

REPORT TO: AUDIT AND STANDARDS COMMITTEE
DATE: 13 JUNE 2018
TITLE: INTERNAL AUDIT ACTIVITY REPORT
LEAD OFFICER: SARAH MARSH, INTERNAL AUDIT MANAGER
(01279) 446884

RECOMMENDED that:

- A** The Committee reviews the outcomes of the work of the Internal Audit service for the period April to June 2018 and identifies any issues for further consideration.

PROGRESS AGAINST AUDIT PLAN

1. The Harlow audit plan for 2017/18 has been completed and sufficient work has been undertaken in order for the Internal Audit Manager to give their annual report and assurance opinion which is reported elsewhere in the agenda.
2. Work has commenced on the 2018/19 Audit Plan as detailed in Appendix A and timings have been agreed with the Senior Management Board to ensure a steady flow of reports throughout the year.

INTERNAL AUDIT REPORTS

3. Three reports from the 2017/18 Audit Plan have been issued since the Committee received its last update in March 2018:

BCA Estates Regeneration Scheme (Priority Estates) - Substantial assurance

Regeneration of the BCA (Briars, Copshall Close and Aylets Field) estates is a joint project between the Council, Countryside Properties plc and Home Group to provide 343 new homes in the district.

Strong governance arrangements, which include clearly defined roles, responsibilities, and approval processes, are in place for the scheme and these are operating effectively. A Project Board comprising representatives from all three parties provides the strategic oversight and challenge over the project.

Project risks have been identified and are effectively managed; in particular those around ensuring the land receipt due to the Council on completion of the scheme remains above the minimum £1M.

HTS (Property & Environment) Payment Mechanisms - Moderate assurance

The Council has good contract management processes with client managers actively engaged with HTS to monitor performance and identify areas for improvement. Performance is reported on a suite of performance indicators as

per the contract terms, where processes and performance measures were a 'lift and shift' from that in place with Kier Harlow.

As the contract has now been in place for over one year a fundamental review of all performance measures should be undertaken to ensure they are fit for purpose going forward with reviews already in place for high profile areas such as grounds maintenance.

The current payment mechanism, as per the contract, is in advance and fixed at 1/12th of the annual contract sum and whilst there is no financial incentive for the contractor to improve performance as payments are not affected if the contractor does not perform well the contract does contain penalty clauses where performance is below the acceptable targets.

The overall conclusion of the audit is the need to future proof the contract with HTS (Property and Environment) Ltd by reviewing its payment mechanism and suite of performance indicators. As this is a large undertaking it needs to be treated as formal project so that timescales, deliverables and resource requirements can be planned for and measured against, ensuring a risk based approach on which service are targeted first.

Absence Management - Moderate assurance

Overall, absence management, including sickness absence, annual leave, flexi time and special leave, is being managed well locally. There are a range of policies in place to support the process but these have not been reviewed for several years.

The corporate performance indicator for sickness is reliant on accurate information with the HR system, Chris 21 however, the current policy is for managers to inform HR after staff return to work (rather than on the first day of sickness as is the norm in many other organisations) and system limitations mean that regular sickness reports cannot be routinely issued to managers. This could hamper the Council's ability to manage and monitor sickness corporately.

ONGOING AUDIT WORK

4. A number of assignments in the 2018/19 Audit Plan are intended to provide advice and guidance to the Council throughout the year on current issues. As these assignments will not normally result in a single, traditional audit report, Internal Audit will summarise its output here for Councillors' information:
 - General Data Protection Regulations (GDPR) – the project continues to progress well. Mandatory staff e-learning is currently taking place as well as training sessions for Councillors, and for key staff half a day's face-to-face training. Posters have been placed across council buildings regarding GDPR, weekly articles continue to be placed in the staff newsletter (WIS) and Friday

18 May 2018 was designated GDPR Spring Clean Day to allow staff time to delete all unnecessary data (both paper and electronic).

All key policies and procedures have been updated and available on the Infonet. Registers of Processing Activities (RoPA) have been created which log all datasets which contain personal information that the Council collects or processes. The RoPA also contains details of the 'legal basis' for holding the data, how it is processed, with whom it is shared and other details specified by the Information Commissioner's Office. Internal Audit is developing internal audit programmes, in conjunction with the Council's Data Protection Officer, to assess the Council's compliance with GDPR.

- Corporate Fraud Group – the group continues to meet quarterly, with the last meeting in May 2018 discussing various data matching initiatives taking place across the Council. As well as participating in the National Fraud Initiative (NFI) Harlow is data matching with other Essex councils as part of a pan-Essex commitment to identify fraud and error in its Council tax base. Nearly £400K of savings has been made across Essex since November 2017, with Harlow leading the way with over £60K of savings from the matches.

The Internal Audit Manager has met with the newly appointed Housing Fraud Officer (HFO) and discussed the possible wider remit of their role regarding the Council's corporate approach to anti-fraud and corruption.

RECOMMENDATION TRACKER

5. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not. This tracker does not feature those recommendations made in very recent reports as these are in the process of being finalised.
6. The current tracker (see Appendix B) contains 16 recommendations which have passed their due date (compared to 15 at the last meeting in March 2018). A comparison with previous periods is outlined in the table below:

Recommendation Priority	Number (as at June 2018)	Number (as at March 2018)	Number (as at November 2017)	Number (as at September 2017)
High - not yet due	1	0	0	0
High - passed due date	0	0	0	0
Medium - passed due date	12	14	10	8

Low - passed due date	4	1	0	2
TOTAL	17	15	10	10

7. The high level recommendation relates to the HTS payment mechanism audit reported earlier and the need to undertake a fundamental review of all performance indicators. Five of the medium priority recommendations relate to the Playhouse audit. Management assurance has been provided that the recommendations are in progress.

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 overall Governance framework within the Council 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: **Amanda Julian, Legal Services Manager**

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker