Assurance*) – From an administrative point of view, the Right To Buy process at Harlow Council is well-managed. However, with the recent transfer of the Council's Counter Fraud and Corruption Officers to the Department of Work and Pensions (DWP), the level of detailed investigatory work on Right to Buy applications has been significantly reduced. This increases the risk of fraud going undetected and it is essential that counter fraud measures in this area are strengthened. Advice is being provided from the Corporate Fraud Team at Epping Forest District Council on further practical measures that can be put in place.
 - Rent Deposit Guarantee Scheme Follow Up – The Rent Deposit Guarantee Scheme is used by the Council to intervene and prevent homelessness and/or long stays in temporary accommodation. Further action is required by the service to tighten up financial controls with regards to invoicing and reconciliations. However, the risk of financial loss is diminishing as the value of rent deposits paid has dwindled over the years from £25K in 2012/13 to £7K so far for 2015/16.
 - Internal Audit also carried out a piece of work in response to a whistleblowing allegation received by the Monitoring Officer, which has resulted in recommendations to strengthen control weakness in the affected department. Implementation of these recommendations will be monitored via the Tracker process.

RECOMMENDATION TRACKER

5. The Audit and Standards Committee receives details of all overdue recommendations, plus any fundamental recommendations from final reports, regardless of whether they are overdue or not.
6. The current tracker (see Appendix B) contains 22 recommendations passed their due date.

Recommendation Priority	Number (as at 15 March)
Fundamental - not yet due	2
Fundamental - passed due date	0
Significant - passed due date	17
Requires Attention - passed due date	5

7. The tracker contains two fundamental recommendations not yet due:
- Commercial Rents – Overreliance on spreadsheet records will be resolved through better use of Technology Forge, the Council's asset management system. This is currently work in progress.
 - Right to Buy – Housing are currently determining what proactive steps need to take place reducing housing fraud. This will result in a fraud action plan setting resource requirements and key milestones.

PERFORMANCE INDICATORS

8. The table below sets out the Internal Audit Team's performance indicators for 2015/16 as agreed at the March 2015 Audit and Standards Committee:

Aspect of Service	Performance Indicator	Target	Progress to end February 2016
Cost of service	Planned days delivered	100%	n/a – reported annually
	Financial budgets	Within financial budgets	Within financial budgets
	Staff productivity	85%	83%
Internal Audit processes	Achievement of the Annual Plan	95% minimum	n/a – reported annually
	Draft report issued after closing meeting	10 working days	Met
	Final report issued after client agreement to draft	5 working days	Met
Effective management engagement	Management responses within 10 working days of draft report	10 working days	Largely met (<i>responses to three reports were delayed for reasons beyond Internal Audit's control</i>)
	Agreed audit recommendations implemented	Within agreed timescales	Not met as reported via the tracker
Compliance with professional standards	Public Sector Internal Audit Standards	100% compliant	100% compliant

OTHER INTERNAL AUDIT ACTIVITIES

Service Assurance Statements

9. On an annual basis each service undertakes its own review of the effectiveness of its governance; risk management and internal control arrangements through the completion of a standard checklist. Findings and key themes/common issues feed into the Annual Governance Statement.
10. The process is facilitated by Internal Audit who issue and review the checklists used to gather this assurance and, where applicable, challenge what is being presented. Service Assurance Statements were sent out end of February 2016 for completion and submission by the end of March 2016.

Project Management

11. The Internal Audit Manager attended the November Third Tier Managers' meeting to raise awareness of the internal resources available to promote good project management. In the short term, the Internal Audit Team is acting as a source of advice and guidance in this area, with a view to handing this management function over to the Policy & Performance Team in due course.

Project Groups

12. Internal Audit sit on a number of project groups in order to provide advice and challenge on internal controls, risk management and governance arrangements. New project groups recently joined include:
 - The LATC/Kier Harlow Project Group for governance which contributes to the transition from joint venture to local authority trading company (Harlow Trading Services).
 - Prevent task and finish group – helping the Council draw up a Action Plan to help discharge its duties under the Counter Terrorism and Security Act 2015.

Counter-Fraud Initiatives

13. The Internal Audit Team continues to co-ordinate the Council's responses to data matches coming out of the National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The most recent annual request received from the Cabinet Office has been the submission of data from the Council Tax register and the electoral roll to combat single person discount fraud. Internal Audit has submitted the necessary data and is awaiting the outcomes from the NFI.
14. Internal Audit has continued to work with Housing Services to determine the way forward in respect of housing-related fraud. The Internal Audit Manager has agreed with Epping Forest District Council for members of their Corporate Fraud Team to carry out some investigatory work and provide training to Home Ownership Team members at no extra cost to Harlow Council.

INTERNAL AUDIT SHARED SERVICE: BOROUGH OF BROXBOURNE, HARLOW AND EPPING FOREST DISTRICT COUNCILS

15. The Internal Audit Manager has continued to oversee the delivery of Internal Audit services for Epping Forest District Council as well as Broxbourne and Harlow Councils with the cost of this post being shared equally.
16. Senior Managers from each of the three Councils met in December to consider the longer term options for the shared service. A separate paper will be prepared for submission to the Audit & Standards Committee once these have been finalised.
17. In the meantime, Harlow Council has continued to benefit from the Internal Audit Shared Service in the following ways:-
 - Treasury Management audits at Broxbourne and Harlow have been closely aligned to ensure that good practice from each Council is exchanged, as appropriate.
 - The Hertfordshire Shared Anti-Fraud Service (SAFS), of which Broxbourne Council is a member, is due to offer Member training on fraud, to which Harlow and Epping Forest Councillors will also be invited.
 - One Senior Auditor has attended a three day training course on IT Auditing, with a view to running a workshop for auditors across the three Councils. This may allow more IT Audits to be carried out in-house, resulting in savings for all three Councils.
 - As mentioned earlier, free advice and guidance regarding tenancy fraud has been provided by the Epping Forest Corporate Fraud Team as the Internal Audit Manager manages this team.

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

It is important that the organisation responds to and implements the recommendations flowing from the Internal Audit process in order to protect and improve the overall internal control environment of the Council.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

Internal Audit provides a key element of assurance within the Council's overall Governance framework and it is important that recommendations flowing from Internal Audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Internal Audit Plan and Internal Audit monitoring reports.

Glossary of terms/abbreviations used

CMT – Corporate Management Team

HoS – Heads of Service

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendations Tracker

**Appendix A - Audit Plan Monitoring 2015-16
As at end February 2016**

	Risk Area	Risk Category	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Fundamental Recommendations	Significant recommendations	Requires Attention
2014/15 Plan Completion											
Report issued											
Energy Management, Sustainability & Carbon Reduction (reported Sept 15 A&S Cttee)	Corporate	Medium	10	Final	■	■	■	Moderate	0	4	3
Kier Harlow (Annual Service Charges) (reported Nov 15 A&S Cttee)	Corporate	High	10	Final	■	■	■	Substantial	0	0	1
Information Governance & Management - External Data Transfers	ICT	High	10	In progress	■						
Totals					3	2	2		0	4	4
2015/16 Plan											
Reports issued (reported Sept 15 A&S Cttee)											
Joint working/Partnerships - Community Partnerships	Corporate	High	8	Final	■	■	■	Moderate	0	2	0
HR - Recruitment	Governance	Medium	8	Final	■	■	■	Substantial	0	1	1
Decent Homes Funding Backlog programme (NEW AUDIT)	Housing	Medium	5	Final	■	■	■	n/a - grant audit	0	0	1
Reports issued (reported Nov 15 A&S Cttee)											
Money Held By Third Parties (NEW AUDIT)	Corporate	Medium	5	Final	■	■	■	n/a - investigation	0	0	0
Environmental Health	Place	Medium	8	Final	■	■	■	Substantial	0	1	0
Parking - Staff Parking Permits	Place	Medium	8	Final	■	■	■	Limited	0	3	4
Reports issued (reported Mar 16 A&S Cttee)											
Housing - Right To Buy	Housing	Medium	8	Draft	■	■		Limited	1	0	2
Rent Deposit Scheme Follow Up	Housing	Medium	2	Draft	■	■		n/a - follow up	0	2	1
Special Investigation	Confidential	High	10	Draft	■	■		n/a - investigation	0	3	1
					9	9	6		1	12	10
Remainder 2015/16 Plan											
Key Financial Controls - Treasury Management	Finance	High	8	In progress	■						
ICT Audits - Storage Area Network (SAN)	ICT	High	5	In progress	■						
ICT Audits - Configuration Management	ICT	High	5	In progress	■						
ICT Audits - Mobile Devices	ICT	High	5	In progress	■						
Project audit - Enterprise Zone	Place	High	8	In progress	■						
Procurement audit - Housing - External Works (& Section 20)	Housing	High	12	In progress	■						
Housing Health & Safety - Asbestos Management	Housing	Medium	7	In progress	■						
Performance Management - Housing KPIs	Housing	Medium	8	In progress	■						
Key Financial Controls - Housing Rents	Finance	Medium	10	In progress	■						
Discretionary Services	Community Wellbeing	Medium	6	Scoping							
Key Financial Controls - Debtors	Finance	Medium	10	Scoping							
Housing Health & Safety - Gas Safety	Place	Medium	7	Scoping							
Totals											
Drop/Defer - subject to A&S Cttee approval											
Information Governance & Management - Data Retention and Disposal Policy	Corporate	High	10								
Cash Handling	Corporate	Medium	6								
Business Continuity Planning Follow Up	Corporate	Medium	2								
Health & Safety - Staff Safety	Governance	Medium	8								
Electoral Registration	Governance	Medium	8								
Project audit - Regeneration (New Homes)	Community Wellbeing	Medium	14								
Customer Contact	Community Wellbeing	Medium	10								
Leah Manning centre	Community Wellbeing	Medium	8								
Joint working/Partnerships - Cemetery & Crematorium	Place	Low	8								

