

**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