AUDIT & STANDARDS COMMITTEE
Wednesday, 28 November 2018 at 7.30 pm
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 2 - 8)

   To agree the minutes of the meeting held on 31 July 2018 and the special meeting held on 5 September 2018.

4. Matters Arising

5. Written Questions and Petitions

6. Non Contentious Business

7. Committee Work Plan (Pages 9 - 10)

8. Annual Audit Letter (Pages 11 - 33)

9. Internal Audit Activity Report (Pages 34 - 79)

10. Review of Audit & Standards Committee Effectiveness and Terms of Reference (Pages 80 - 99)

11. Risk Management Progress Report (Pages 100 - 119)

12. References from other Committees

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

13. Matters of Urgent Business

    To deal with any matters of an urgent nature.

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

31 July 2018   7.30 - 8.15 pm

PRESENT

Committee Members
Councillor Karen Clempner (Chair)
Councillor Stefan Mullard (Vice-Chair)
Councillor Simon Carter
Councillor Jean Clark
Councillor Tony Edwards
Councillor Michael Hardware
Councillor Chris Vince

Officers
Simon Freeman, Head of Finance
John Dyson, Principal Finance Manager
Linda Grinnell, Finance Manager
Sarah Marsh, Internal Audit Manager
Jo Maskell, Governance Support Officer

External Auditors
Julie Kriek, Ernst & Young
Suresh Patel, Ernst & Young
Samantha Wileman, Ernst & Young

APOLOGIES
Councillor Ian Beckett
Councillor Russell Perrin

13.   **DECLARATIONS OF INTEREST**

Councillors Simon Carter and Chris Vince declared each a non-pecuniary interest in agenda item 9 (Management Letter of Representations) as they were members of the HTS (Property & Environment) Board of Directors.

14.   **MINUTES**

RESOLVED that the minutes of the meeting held on 13 June 2018 are agreed as a correct record and signed by the Chair.

15. **MATTERS ARISING**

   None.

16. **WRITTEN QUESTIONS AND PETITIONS**

   None.

17. **NON CONTENTIOUS BUSINESS**

   RESOLVED that the Committee's Work Plan is taken as non-contentious business.

18. **COMMITTEE WORK PLAN**

   The Committee received its current work plan.

   RESOLVED that the work plan is noted.

19. **ANNUAL GOVERNANCE STATEMENT**

   The Committee received a covering report and the Annual Governance Statement, which would form part of the Council's Statement of Accounts for 2017/18.

   RESOLVED that Council's Annual Governance Statement for 2017/18 is approved.

20. **MANAGEMENT LETTER OF REPRESENTATIONS 2017/18**

   The Committee received a report and draft letter of representation, which was required to be issued upon approval of the Council's audited accounts.

   However, as the financial statements would be subject to further discussions, it was agreed that the letter to the external auditors could not be formally acknowledged at present (see Minute 21 below).

   RESOLVED that

   (a) the acknowledgement of the draft letter of Representation, at Appendix 1 of the report, is deferred pending further consideration of the Statement of Accounts;

   (b) in the meantime the letter at Appendix 1 of the report be amended to clarify that all references to the 'Group' refer to the 'HTS Group'.

21. **AUDIT RESULTS REPORT 2017/18 (ISA 260)**

The Committee received a covering report and the external auditor's draft findings on their audit of the Council's financial statements.

Unfortunately, the external auditor reported that elements of their audit work remained outstanding and they had been unable to meet the deadline of 31 July 2018 for finalisation of the audit of the accounts. Their audit results report would need to be re-issued once their audit was complete.

Whilst certain amendments arising from the audit had been agreed with the Council, or were soon to be completed, their conclusion on the accounting treatment relating to HTS Limited pensions and HRA depreciation was still in progress.

The Committee was disappointed that the auditors could not give their assurance by the required deadline and was concerned about the implications to the Council from the extended time the auditors needed to complete their work.

However, the Committee was heartened to note that the auditors had no matters to report about the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources; so had an assurance on its Value for Money (VFM) assessment.

> **RESOLVED** that
>
> (a)   The report is noted;
>
> (b)   The VFM assessment of the use of resources, as contained in the report from the Council's appointed auditor, is noted.

22. **AUDITED ANNUAL ACCOUNTS**

The Committee did not receive the audited annual accounts as the audit was incomplete (see minute 21 above).

It was noted that, in line with regulations, an explanation for the missed deadline for producing the final audited accounts was available on the Council's website.

The auditors indicated that their audit was nearing completion and as the Committee was eager to finalise the accounts as soon as was practically possible, it was agreed to hold a special meeting for this purpose.

> **RESOLVED** that a Special Meeting of this Committee be arranged for 5 September 2018 to receive the audited annual accounts, revised management letter of representation and the updated audit results report.

23. **REFERENCES FROM OTHER COMMITTEES**

None.

24. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

MINUTES OF THE AUDIT & STANDARDS COMMITTEE
HELD ON

5 September 2018   7.30 - 8.15 pm

PRESENT

Committee Members
Councillor Karen Clempner (Chair)
Councillor Simon Carter
Councillor Jean Clark
Councillor Tony Edwards
Councillor Michael Hardware
Councillor Eddie Johnson
Councillor Russell Perrin
Councillor Chris Vince

Officers
Simon Freeman, Head of Finance and Deputy to the Managing Director
John Dyson, Principal Finance Manager
Jo Maskell, Governance Support Officer

ALSO PRESENT
Suresh Patel, Associate Partner, Ernst & Young LLP

APOLOGIES
Councillor Stefan Mullard
Councillor Ian Beckett

25.   **DECLARATIONS OF INTEREST**

Both Councillors Simon Carter and Chris Vince declared a non-pecuniary interest in agenda item 4 (Audit Results Report) as they were members of the HTS (Property & Environment) Board of Directors.

26.   **MANAGEMENT LETTER OF REPRESENTATIONS 2017/18**

Following the deferment at its last meeting on 31 July 2018, the Committee received a revised report and draft letter of representation to formally acknowledge the audit of the 2017/18 financial statements.

It was noted that the two main areas of concern, which had led to the deferment at the last meeting, had now been addressed.

Having sought technical advice, one unadjusted misstatement relating to the Council's treatment and approach to the depreciation of Housing assets remained. For the sake of transparency, the result of this difference in methodology had been demonstrated in Appendix A of the management letter.

> **RESOLVED** that the Letter of Representations, at Appendix 1 of the report, is acknowledged and approved.

27. **AUDIT RESULTS REPORT 2017/18 (ISA 260)**

Further to Minute 21 (31/7/18), the Committee received a report and the external auditor's draft findings on their audit of the Council's financial statements.

The external auditor gave an update on the audit work completed since their report to the last meeting of this Committee. It was noted that the external auditors were content with the Council's response to their concerns regarding the two technical adjustments they had requested. A pragmatic way forward had been agreed, as the issues raised did not impair the material accuracy of the accounts nor alter the bottom line of the Council's reserves and balances.

As the external auditors had previously given their assurance on their value for money assessment, it was noted that this had been duly noted at the last meeting of this Committee.

> **RESOLVED** that the Audit Results Report be reviewed alongside consideration of the Statement of Accounts (see following item).

28. **AUDITED ANNUAL ACCOUNTS**

Further to minute 22 (31/7/18), the Committee received the 2017/18 Statement of Accounts, together with a tabled list of amendments (appended to these minutes) that had been made to the accounts since the report had been published.

These accounts were considered alongside the auditor's results report (see Minute 27).

> **RESOLVED** that the 2017/18 Statement of Accounts, at Appendix 1 of the report, be approved.

29. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

Amendments To The Statement of Accounts 2017/18

Page No.	Description of Amendment
26	Restatement of PPE & Assets Held for Sale has changed from £313,000 to £494,000.
27	The 2016/17 original Cash Flow figures have been added to the statement.
28	Table 1 to the Cash Flow has been updated with the original 2016/17 figures.
28	The 2016/17 figures in table 2 which shows the Investing and Financing Activities in the Cash Flow Statement have been amended.
50	Note 1 'Expenditure and Funding Analysis' – the restated 2016/17 figures have been amended.
51	The table 'Adjustment Between Funding and Accounting Basis' has been updated.
63	Note 10 'Property Plant and Equipment' – the Cost of Valuation at 31 March 2017 has been updated.
102	Inserted 'do not' into the sentence : The accounting statements, upon cessation of the organisation, do not include Kier Harlow pension figures. Also incorporated within the single entity accounts are the HTS (Property and Environment) Ltd IAS19 reported figures.
103	The pensions numbers have been updated in the following sentence: The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the "actuarial gains or losses line as ta 31 March 2018 was a loss of £40.071million (as at 31March 2017 it was a loss of £53.556 million) due to an actuarial loss restated 2016-17 £18.132 million and the gain during 2017/18 of £13.485 million.
104	The parentheses in table 1 have been amended. The figures in the following sentence have also been updated: The funded liabilities have increased by £32.3 million, while funded assets have increased by £50.2 million to reveal a net reduction of £17.9 million.
124	Note H12 'HRA Share of Contributions To / From The Pensions Reserve – the figures have been amended and the sentence now reads: Incorporated within the single entity accounts are the HTS (Property and Environment) Ltd pension figures. The actual payments for pensions made to the pension fund from the HRA of £1,450,000 (2016/17: £380,000) plus the continuing pension payments in relation to underfunding and early retirements awarded to HRA employees of £1,758,000 (2016/17: £1,761,000) are removed from the HRA and replaced by the current service cost applying the principles of IAS 19 making a total amount removed of £2,733,000 (2016/17: (£8,909,000)). The corresponding entry is to the Pensions Fund Reserve. The current service cost included in the HRA is the IAS 19 reported sum of £475,000 (2016/17: £537,000) which represents the pension costs of current staff.

AUDIT & STANDARDS COMMITTEE WORK PLAN
2018/19

28 November 2018	
o Annual Audit Letter	External Auditor
o Period 8 Internal Audit Activity Report 2018/19	Sarah Marsh
o Review of Internal Audit Charter	Sarah Marsh
o Review of Audit & Standards Committee Effectiveness and Terms of Reference	Sarah Marsh
o Review of Code of Corporate Governance	Sarah Marsh
o Anti-Fraud and Corruption Strategy	Sarah Marsh
o Risk Management Progress Report *(Min 32, 25/11/15)*	Simon Freeman
13 March 2019	
o Annual Report on the Certification of Grant Claims and Returns *(including fees)*	External Auditor
o External Auditor - Audit Plan 2018/19	External Auditor
o Internal Audit Strategy and Plan 2019/20	Sarah Marsh
o Period 11 Internal Audit Activity Report 2018/19	Sarah Marsh
o Internal Audit Compliance with the Public Sector Internal Audit Standards	Sarah Marsh
o Audit & Standards Committee Work Plan and Training Programme	Sarah Marsh
o Risk Management Progress Report *(Min 32, 25/11/15)*	Simon Freeman
Standing Items	
o Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
Unallocated Items	
o None	
Training Plan	
28 November 2018 (7pm)	Information governance at Harlow District Council including an update on the GDPR

AUDIT & STANDARDS COMMITTEE WORK PLAN 2018/19

13 March 2019 (7pm)	10	The role of Internal Audit, ahead of the Committee receiving the Internal Audit Strategy and Plan

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **28 NOVEMBER 2018**

TITLE: **ANNUAL AUDIT LETTER 2017/18**

LEAD OFFICER: **SIMON FREEMAN, HEAD OF FINANCE AND DEPUTY TO THE MANAGING DIRECTOR (01279) 446228**

RECOMMENDED that:

A The Committee acknowledges the Annual Audit Letter for 2017/18 (attached as Appendix A to the report) and the key issues identified regarding the audit opinion, financial statements and key challenges.

BACKGROUND

1. Under Regulation 27 of the Accounts and Audit (England) Regulations 2011 the Council is required to ensure that the Annual Audit Letter is considered by a Committee as soon as reasonably possible. This responsibility falls to the Audit and Standards Committee. There is also a requirement for the Annual Audit Letter to be published and made available to the public. Accordingly, the letter has been published on the Council's website.

2. Ernst & Young has produced its Annual Audit Letter which summarises its findings based on the audit work carried out at the Council during 2017/18. Detailed findings resulting from the audit work have been included in the Audit Results Report and presented to the Committee at the meetings on 31 July and 5 September 2018.

ISSUES/PROPOSALS

3. The key messages for the Committee are that the Appointed Auditor has:

   a) Issued an unqualified opinion on the Council's accounts for the 2017/18 financial year;

   b) Concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources by issuing an unqualified value for money conclusion;

   c) Certified completion of the audit on 14 September 2018; and

   d) Not identified any inconsistencies between the Annual Governance Statement and other information that they were aware of from their work.

4. Work on the certification of grant claims and returns with respect to the 2017/18 financial year is in progress and will be complete during in the near future.

5. The letter is attached to this report as Appendix A and will be presented by the Council's external auditors, Ernst & Young.

IMPLICATIONS

Place (Includes Sustainability)
None specific.
Author: Jane Greer, Head of Community Wellbeing on behalf of Graeme Bloomer, Head of Place

Finance (Includes ICT)
The Committee is required under legislation to receive the Annual Audit Letter and the Council must make proper arrangements for its publication.
Author: Simon Freeman, Head of Finance

Housing
None specific.
Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)
None specific.
Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)
The report confirms that the Council made proper arrangements to ensure that good systems of governance exist within the Council.
Author: Colleen O'Boyle, Interim Head of Governance

Appendices

Appendix A – Annual Audit Letter 2017/18

Background Papers

None.

Glossary of terms/abbreviations used

None.

Harlow District Council

Annual Audit Letter for the year
ended 31 March 2018

November 2018

EY
Building a better
working world

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. 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 (updated 23 February 2017)' 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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Harlow District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended. However, as a result of the time required to address two significant technical accounting matters and audit several restatements and adjustments, we did not issue the auditor's report until 14 September, after the 31 July target date.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources .

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack. We had no matters to report.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued Audit Results Reports to the 31 July Audit & Standards Committee and the specially convened 5 September meeting.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 14 September 2018, after the 31 July 2018 target date.

Fees

Throughout the year we have engaged early and effectively with the finance team on matters relating to the Council's accounts, in particular in respect of three technical accounting issues – the Minimum Revenue Provision, HRA depreciation and pensions. For all three issues we have engaged our own experts to ensure that the Council's accounting treatment was appropriate and the disclosures in the Council's accounts are materially correct. These issues required additional audit time and effort and as a result we have agreed additional fees with the Head of Finance which we have outlined in Section 7. Along with additional fees relating to the additional work we were required to undertake was to complete the audit of the group accounts, to audit the restatements and other adjustments that the Council made to its 2017/18 accounts.

In December 2018 we will also issue a report to the Audit and Standards Committee summarising the work we have undertaken to certify the Council's 2017/18 claim for housing benefit subsidy.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the Audit & Standards Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

► Expressing an opinion:

  ► On the 2017/18 financial statements, and

  ► On the consistency of other information published with the financial statements.

► Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

► Reporting by exception:

  ► If the annual governance statement is misleading or not consistent with our understanding of the Council;

  ► Any significant matters that are in the public interest;

  ► Any written recommendations to the Council, which should be copied to the Secretary of State; and

  ► If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return.

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

03 Financial Statement Audit

📋 Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 14 September 2018. This was after the target date of 31 July, due to the additional time required to address two technical accounting issues and audit several restatements and other adjustments to the accounts.

We reported our findings to 31 July Audit & Standards Committee and the specially convened 5 September meeting.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. 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.	We performed the following procedures: • Wrote to the Section 151 officer, Chair of the Audit & Standards Committee, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses. • Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed. • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements. • Obtained a breakdown of capital additions in the year and tested a sample of them to identify any items that could be revenue in nature. We amended our sample sizes when testing additions to reflect the existence of this risk and agreed samples to source documentation to ensure the capital/revenue split was reasonable. • Reviewed accounting estimates for evidence of management bias. • Evaluated the business rationale for any significant unusual transactions. We did not identify any material weaknesses in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Financial Statement Audit (cont'd)

Other areas of audit focus	Conclusion
Property, Plant and Equipment valuation	

Property, Plant and Equipment valuation

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In 2017/18 the Council changed the way it accounted for housing revenue account (HRA) depreciation. A technical and significant change.

We are satisfied that the Council's valuers have the necessary qualifications and experience. We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property.

Our testing has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates.

We considered the underlying assumptions made by the expert valuer and concluded that the overall valuation estimate was not unreasonable and did not result in a material misstatement of the value of property, plant and equipment.

We engaged our experts to review the Council's accounting for HRA depreciation and over the course of the audit we challenged some assumptions and judgements. We concluded that the final accounting treatment and disclosure in the accounts was reasonable.

Pension Liability

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.

We assessed and were satisfied with the competency and objectivity of the Council's actuary: Barnett Waddingham. EY Pensions team and PwC (Consulting Actuary to the NAO) reviewed the work of the actuary. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate.

We have received reports from the Essex Pension Fund Auditor and the EY actuarial team.

The report from the Essex Pension Fund Auditor identified material movements in the pension assets and related disclosures, as a result of significant movements in the asset values between the date of the estimates used by the actuary to produce the IAS19 report and the year end.

As a result, the Council obtained a revised IAS 19 report and updated the accounts to reflect the new figures. This resulted in an increase in the pension liability of £3.52 million and a corresponding increase in the pension reserve.

The accounting entries and disclosures are in line with our expectations and the Code.

📋 Financial Statement Audit (cont'd)

Other area of audit focus	Conclusion
Accounting for HTS Ltd pensions	We engaged our expert to review the Council's proposed accounting for HTS Ltd pensions. We challenged some assumptions and judgements made by the Council and over the course of the audit we concluded that the final accounting treatment and disclosures were reasonable.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2.91 million (2016/17: £3.058 million), which is 2% of gross expenditure on provision of services reported in the accounts of £149.595 million, adjusted for other operating expenditure, interest, and pension costs.
	We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit & Standards Committee that we would report to the Committee all audit differences in excess of £0.150 million (2016/17: £0.153 million)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

► Remuneration disclosures including any severance payments, exit packages and termination benefits: Our audit strategy was to check the bandings reported in notes 29 of the financial statements, test the completeness of the disclosure and make sure that the disclosure was compliant with the Code. We sample checked transactions back to the payroll system and supporting documentation. No issues were noted in our testing.

► Related party transactions. Our audit strategy was to obtain and review declarations from senior officers and members of the Council and make sure that any resulting disclosures were compliant with the Code. No issues were noted in our testing.

► Members' allowances. Our audit strategy was to test the completeness of the disclosure and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution. No issues were noted.
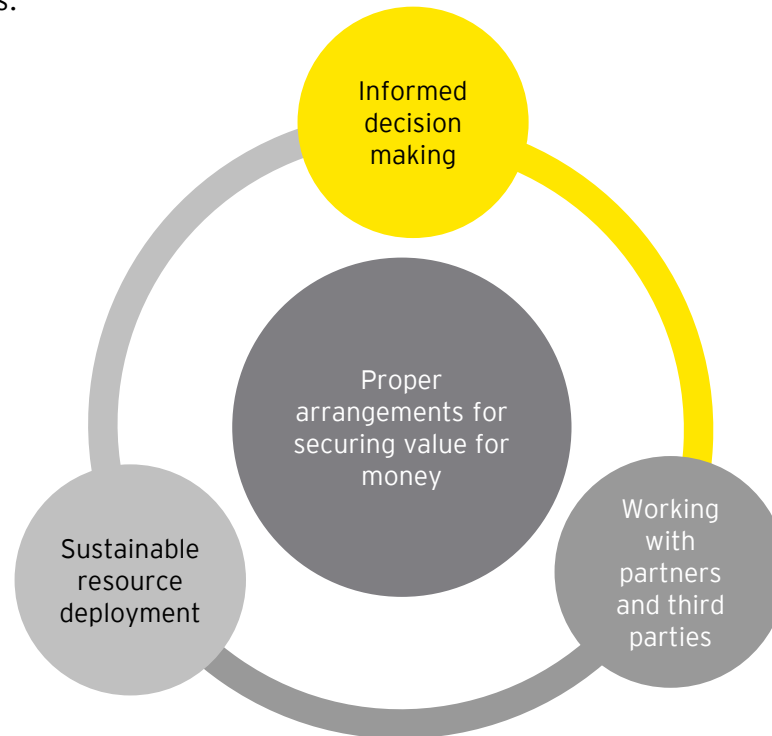
04 Value for Money

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. This is known as our value for money conclusion.

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.

Informed decision making

Proper arrangements for securing value for money

Sustainable resource deployment

Working with partners and third parties

We did not identify any significant risks in relation to these arrangements.

We performed the procedures outlined in our Audit Plan, where our review did not identify any weaknesses.

We therefore issued an unqualified value for money conclusion on 14 September 2018.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We did not identify any matters to report.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit & Standards Committee on 31 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

Our audit did not identify any controls issues to bring to the attention of the Audit & Standards Committee.

06 Focused on your future

🧠 Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.	Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. Currently, the MHCLG is consulting on introducing a statutory override to mitigate the potential volatility of IFRS 9 on pooled investment vehicles. This override will be time limited requiring local authorities to reverse out fair value movements on pooled investment funds to an unusable reserves for a period of up to five years.
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: ▸ Leases; ▸ Financial instruments; ▸ Insurance contracts; and ▸ For local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.	As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited. The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated. Given the nature of the Council's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements of the Council. However, the Council is yet to carry out a review of contract income from service recipients to assess the potential impact.

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Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented. The Council is yet to carry out a review of their leases to assess the potential impact.

07 Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm we have undertaken no non-audit work outside the PSAA Code requirements.

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£	£
Standard fee	77,514	77,514	77,514	77,514
Additional audit work: (Note 1)				
- Group accounts	3,983	2,000	-	2,082
- Issues with working papers and resolving audit queries	-	-	-	5,060
- Restatements to PY and volume of audit adjustments to review	2,407	-	-	-
- MRP Review	1,687	-	-	-
- Pensions issue	9,762	10,000	-	-
- HRA Depreciation issue	8,995	10,000	-	-
Total audit fee – code work	104,347	99,514	77,514	84,656
Housing Benefits certification (Note 2)	Tbc	18,695	18,695	22,695
Total fees	Tbc	118,209	96,209	107,351

Note 1:

The additional work was undertaken in relation to a number of material misstatements identified (£26,833). These variations were agreed with the S151 officer and have been approved by the PSAA. The additional work in relation to the 2016/17 final fee is still subject to PSAA approval.

Note 2:

The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.

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REPORT TO:	**AUDIT AND STANDARDS COMMITTEE**
DATE:	**28 NOVEMBER 2018**
TITLE:	**INTERNAL AUDIT ACTIVITY REPORT**
LEAD OFFICER:	**SARAH MARSH, INTERNAL AUDIT MANAGER (01279) 446884**

RECOMMENDED that the Committee**:**

A   Reviews the outcomes of the work of the Internal Audit service for the period July to November 2018 and identifies any issues for further consideration.

B   Notes the unchanged Code of Corporate Governance.

C   Approves the revised Anti-Fraud and Corruption Strategy (attached as Appendix C to the report).

D   Approves the Internal Audit Charter (attached as Appendix D to the report).

PROGRESS AGAINST THE AUDIT PLAN

1.   Work continues on the 2018/19 Audit Plan and timings have been agreed with the Senior Management Board to ensure a steady flow of reports throughout the year.

2.   Progress with the plan may be hampered because the Internal Audit service is currently carrying a vacancy (and the recent recruitment campaign was unsuccessful) and one of the team is on long term sick. In the short term specialist services have been brought in to undertake a set number of audits at no additional cost to the Council. The situation is being closely monitored by the Internal Audit Shared Service Board as this may affect Broxbourne Borough and Epping Forest District council plans too.

3.   The current audit plan has been reviewed and Appendix A sets out the current status and the order in which the audits will be completed based on their risk profile. Subject to approval, some of the later audits may need to be deferred to the next financial year.

INTERNAL AUDIT REPORTS

4.   Five reports have been issued since the Committee received its last update in June 2018:

> a) Software licencing - Substantial assurance

Software licencing is well managed and regular reconciliations are made to other systems to ensure that usage can be accounted for, with a proactive review undertaken to resolve any specific licencing issues. Enhancement of the current process should be considered by developing a software management policy designed to advise service departments of the correct procedure to be followed in managing, utilising, and procuring software and would ensure that corporate consistency was achieved.

In addition, reporting in respect of the usage of applications and software management could be enhanced to provide assurance on the level of usage in order to support further investigation prior to renewal of licenses.

b) IT Asset Management - Moderate assurance

A clear framework of responsibility is in place for the acquisition, receipt, deployment and disposal of IT Assets and is working well in practice. Some errors were noted in the inventory and ICT take it upon themselves to attempt to verify all IT assets within the Council. This is a resource heavy, time consuming task and it would be preferable to spread the load by making departments responsible for verifying and reconciliation of their own assets, locations and asset holders, changes etc. and ICT undertaking spot checks to confirm accuracy.

The Council has a four year replacement programme, which is widely known and accepted, but has not been formalised. This should be documented in the IT Strategy which is in the process of being redrafted.

c) Safeguarding – Limited assurance

Every alternate year the Council's Designated Safeguarding Officer completes an Essex Safeguarding Board Children and Adults safeguarding self-assessment. The adult self-assessment was submitted in April 2017 and the child self-assessment in May 2018. This audit focused on the robustness of evidence and action plans to support the submitted self- assessments.

The Council has an up to date Safeguarding Policy and key staff are aware of their responsibilities in this area. The main concern of the audit is the lack mandatory training for all staff on safeguarding. This has been on hold for over one year whilst a new e-learning platform has been introduced. This training will be re-introduced shortly and evidence will need to be retained centrally to demonstrate compliance as this was lacking for the previous e-learning module. Refresher training has not been provided in the past and is not a legal requirement, however, most organisations expect employees to undertake this every two to three years.

Risk registers relating to safeguarding have recently been updated and as a result of this audit the Council's whistleblowing policy is being refreshed to ensure there is an avenue to report any safeguarding concerns outside of the referral process.

d) Purchase cards – Limited assurance

Lack of system controls and non-enforcement of policy and procedures regarding the use of purchase cards had allowed Officers to become complacent in ensuring value for money is being achieved when using their cards.

There was a lack of accountability for the 51 cardholders especially as they had not been providing receipts as required per the procedures. The system of reviewers was not providing the challenge required to ensure spending did not go unchecked. Not all cardholders had an assigned reviewer; some reviewers were not at an appropriate level and where in place some reviewers did not feel empowered to challenge purchasing decisions.

The Systems Team Leader had already identified this as an area of concern and since January 2018 started to challenge areas of poor behaviour and practices, but with little success.

Weaknesses with operational processes was compounded by the lack of spend analysis and challenge at a corporate level. Significant savings by the council could be made through the use of preferred supplier and framework agreements. Use of such suppliers and frameworks needs to be enforced, because, as an example many staff are bypassing the Council's preferred stationery provider.