Key

HR - Human Resources
 ICT - Information and Communications Technology
 KPI - Key Performance Indicator

Internal Audit Recommendation Tracker

Last Updated: 24 February 2016

Appendix B

Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
Building Control (October 2012)	1&2	Formalise arrangements for future out-of-hours emergency cover under an appropriately signed legal agreement.	Significant	The current out of office procedures are working well, however the possibility of formalising the agreement will be discussed with the Planning & Building Control Manager by 31 March 2014.	Planning & Building Control Manager/ Head of Place	31/01/13	31/12/14 31/12/15 31/03/16	<p>Aug14: The risk of not having a formal agreement in place with Uttlesford has been accepted. Should Uttlesford fail to deliver there are stand by contractors in place but would be very expensive.</p> <p>Nov14: A consultant reported back in September 2014 and now the recommendations on an Essex wide approach to Building Control provision is being developed which will supersede the agreement with Uttlesford.</p> <p>Jan15 and May15: No action will be taken until the outcome of the proposal to have a county wide partnership is known. If the partnership goes ahead then this recommendation will be superseded.</p> <p>Aug/Oct 15: On course for Dec 2015 completion subject to the outcome of the proposal to have a county wide partnership.</p> <p>Feb16: Cabinet decision to be made by the end of 15/16</p>	Overdue
Building Control (October 2012)	3	Document procedures for recording out of	Significant	Agreed action to be taken by 31 March 2014.	Planning & Building Control Manager/ Head	31/01/13	31/12/15 31/03/16	<p>Aug 14: Whether formal procedures are required will form part of the review</p>	Overdue

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		hours emergency work undertaken by Harlow and Uttlesford.			of Regeneration			agreed in 1&2 above. May15, Aug15, Oct 15 & Feb16: Rec may be superseded – see 1&2 above	
<p>Insurance (December 2013)</p> <p>70</p>	1.1-1.3	Implement a periodic reporting process to Heads of Service, CMT and Councillors on insurance claim history, trends and emerging risks as part of the annual review of the Insurance Strategy. For example, six monthly to HoS/CMT and annually to Councillors	Significant	A reporting mechanism will be developed to enable the final 2013/14 position with regard to insurance activity to be reported. Reporting to Councillors will be developed alongside the reporting and preparation of the tender process for the insurance renewal tender exercise in 2014.	Senior Insurance Officer/ Head of Finance	30/06/14	30/06/15 30/09/15 30/11/15 31/03/16	<p>Oct14: The intention is to develop a formal reporting regime in 15/16 once the new insurance contract has begun. In the interim period ad hoc reports have been given to the Head of Finance and senior managers. There will be a summary report of the section's work included in the Cabinet report recommending which insurance provider to go with.</p> <p>Nov14: The new reporting regime will include quarterly reporting to CMT/HoS with exceptions being reported as a risk item to Members.</p> <p>May15: The first report (as at the 31 March 2015) will be reported to CMT/HoS in June alongside the insurance strategy (which is currently being drafted).</p> <p>Aug15: The Insurance Strategy has been drafted and the first report should go to CMT in September.</p> <p>Oct15: Other work priorities</p>	Overdue