The audit found no evidence there had been any fraudulent use of the cards and recommendations have been followed up since this audit was completed.

e) Playhouse Follow Up (cash handling)

In October 2017 Internal Audit issued a moderate assurance report on the Playhouse. The audit looked at the controls surrounding cash and banking, business continuity, financial and contract management, budgetary control, safeguarding of assets, health and safety and compliance with HR policies.

Internal Audit returned to the Playhouse in the summer to witness cash handling practices due to concerns raised by Playhouse management. Previous cash handling recommendations had not been implemented and the risk of cash theft had not diminished. As a consequence of Internal Audit's intervention in the summer, controls have tightened up and the number and value of errors when reconciling takings (bar, box office and cafe) has significantly reduced. Playhouse staff are currently

receiving training and management spot checks instigated to ensure standards do not slip.

ONGOING AUDIT WORK

5. 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:

a) Information Governance

Internal Audit sits on the newly formed Officer Information Governance Group (IGG), which is chaired by the Head of Governance. Building on the work of the now disbanded General Data Protection Regulations project group. IGG will develop, implement and oversee an information governance framework to ensure the Council remains compliant with legislation as well as drive efficiencies by having a more co-ordinated approach.

b) Code of Corporate Governance

The Corporate Governance Group has undertaken an annual review of the Council's Code of Corporate Governance and no changes are proposed except to the date.

The Council's Code is a statement of the systems by which it directs and controls the exercise of its functions and relates to the local community. It is intended to stimulate confidence in the activities of the Council and how it goes about its business; focus the minds of those involved in decision making and making those decisions in a proper and transparent way. The Code also seeks to ensure that the Council actively engages with local stakeholders and assists with the constant improvement of service delivery and minimisation of associated risks.

c) Anti-Fraud and Corruption Strategy

The Council's Corporate Fraud Group continues to meet quarterly, overseeing implementation of the Council's Anti-Fraud and Corruption Strategy and associated action plan.

The Group has undertaken the annual review of the strategy (attached as Appendix C) whereby the only change is a reference is made to the Anti-Money Laundering policy and procedures rather than being detailed in the strategy, as they are readily available on the Infonet for staff.

d) Ongoing Anti-Fraud Activities

Since the appointment of the Housing Fraud Officer in May 2018, 11 Council properties have been recovered. Two applicants have been removed from the Council's Housing Needs register due to falsifying personal information and two Right to Buy (RTB) applications have been withdrawn.

The Housing Fraud Officer has completed their professional qualification and is now an Accredited Counter Fraud Specialist.

Housing and Leaseholder Officers continue to carry out money laundering checks on all RTB applications at the conveyancing stage. All RTB applications are validated and checked to ensure that the information that the applicant has supplied is correct. This includes tenancy history, names, type of property, receipt of benefit, monies owing to the council, bankruptcy searches, land registry and Experian where required.

All Officers within the Housing Service are trained in identifying potential fraud and refer cases to the Housing Fraud Officer to action in accordance with policies and procedures.

The Revenue and Benefits service continue to undertake proactive anti-fraud work in order to protect the Council's tax base. For example, the service undertakes a rolling Single Person Discount (SPD) review and has investigated the National Fraud Initiative (NFI) SPD data match discrepancies, which in total has increased the tax base by £344,000 since August 2015. SMS text, email and an on-line form are being used to reduce the cost of reviews.

Local councils have powers to impose fixed financial penalties (£70) in relation to council tax discounts where a person makes a fraudulent declaration or where a person, without reasonable excuse, fails to notify a change in circumstances. The work undertaken by the Revenues and Benefits team in reviewing SPD's and the NFI data matches has resulted in 155 penalties (£10,850) being imposed to date.

Data matching with other councils in Essex as part of a pan-Essex commitment to identifying fraud and error in its Council Tax base is making good progress with £140,000 of incorrectly claimed council tax reductions being identified to date.

All officers in the Revenues and Benefits service and the Housing Fraud Officer have attended fraud awareness sessions delivered by the Department of Works and Pensions' Single Fraud Investigation Service.

e) National Fraud Initiative

The mandatory biennial NFI exercise for 2018/19 has commenced. Data has been extracted and uploaded to the NFI site. Individual departments are responsible for extracting their own data and uploading it with assistance from Internal Audit. The annual Electoral Roll to Council Tax data matching exercise will be uploaded December 2018. Matches expected to be released in January 2019.

f) Internal Audit Plan 2019/20

The annual audit planning process will commence shortly. The Audit Needs Assessment is being reviewed and Heads of Service and managers across the Council will be contacted to ensure that all service areas are captured and audits planned in accordance with risk.

RECOMMENDATION TRACKER

6. The 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.

7. The current tracker (attached as Appendix B) contains eight recommendations which have passed their due date (compared to 16 at the last meeting in June 2018). A comparison with previous periods is outlined in the table below:

Table 1 – Recommendation Priorities

Recommendation Priority	Number (as at Nov 2018)	Number (as at June 2018)	Number (as at March 2018)	Number (as at November 2017)
High - not yet due	0	1	0	0
High - passed due date	1	0	0	0
Medium - passed due date	5	12	14	10
Low - passed due date	2	4	1	0
TOTAL	**8**	**17**	**15**	**10**

8. The high level recommendation relates to the HTS payment mechanism audit and the need to undertake a fundamental review of all performance indicators.

INTERNAL AUDIT CHARTER REVIEW

9. The Internal Audit Charter sets out the common practices of Internal Audit and requires annual review in accordance with the Public Sector Internal Audit Standards. This was last undertaken in November 2017.

10. The Chartered Institute of Public Finance and Accountancy Audit Committees practical guidance for Local Authorities and Police 2018 edition states that an audit committee should have a role in reviewing and approving the internal audit charter. In addition, a committee should have a role in overseeing the independence, objectivity, performance and professionalism of the internal audit function.

11. A review of the current Internal Audit Charter (attached as Appendix D) confirms it is still fit for purpose and no changes, except to the date, are proposed.

PROGRESS AGAINST THE ANNUAL GOVERNANCE STATEMENT

12. In June 2018, the Committee approved the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts.

13. The Corporate Governance Group (made up of the Head of Finance, Head of Governance, Legal Services Manager, Insurance and Risk Manager, Policy and Performance Team Leader and the Internal Audit Manager) continues to monitor the actions set out in the AGS on a regular basis. The table below sets out the current position against the action plan:

Table 2 – Key Improvement Areas

Key improvement area	Action to be taken in 2018/19	Progress at November 2018
1. General Data Protection Regulations (GDPR)	On 25 May 2018, the EU General Data Protection Regulation came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too.	An Officer Information Governance Group has been set up to drive this forward. Membership includes the Council's Data Protection Officer, who is working in conjunction with Internal Audit to ensure data protection compliance.
2. Business Continuity Plan (BCP) testing	Testing regimes to be introduced to verify the effectiveness of business continuity plans, provide training to participants on what to do in a real scenario and identify areas where the plan needs to be strengthened.	Progress against this is being monitored by the Corporate Governance Group. The updated corporate business continuity plan/emergency plan has been reviewed by Senior Management Board, who approved the need for a testing regime to be implemented.

IMPLICATIONS

Place (Includes Sustainability)
None specific.
Author: Jane Greer, Head of Community Wellbeing on behalf of 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 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: Colleen O'Boyle, Interim Head of Governance

Appendices

Appendix A – Audit Plan Monitoring
Appendix B – Audit Recommendation Tracker
Appendix C – Anti-Fraud and Corruption Strategy (revised)
Appendix D – Internal Audit Charter

Background Papers

Code of Corporate Governance
https://www.harlow.gov.uk/sites/harlow-cms/files/files/documents/files/Harlow%20Code%20of%20Corporate%20Governance%202017.pdf

Glossary of terms/abbreviations used

AGS – Annual Governance Statement
IGG – Information Governance Group
NFI – National Fraud Initiative
RTB – Right to Buy
SPD – Single Person Discount

Appendix A - Audit Plan Monitoring 2018-19
November 2018

	Risk Area	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
Purchase cards (new audit)	Finance	15	Final report	■	■	■	Limited	2	5	0
IT - software licences	Finance	10	Final report	■	■	■	Substantial	0	1	1
IT Asset Management	Finance	10	Final report	■	■	■	Moderate	0	1	4
Safeguarding	Community Wellbeing	10	Draft report	■	■		Limited			
Playhouse follow up (cash handling)	Community Wellbeing	5	Draft report	■	■		n/a			
Asbestos Management	Housing	15	In progress	■						
Leaseholders	Housing	10	In progress	■						
HTS - strategic governance	Housing	10	In progress	■						
Key Financial Control - Housing rents	Housing	15	In progress	■						
Economic Development	Community Wellbeing	15	Scoping							
Housing Repairs	Housing	15	Scoping							
Contractual arrangements (Housing)	Housing	20								
Income - commercial rents	Place	15								
Customer services review	Community wellbeing	10								
Complaints	Community wellbeing	12								
Planning and building control	Place	10								
Capital projects programme	Finance	15								
Human Resources - starters, leavers and movers	Governance	10								
Not a specific audit										
Fraud action plan/NFI	Corporate	10	On-going							
General Data Protection Regulations compliance	Governance	25	On-going							
Project oversight - waste contract	Place	5	On-going							
HTS joint working/KPIs	Housing	5	Subsumed within planned HTS audits							
Data Analytics	Corporate	20	Days used for the purchase card audit							
Business Continuity Planning	Corporate	5	On-going							
Totals				**9**	**5**	**3**		**2**	**7**	**5**

Key

HTS - Harlow Trading Services
NFI - National Fraud Initiative

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
Human Resources - Recruitment (September 2015)	2	Recruitment training should be provided to recruiting managers and evidenced.	Low	Agreed. Online training programme to be created on Wisenet and sent out to new managers with recruiting responsibilities. Certificate will be issued at the end of the course and a copy will be placed in individual files.	HR Manager /Head of Governance	31/03/16	~~31/12/16~~ ~~30/06/17~~ ~~30/09/17~~ ~~31/03/18~~ ~~30/04/18~~ ~~30/09/18~~ 30/11/18	**Jun/Nov16:** Due to staff shortages meeting has been postponed until Sept 16 to discuss and prepare online training programme via Wisenet. Estimate completion date Dec 16. Existing Wisenet training course 'Preventing illegal Working' will also be reviewed. In the meantime, the HR Advisor meets, on an ongoing basis, with recruiting managers to give one to one advice and guidance on the recruitment process. **Feb 17:** Trial of online training within HR complete, following which a few edits are to be completed. Thereafter identify small trial of few new managers to be undertaken in February 2017. **May 17**: Trial has been completed. The recruitment module is ready. The staff member who completes e-learning also has other responsibilities, the main one being Payroll. Due to the additional Election this year and unanticipated changes to the e learning platform (systems upgrade which is due in June/July) this is not ready to launch. **July 17**: Wisenet requires a systems upgrade as the existing module is no longer supported, therefore training cannot be provided at the moment. The upgrade will be undertaken by CLS (External Consultants), in liaison with ICT. Awaiting response from CLS. **Oct 17**: Still awaiting response from CLS regarding timescales for the Wisenet systems upgrade. This is unlikely to be achieved until early 2018.	Overdue

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Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
44								**Feb 18**: CLS have updated parts of the system and it was anticipated this would progress further in quarter 4. Ilearn (new name for Wisenet) has been impacted by CLS elements still outstanding and unexpected and unavoidable staff absence. **May 18:** HR focus has been to deliver e-learning training for GDPR to all staff prior to 25th May. The upgrade required for the e-learning IT system has been completed. Mandatory training courses are under review to ensure compliance with GDPR requirements. Following review the training programme will be published for employees to complete. **Oct 18:** The course has been finalised and has been through pilot with management support in October, some slight changes have been recommended. Due to pre booked annual leave and competing commitments within the HR team this is expected to be finalised in November 2018 for internal publication	
External Data Transfers December 2016	2b	Management should ensure that adequate data sharing protocols/ information sharing agreements are in place for Veolia and Kier Harlow. (HTS)	Medium	Agreed. Veolia – Environment and Licensing Manager/ Head of Place	Veolia – Environment and Licensing Manager/ Head of Place	31/12/16	01/07/17 31/12/17 30/07/18 31/01/19	**May 17:** The Environment & Licensing Manager has drafted a data sharing agreement between Veolia and Harlow Council, setting out the principles for data sharing in connection with the waste and recycling contract, to ensure compliance with the Data Protection Act. The draft agreement has been approved by the Assistant Solicitor and sent to Veolia. Awaiting response. **July 17**: No response has yet been	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
45								received from Veolia. This may be because the Veolia management team are engaged in bidding for the replacement contract. Nonetheless the Environment & Licensing Manager has written to the General Manager for domestic contracts at Veolia requesting an update on the proposed data sharing agreement. Data Sharing protocols/agreements form part of the current waste service discharged by Veolia and are included in the new tender process to select a new waste management partner in early 2018

Oct 17: Veolia has responded with several queries and requests for additional information. Negotiations are in progress and the agreement should be completed by December.

Feb 18: Veolia has been reminded they are required to complete the data sharing agreement for GDPR compliance purposes. The contract specification for the new waste contract includes a requirement for data sharing protocols/agreements between the Council and the successful contractor.