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Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
								have delayed the Insurance Strategy being submitted to CMT. It is now set to go to CMT in November 2015. Feb16: Report has been drafted and due for submission to CMT/HOS.	
Water Gardens Car Park (November 2014) 71	1	On an annual basis ensure the Council receives an independent accountant's report verifying net takings payable to the Council. This should be compared to management information supplied and challenged where there is a discrepancy. Ideally this report should be produced for all years since the agreement was signed (October 2004) but pragmatically the last three years (i.e. from 2011/12) should suffice if there are no significant	Significant	The new managing agents have confirmed that income will be externally audited as part of our procedures. This will be going back the three years as recommended.	Properties, Facilities & Projects Manager/ Head of Place	28/02/15	31/07/15 31/10/15 31/03/16	Feb15: Working with the new management company to ensure this is actioned. May15: Request has been made currently carrying out review of in year receipts with HDC finance officers. Aug15: Officers are working with JLL, the new managing agents, to carry out a review of in year receipts with HDC finance officers. This has taken longer than expected due the changes in personnel. Nov15: The finance review has now been completed with the new managing agents. Information reporting and net receipts protocols have been revised and are now dealt with on a monthly basis. We anticipate receiving 3 years audited accounts by March 2016. Feb16: <i>Update requested.</i>	Overdue

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Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		discrepancies.							
<p>Use of Agency Workers (March 15)</p>	1	<p>Human Resources should:</p> <ul style="list-style-type: none"> Review the current Use of Agency Workers, Interims and Consultants policy statement and ensure it is fit for purpose Remind staff of the need to comply with the policy statement, perhaps communicating this through the Third Tier Managers group Set up a regime to monitor compliance with the policy. This should include cross checking HR data with finance data. Routinely provide timely and accurate management information to CMT/HoS as per the policy 	Significant	<p>Agree but will take time due to staffing resources within HR and the need to develop and run a successful awareness campaign across the Council. Hence the December 2015 date to full implement this recommendation; with a briefing going to the Third Tier Managers Group in the autumn.</p> <p>Accountancy has agreed to support this by preparing financial reports for HR when specified.</p>	HR Manager/ Head of Governance	31/12/15	31/03/16	<p>May15/Aug15: Due to other work priorities and lack of resources, progression to implement this recommendation is yet to begin.</p> <p>Oct15: Staff sickness has prevented this work moving forward but will be picked up in the last quarter of the financial year.</p> <p>Feb16: A review of the current Use of Agency Workers, Interims and Consultants policy statement has commenced within HR. The Third Tier Managers Group in February has been reminded of the need to comply with the policy. Agency staff details as known are being reviewed by HR with relevant managers at this time – a more formal process will result from the review of the current policy. CMT/HoS will be updated thereafter.</p>	Overdue

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Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
73 Use of Agency Workers (March 15)	2	Human Resources should work with the Finance Section to ensure agency workers, interims and consultants are being coded correctly by having clear and communicated definitions. Consideration should be given to having separate account codes on Agresso for the engagement of agency workers, interims and consultants.	Significant	Accountancy has acknowledged their willingness to support HR regarding financial data however this will have to wait until after the year-end accounts have been produced. <ul style="list-style-type: none"> Accountancy will amend the descriptors of the two codes currently in use so they align with HR Policy definitions Two discrete codes already exist, as identified in this report. Additional codes can be established if the appropriate requirements are defined. 	Principal Finance Manager/ Head of Finance	31/10/15	31/03/16	May15/Aug15: Due to other work priorities and lack of resources, progression to implement this recommendation is yet to begin. Oct15: Staff sickness has prevented this work moving forward but will be picked up in the last quarter of the financial year. Feb16: Emphasis is currently on budget compilation and reporting priorities	Overdue
Use of Agency Workers (March 15)	6	Corporate Procurement should, with HR, review the relevant sections of Contract Standing Orders to determine whether further guidance needs to be issued to staff regarding the engagement of consultants,	Requires Attention	The recommendation will be incorporated into the annual review of CSO's (which is now due). The review will take place over the next 6 months and the outcome presented to the Governance Group for sign-off.	Relationship & Commissioning Manager/ Head of Governance	30/09/15	31/12/15 31/3/16	Apr15: Review of CSO to take place mid-May 2015. On tracked for completion 30 Sept 2015 Aug15: Review of CSOs taking place. Subject to the work required for the JVCo Options Appraisal on track for completion date. Oct 15; Annual review completed and subject to the meeting with HR Manager.	Overdue