May 18: The main focus has been to prepare for the procurement of the waste and recycling contract, including agreeing the extension of the existing waste contract with Veolia. The data sharing agreement has therefore not been signed. Veolia will be reminded of the requirement to sign the data sharing agreement to ensure | |

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
46								compliance with GDPR. In mitigation, limited personal data is shared with the waste contractor. On target for completion in July. **Oct 18:** The Environment and Licensing Manager has been in correspondence with the newly appointed Managing Director for Municipal waste at Veolia, regarding this. The draft sharing protocol is agreed but certain specifics such as the identities of officers within Veolia must be identified. Veolia will contact the Environment and Licensing Manager in the near future with the identity of their team members who will be responsible for completing this. The Council has made completion of and adherence to the Data Sharing Protocol, a contract term, and so the contract cannot be signed off until this is in place. Therefore, this is expected to be completed by January 2019.	
				Agreed. Kier Harlow/(HTS) - Assistant Solicitor/ Head of Governance	(HTS) - Assistant Solicitor/ Head of Governance	01/02/17	~~25/05/18~~ 31/01/19	**May 2017:** All information sharing processes and policies are being reviewed to ensure compliance with the GDPR. **July 17:** Internal and external resource has been allocated to this work, which has commenced. **Oct 17**: HTS has been informed they will need to appoint a DPO and have privacy notices etc. in place. A meeting is to be arranged to meet with HTS to go through what they data they receive and what they do with it, to determine if	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
47								they are data controllers [which they will be in some incidents] or data processors. **Feb 18**: Data sharing mapping has commenced for HTS and terms and conditions for Data Sharing agreements for both HTS and Veolia have been drafted. **May 18:** There is a data sharing protocol on the infonet which is to be used as a template for all contracts that process personal data. These will be published both on the HDC web and the WEISF portal to show compliance with GDPR. **Oct 18:** A draft variation deed for the Services Agreement between the Council and HTS is now in final form and can be signed containing all GDPR Information Sharing obligations between the Parties. In addition, draft protocols for information governance have been provided to the HTS Contract Administrator.	
Playhouse (2017/18) October 2017	5	Liaise directly with the insurance officer to ensure the lists of contents are updated and an accurate valuation is reached.	Medium	A meeting will be arranged with the Insurance and Risk Manager and identify who will be best placed to carry out the content review due to the time involved. Carry out review of 2011 inventory and	Technical and Projects Manager Community, Leisure and Cultural Services Manager	30/11/17 01/04/18	~~30/12/18~~ 31/01/19	**Feb 18**: Meeting with the Council's Insurance Manager originally scheduled for February is to be rearranged for March 18. **May 18:** Meeting with insurance has taken place and works are ongoing and likely to be continued up to end of 2018. **Oct 18:** Working with insurance to obtain quotes for this work to be completed.	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
				update accordingly.					
Creditors (2017/18) March 2018	3	The Finance Team should review the live system delegated authorisation / approval limits against the manually documented limits, to check consistency between the two records. The system should be updated where appropriate and evidenced. If temporary increases are required to meet operational needs, the live system should revert back to the original (Signatories Listing) figure once the increase is no longer required.	Medium	1. The two sets of records are being standardised during the process of updating the Authorised Signatory List.	Systems Team Leader	30/06/18	31/12/18	**Oct 18**: The two sets of records are being standardised and will be complete by December 2018. Temporary increases are managed by the Agresso "substitute" system and are date limited.	Overdue

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Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
Harlow Trading Services (Property and Environment) Limited Contract Payment Mechanisms (2017/18) **May 2018**	1.1	The performance indicators within the contract should be reviewed to ensure the Council's requirements for improved efficiencies, incentivised performance and value for money are met.	High	A Board will be created to drive this forward, supported by a series of Task and Finish groups. Governance framework to be in place by 30 September 2018.	Managing Director (as project sponsor)	30/09/18	31/12/18	**Oct 18**: Due to resourcing constraints JPRM will be used as the vehicle to drive the reviews of KPIs. Task and finish groups established as appropriate through the Shared Operational Performance group. A review of the datasheets for the Major & Minor KPIs is underway via the Contract Administrator as part of the process to transfer HTS data to the Council's InPhase system. Expected completion: JFPR Q2 2018/19.	Overdue
	1.2	The review of KPIs should be identified and managed as a formal project with appropriate documentation and timescales for each KPI. The review of individual KPIs should be prioritised on a risk basis.					31/03/19	**Oct 18**: In addition to paragraph 2 above, an in-depth review of the indicators for each service area has commenced with the Environmental Services as part of the Council's Environmental Improvement Project. Environmental Services KPIs to have been reviewed by end of financial year. JPRM to discuss and schedule the other service areas following the lessons learnt from the activities within the Environmental stream.	Overdue
	1.3	As part of the review, consideration should be given on paying HTS in arrears as well as invoking penalty clauses where performance is below expectations.					31/03/20	**Oct 18**: The payment mechanism to be included in the Best Value Review of the contract as per Cabinet report of September 2015.	Overdue

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Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
	1.4	A sample of indicators used for performance reporting should be selected periodically by the Council for HTS to provide assurance and verify the integrity of information used to report performance.					30/11/18	**Oct 18**: A report for approval by SMB to be received in November setting out programme for indicator sampling for the remainder of initial 5 year contract period (up to 2021/22)	Overdue
Harlow Trading Services (Property and Environment) Limited Contract Payment Mechanisms (2017/18) **May 2018**	2.1	An overarching improvement plan should be created for the Council to collate the reviews of HTS services into one document and enable the Council to monitor and evidence progress that is being made.	Medium	This will form part of the governance framework described above.	Managing Director	30/09/18	31/03/19	**Oct 18**: JPRM to agree the overarching mechanism to collect, monitor and evidence the reviews of HTS Services – target date to be set, may feed into scope of best value review, otherwise to be completed by March 2019.	Overdue
	2.2	The introduction of an overall improvement plan could also be used to hold HTS to account if targets/remedial action are not addressed in line with timescales agreed by both parties.						31/03/19	**Oct 18**: The mechanism agreed in 2.1 to include an 'improvement plan' which holds HTS to account if targets and remedial actions are not met.	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
Absence Management (2017/18) June 2018	1	The Sickness Absence Management Policy should be updated to require HR to be notified by line managers, on the first day of absence, when a staff member is absent due to illness. However, this audit recognises that implementation of this recommendation may be hampered by system limitations. In the interim period, Managers should be reminded that Self Certifications, Fit Notes, and Return to Work forms must be submitted to HR, as appropriate, for all periods of sickness absence.	Medium	The Sickness Absence Management Policy will be reviewed to address the recommendation, including suggested system improvements to aid implementation. In the meantime all staff will be reminded of the correct recording and notification of all periods of sickness. This will be through both the Senior Management Board and Third Tier Manager's meetings. In addition an item in WIS will reinforce the requirement.	HR Manager / Interim Head of Governance	30/09/18	30/11/18	**Oct 18**: The Governance Team plan has set the review of the policy to end of November 2018, thereafter there is the necessity to engage with SMB and the recognised trade union as part of HC commitments, Once the policy has been finalised and agreed relevant implementation processes and where applicable training, following thereafter.	Overdue
Absence Management (2017/18) June 2018	3	All absence management policies should be subject to regular, planned reviews. Review dates should be recorded on the documents to help ensure that the required reviews are	Low	As part of the Sickness Absence Management Policy review, all related absence management policies will be reviewed to reflect current law and good practice. This	HR Manager	30/09/18	31/03/19	**Oct 18**: Policy review commitments have been made for 2018/19. Where links are made with other policies they will be updated accordingly and subject to competing commitments.	Overdue

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Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
		completed and they continue to meet operational needs. In addition, consideration should be given to developing an Annual Leave Policy covering entitlement, booking, approval etc.		includes formalising an Annual Leave Policy as part of the suite of documents.					