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Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		interims and agency workers. The outcomes of this review should be taken into consideration when Contract Standing Orders is next reviewed.						Due to their current absence the meeting has been delayed. Feb16: The relevant sections of CSOs have been jointly reviewed; and the outcome was presented to Jan 16 Corporate Governance Group. These and other minor revisions to CSO will be reported to CMT/HoS prior to being presented to the Constitution Panel Chairman for approval.	
Use of Agency Workers (March 15)	8	HR should simplify processes under the use of Agency Workers, Interims and Consultants policy by: <ul style="list-style-type: none"> • linking the Agency/Interim Worker Record form to the Permission to Fill authorisation form; including the vacant post number on both forms • develop on-line forms for extension of engagement of 	Requires Attention	Agreed and help from IT will be sought to implement this.	HR Manager/ Head of Governance	31/12/15	31/03/17	May15/Aug15/Feb16: Due to other work priorities and lack of resources, progression to implement this recommendation is yet to begin. It will be looked at in the next financial year.	Overdue

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Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		an agency worker, interim or consultant.							
Procurement – Compliance with Financial Regulations and Contract Standing Orders (April 2015) 75	2	The Relationship and Commissioning Manager and Finance Systems Team Leader should work closely together to target those service areas: <ul style="list-style-type: none"> • where market testing should be taking place to ensure value for money is being achieved and Contract Standing Orders adhered to • purchasing common items to see if savings can be made through bulk purchases or requesting discounts. An analysis of spend across the Council using data from the Agresso finance system will aid this process. Any service/	Significant	A range of information will be provided to R&C Manager by May 2015 by the Finance Systems Team Leader.	Relationship and Commissioning Manager/ Head of Governance	31/05/15	30/06/15 31/10/15 31/03/16	May15: As original response. Aug15: The R&C Manager and Finance Systems Team Leader continue to work together and information has been received from Finance System Team Leader. Analysis of data to be submitted to CMT by Relationship and Commissioning Manager by Oct 2015. However, this is subject to the Options appraisals currently in progress which takes priority. Oct15: The spend analysis has been delayed as the actions from the Options Appraisal & Transition Plan have taken priority and work has commenced. Feb 16; Work has commenced on the spend analysis; and is on target to be completed by March 2016.	Overdue

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		department not actively engaging in the process should be brought to Internal Audit's attention for following up, who will in turn escalate any issues to the Corporate Governance Group.							
<p>Corporate Business Continuity Plan – Follow Up (May 2015)</p> <p>76</p>	2	A full review of the Corporate BCP should be completed at least annually by the Senior Management Team.	Significant	Once all the service level BCPs have been received, reviewed for completeness and strengthened as necessary (see 3 below) the Corporate BCP will have its first annual review.	Operations Manager/ Emergency Planning Officer/ Head of Place	31/12/13	30/05/16	<p>May15: Not all service level BCPs have been received. Next corporate review to be carried out once all service level BCPs have been tested (in the 6 months to April 2016) and annually thereafter.</p> <p>Aug15: A template for Service Managers to complete have been circulated, managers requiring assistance have been advised to seek it from the Operations Manager upon her return in Sept 2015.</p> <p>The Emergency Plan is in place but requires further updates. Following months of awaiting sign off, Kier Harlow is now on board to be approved. A yearly close down schedule of who and</p>	Overdue

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								when people will be on standby is produced, and this includes a section of housing business continuity plan. Oct15 & Feb16: In progress and on course for completion	
Corporate Business Continuity Plan – Follow Up (May 2015) 77	3	Completed service level BCPs should be reviewed by an independent officer to ensure they are appropriate, complete and have been prepared to a consistent standard.	Significant	Heads of Service to be given a revised deadline of 31 May 2013 (via the Senior Management Team meetings) to submit their service level BCPs. These can then be reviewed for completeness and services asked to strengthen their plans where appropriate.	Operations Manager/ Emergency Planning Officer/ Head of Place	31/08/13	31/08/15 31/03/16	May15: Template and guidance was reissued to managers on 16 April 2015. The Operations Manager to provide one-to-one guidance to ensure completion. Plans will be collated, reviewed for completeness and strengthened as appropriate before presentation at alternate CMT/HoS meetings throughout June, July and August 2015. Aug15: As recommendation 2. Oct15 & Feb16: In progress and on course for completion	Overdue
Corporate Business Continuity Plan – Follow Up (May 2015)	4	Completed service level BCPs should be reviewed by an independent officer to ensure there are no interdependencies that would prevent	Significant	Service level BCPs will be reviewed for interdependencies as part of the review for completeness already agreed in response to recommendation 3 above.	Operations Manager/ Emergency Planning Officer/ Head of Place	31/08/13	30/10/15 31/12/15 31/03/16	May15: CMT/HoS will be asked to review all service-level BCPs, to identify interdependencies, determine service priorities and provide feedback to Third Tier Managers. Process to begin at June	Overdue

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78		services being reinstated in accordance with their BCPs.						<p>CMT/HoS meetings but will continue over several sessions (see 3 above). Heads of Service/Third Tier Managers to ensure service level BCPs are then updated, collated and signed off end Q2. Aug15: As recommendation 2. Oct15: Heads of Service/Third Tier Managers working with Operations Manager to update service level plans at Team meetings to ensure all activities are reviewed in context of the Services as a whole and prioritised accordingly. The aim of this process is to reduce unnecessary discussion at that level during future CMT/HoS level meetings so as to allow those conversations to be more focussed and strategic, and a more efficient use of that group's time. Feb16: Plans for the 5 services exist in draft form for all 5 areas, with some Plans still awaiting migration to the new template (which takes into more detailed account dependencies</p>	

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								between each services and reliance on certain key functions such as ICT and office space). Heads of Service/Third Tier Managers continue working with Operations Manager to complete this task by the end of the 2015/16 financial year.	
<p>Corporate Business Continuity Plan Follow Up 179 (May 2015)</p>	5	<p>Each service needs to develop a timetable to test its BCP. This testing process needs to be managed centrally to ensure:</p> <ul style="list-style-type: none"> • Testing is carried out as planned • Outcomes of the testing is recorded • Action plans are developed to address any failures/weaknesses • BCPs are updated as necessary post testing 	Significant	A methodology for testing the BCPs will be determined by 31 March 2014 and a timetable developed to test each plan during April – June 2014.	Operations Manager/ Property and Facilities Manager/ Head of Place	31/03/14	04/11/15 30/04/16	<p>May15: Some testing has been carried out on certain aspects of the Council's systems as part of Emergency Planning (e.g. emergency power supplies at the Civic Centre, comprehensive ICT testing at Latton Bush and mutual aid support with other Essex districts).</p> <p>Testing methodology and schedule to be communicated to all departments by November 2015 with all service level BCPs to be tested in the six months to April 2016. Results to be fed back into service level BCPs and corporate plan as appropriate.</p> <p>Testing to be carried out at least annually thereafter.</p> <p>Aug15: As recommendation</p>	Overdue

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08								<p>2 Oct15: In progress and on course for completion Feb16: Whilst service level plans are being completed testing cannot take place (see rec 4), however joint working with Chelmsford CC around ICT recovery will see some testing in this area in early 2016. This area is key to all Business Continuity arrangements for the Council and much of the work carried out by Services in producing their plans will rely on this work. Additionally Kier Harlow has now completed its Business Continuity Plan.</p>	
<p>Corporate Business Continuity Plan – Follow Up (May 2015)</p>	6	<p>Heads of service should be reminded periodically (say every 6 months) that their BCPs need to be reviewed and the updated copy passed to the Operations Manager/ Emergency Planning Officer for retention in a secure place.</p>	Significant	<p>Email reminders will be sent every 6 months to remind heads of service that they need to review/update their BCPs as recommended.</p>	<p>Operations Manager/ Property and Facilities Manager/ Head of Place</p>	31/01/14	14/12/16	<p>May15: Emergency call down lists and grab cards were last updated and circulated prior to the Xmas close down period (December 2014). Key contacts are also confirmed to Essex CC on a quarterly basis. Once in place and annual review of BCPs will be prompted by email, beginning December 2016 (to coincide with the review of Emergency Planning</p>	Overdue

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		Alternatively they should advise that the review has been completed and no update found necessary.						arrangements). Aug15: As recommendation 2. Oct15 and Feb16: In progress and on course for completion	
Community Safety (June 2015)	1a	The Safer Harlow Partnership stakeholders to develop a formal strategy for combatting the misuse of drugs in the area.	Significant	Will put in place.	Community Safety Team Manager/ Head of Community Wellbeing	31/12/15	30/06/16	Feb16: We are currently waiting for the Partnership Analysis to gain access to the appropriate systems. We are unable at this time to produce a strategy until the strategic assessment has been completed by the Analysis. Malcolm Morley is aware of this issue and at the last Responsible Authority Group meeting in December 2015 agreed to speak to the Deputy Chief Constable regarding the delays the partnership are experiencing.	Overdue
Community Safety (June 2015)	1b	The Safer Harlow Partnership priority actions for 2015/16 are to be expanded to include combatting the misuse of drugs.	Requires Attention	Agreed and will implement	Community Safety Team Manager/Head of Community Wellbeing	31/12/15	30/06/16	Feb16: Misuse of drugs will be incorporated into the priorities for 2016/17 however analytical information will be required for action plans therefore comments in 1a apply.	Overdue
Community Safety (June 2015)	2a	The Safer Harlow Partnership needs to locate, review and update and	Significant	Will review and update documentation.	Community Safety Team Manager/Head of Community	30/09/15	31/01/16 30/06/16	Oct15: A full SHP or RAG meeting is needed prior to final agreement. Therefore a time schedule of completion	Overdue

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Audit Title (Date report issued)	Rec. Ref	Original Recommendation	Priority	Original Management Response	Responsible Officer/ Head of Service (HoS)	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		overall governance document that sets out statutory roles, stakeholders, frequency of meeting, voting arrangements and other Partnership governance and administrative arrangements.			Wellbeing			for January 2016 is anticipated. Feb16: Delayed until strategy agreed	
ICT Strategy Arrangements (July 2015)	3	The terms of reference for the ICT Operations Board should be clear about the intention to act as a programme board for the sake of effective project governance and any amendments such as timing of meetings be made accordingly.	Requires Attention	Terms of Reference have been set and will be reviewed as a result of this recommendation at the ICT Strategy Board in September.	Senior ICT Manager/Head of Finance	30/09/15	30/11/15 31/03/16	Oct15: Terms of Reference have been reviewed and set out that the ICT Operations Board will act as a programme board. This will be discussed at the ICT Strategy Board in November Feb16: This has yet to be ratified by the ICT Strategy Board.	Overdue
Rent Deposit Guarantee Scheme (July 2015)	4	Periodically (at least quarterly) ensure that data recorded on the spreadsheet reconciles with transactions recorded in Agresso	Requires Attention	Agreed	Housing Options & Advice Manager/ Head of Housing	30/09/15	30/11/15 31/03/16	Oct15: Revised procedure will be in place by end of November 2015. Feb16: Revised procedure updated. Year-end reconciliation to be completed by 31 March 2016.	Overdue

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		should be put in place to ensure these unique references are stored.		CIVICA.					
<p>Commercial Rents Arrangements (October 2015)</p> <p>84</p>	11	<p>Responsibilities for debt collection need to be adequately communicated between Revenue and Benefits and the Property and Estates department.</p> <p>Debtors should be pursued with enforcement action to ensure there is no loss to the Council.</p> <p>The Property Department should consider giving Revenue and Benefits, with the assistance of the Legal Department, full authority for chasing these debts and taking appropriate action to recover monies owing to the Council and avoid</p>	Significant	<p>On a number of occasions Managers have taken the necessary legal action to secure debts. In certain instances the Council have also pursued and completed lease forfeiture actions.</p> <p>Additional staff resources are required to more rigorously pursue debt recovery actions.</p> <p>The team will look to the supporting department to provide P&FM earlier warning of ongoing debtors.</p>	Property Manager/ Head of Place	30/10/15	31/7/16	<p>Oct15: The Revs & Bens department is willing to undertake recovery – and has recommended the use of enforcement agents for commercial debt recovery, (which is a legal remedy) but have not had a positive response from Property Services.</p> <p>Feb16: Contact has been made and discussions with Revs and Bens are on-going.</p>	Overdue

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		write offs.							
Commercial Rents Arrangements (October 2015)	14	Document all tenants rent files with a template showing the processes, controls, decisions and documentation for rent reviews.	Significant	In line with recommendation 3, Latton Bush Staff will be trained by the end of September 15. Following this training the team will work to transfer all tenant data onto the TF system.	Latton Bush Service Manager/ Property Services Manager/ Head of Place	29/02/16	30/09/16	Feb16: Training has been booked for 25/2/16 and the Council is looking to purchase an addition module for TF for bookings, which will require data being uploaded into it which will be resource intensive.	Overdue
Right To Buy (February 2016)	1	Counter fraud measures/ processes should be strengthened within the Home Ownership Team	Fundamental	<i>Waiting for formal response to draft report</i>	Home Ownership Manager/ Head of Housing				In progress

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REPORT TO: **AUDIT & STANDARDS COMMITTEE**

DATE: **9 MARCH 2016**

TITLE: **INTERNAL AUDIT COMPLIANCE WITH THE
PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

LEAD OFFICER: **SARAH MARSH, INTERNAL AUDIT MANAGER
(01279) 446884**

RECOMMENDED THAT:

A the Committee agrees the Action Plan contained within the report.

BACKGROUND

1. In 1 April 2013 new Public Sector Internal Audit Standards came into effect, jointly developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Standards replaced the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK as the mandatory guidance and provide a coherent and consistent internal framework for the whole of the public sector.
2. The last self-assessment was reported to the March 2015 Audit and Standards Committee. This confirmed that the Internal Audit Service was compliant with the requirements of Public Sector Internal Audit Standards (PSIAS) in all significant areas. An Improvement Action Plan was agreed to address the areas of non-compliance identified in the self-assessment.
3. Since the last self-assessment the Internal Audit Manager also took on the role of Chief Internal Auditor at Epping Forest District Council (as well as continuing as Head of Internal Audit at Borough of Broxbourne Council), moving towards a shared service between all three Councils.

APPROACH TO THE REVIEW

4. This review was undertaken by the Internal Audit Manager, in conjunction with the Internal Audit team, including the auditors based at Epping Forest District Council who follow the same working practices as Harlow and Broxbourne.
5. A single assessment was completed to cover the three Councils, which was verified by the Section 151 Officers at Broxbourne and Harlow and the Monitoring Officer at Epping Forest, as Internal Audit falls under their remit.

6. The self-assessment comprises the following areas:
- Definition of Internal Auditing.
 - Code of Ethics.
 - Attribute Standards
 - Purpose, authority and responsibility.
 - Independence & objectivity.
 - Proficiency & due professional care.
 - Quality assurance and improvement programme.
 - Performance Standards
 - Managing the internal audit activity.
 - Nature of work.
 - Engagement planning.
 - Performing the engagement.
 - Communicating results.
 - Monitoring progress.
 - Communicating the acceptance of risks.

RESULTS OF THE REVIEW

7. From the evidence gathered during this review, it is considered that the Internal Audit Shared Service is compliant with the new standards in all three Councils.
8. Last year's PSIAS review (which covered just Harlow and Broxbourne) identified three areas where there was partial rather than full compliance with the standards. Full compliance has now been achieved with one of these as there is adequate evidence in place to confirm the Internal Audit Manager's approval of work programmes for individual audits. A standardised checklist for all key parts of the audit process, including Internal Audit Manager's review of Terms of Reference, work programme and report, is now in place in all three Councils.
9. Work continues to progress the other two, being the use of Computer Assisted Audit Techniques and the use of internal and external assessments as part of the Quality Assurance and Improvement Programme. Both are included in the Action Plan below.

PSIAS Action Plan for 2016/17		
Area	Description	Actions
Due Professional Care Proficiency	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. In exercising due professional care internal auditors must consider the use of technology-based audit (Computer Assisted Audit Techniques) and other data	The Internal Auditors at Epping Forest District Council (EFDC) have access to and use IDEA. Working with EFDC the capability and practicality of IDEA will be evaluated to determine if its use should be extended to Harlow and Broxbourne.

PSIAS Action Plan for 2016/17		
Area	Description	Actions
	<p>analysis techniques.</p> <p>Neither Harlow nor Broxbourne have access to a commercial software interrogation package such as IDEA.</p>	
<p>Quality Assurance and Improvement Programme – Internal and External Assessments</p>	<p>PSIAS state internal assessments must include:</p> <ul style="list-style-type: none"> • On-going monitoring of the performance of the internal audit activity; and • Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. <p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p>	<p>On-going monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity and this is in place. There is a suite of performance indicators in place which is reported to the Audit and Standards Committee. Other internal feedback mechanisms will be considered in 16/17.</p> <p>An external assessment does not have to be completed until 2017/18. However, one will be commissioned towards the end of 16/17 to cover all three Councils so it can inform the shared service going forward. The cost of this will be shared equally.</p>

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

Resource requirements for the external assessment have been factored into the 2016/17 budget setting process.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

The PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (2013) against which internal audit activity should be measured and determined.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

Public Sector Internal Audit Standards and Local Government Application Note.

Glossary of terms/abbreviations used

PSIAS – Public Sector Internal Audit Standards.

CIPFA – The Chartered Institute of Public Finance and Accountancy.

CAAT – Computer Assisted Audit Techniques.