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Appendix C

HARLOW DISTRICT COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY

1. Purpose of the strategy

Theft, fraud, corruption and bribery are criminal offences. Harlow Council is committed to the highest standards of integrity, and will not tolerate them in any form. The Council's principle is zero tolerance towards offences and offenders.

The purpose of this Anti-Fraud and Corruption Strategy is to support the Council's 2018-21 Corporate Plan by protecting the public purse as every pound lost through fraud cannot be spent on services. In particular, this Strategy:

- Sets out the aims and long term vision of the Council's Anti-Fraud and Corruption framework
- Outlines the Council's approach to Anti-Fraud and Corruption
- Outlines the expected outcomes along with how the Council intends to achieve and monitor these

2. Key Objectives

The key objectives of the Council's Anti-Fraud and Corruption framework are to:
- protect the Council's resources and assets, ensuring they are used as intended;
- maintain a culture where fraud or corruption is not tolerated; and
- ensure staff and Members demonstrate the highest standards of honesty and integrity at all times.

This strategy also supports the national 2016-19 Fighting Fraud and Corruption Locally Strategy which advocates turning strategy into action by Councils considering their counter fraud response and performance against each of the six 'C' themes:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business
- **Capability** - ensuring a range of anti-fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk
- **Competence** – having the right skills and standards
- **Communications** – raising awareness, deterring fraudsters, sharing information and celebrating successes
- **Collaboration** – working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies, sharing resources, skills and learning, good practice, innovation and information.

3. Definitions

In law, **fraud** is deliberate deception to secure unfair or unlawful gain, or to deprive a victim of a legal right. The purpose of fraud may be monetary gain or other benefits, such as obtaining a home or a job with the Council by way of false statement

Corruption is a form of dishonest or unethical conduct by a person entrusted with a position of authority, often to acquire personal benefit. Corruption may include many activities including bribery.

4. Strategic response

The principles of the Council's anti-fraud and corruption strategy are **acknowledge, prevent and pursue**.

Acknowledge	Prevent	Pursue
Acknowledge and understanding fraud and corruption risks	Preventing and detecting more fraud and corruption	Being stronger in punishing fraud and corruption/recovering losses
Assessing and understanding fraud and corruption risks	Making better use of information and technology	Prioritising fraud recovery and the use of civil sanctions
Committing support and resources to tackling fraud and corruption	Enhancing fraud and corruption controls and processes	Developing capability and capacity to punish corruption and fraudsters
Maintaining a robust anti-fraud and corruption response	Developing a more effective anti-fraud and corruption culture	Collaborating with law enforcement
Some specific examples for Harlow District Council		
• Risk management process • Fraud /corruption proofing policy and processes • Fraud and corruption awareness	• Whistleblowing policy • Strong internal control culture • Staff and supplier vetting • Participation in the National Fraud Initiative and the pan-Essex council tax matching campaign • Staff and Member Code of Conduct and Declarations of Interest • Information security and IT policies	• Fraud response plan • Enforcement powers and application of sanctions • Collaboration with other authority fraud teams

5. Key Fraud and Corruption Risks

It is important that the Council recognises and actively manages its risks relating to fraud and corruption, using its Risk Management Strategy and Toolkit in helping to achieve this. Fraud and corruption risks are routinely considered as part of the Council's strategic risk management arrangements using both pro-active and reactive components.

The key fraud and corruption risk areas for councils have been identified in the 2016-19 Local Government Counter Fraud and Corruption Strategy and those relevant to Harlow District Council are listed below; although not an exhaustive list:

- *Tenancy*: Fraudulent applications for housing or succession of tenancy, subletting of the property and Right To Buy fraud
- *Procurement*: Tendering issues, split contracts, double invoicing
- *Payroll*: False employees, overtime claims, expenses
- *Council Tax*: Discounts and exemptions, council tax support
- *Grants*: Work not carried out, funds diverted, ineligibility not declared
- *Internal Fraud*: Diverting council monies to a personal account, accepting bribes, stealing cash, misallocating social housing for personal gain, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, abuse of position such as misuse of assets/resources
- *Identity Fraud*: False identity/fictitious persons applying for services/payments
- *Business Rates*: Fraudulent applications for exemptions and reliefs, unlisted properties and rates avoidance
- *Money Laundering*: Exposure to suspect transactions
- *Insurance Fraud*: False claims including slips and trips
- *Disabled Facility Grants*: Fraudulent applications for adaptions to homes aimed at the disabled
- *No Resource to Public Funds*: Fraudulent claim of eligibility
- *Local Enterprise Partnerships*: Voluntary partnership between local authorities and business, procurement fraud and grant fraud
- *Cyber Dependent Crime and Cyber Enabled Fraud*: Enables a range of fraud types resulting in for example diversion of funds, creation of false applications for services and payments

The United Kingdom Anti-Corruption Strategy 2017-22 sets out a long term framework for tackling corruption. For local government, including Harlow Council, this sets out the following goals:

- Greater procurement transparency, enabling better identification and mitigation of corruption risks.

- Strengthened awareness and capability within contracting authorities leading to a stronger awareness of corruption risks and more capability to detect and deter illegality.

6. Approach

The prevention and detection of fraud and corruption and the protection of the public purse is everyone's responsibility. The key components in achieving this are:

Proactive
- Strengthening the anti-fraud culture to increase resilience to fraud
- Preventing fraud through the implementation of appropriate and robust internal controls including robust procurement and cyber security measures
- Increasing fraud and corruption awareness of Council officers and Members
- Deterring fraud attempts by publicising the actions the Council takes against corruption and fraudsters

Reactive
- Detecting fraud and corruption through data and intelligence analysis
- Implementing effective whistleblowing arrangements
- Investigating fraud and corruption referrals
- Applying sanctions, both civil and criminal
- Seeking redress, including the recovery of assets and money

The table below lists the suggested approach and expected outcomes against each of the three principles of the Council's Anti-Fraud and Corruption Strategy, which will be supported by a rolling action plan.

Principle	Approach	Expected Outcome
Acknowledging and understanding fraud and corruption risks	Using the risk management process to assess current and future fraud and corruption risks Continued cultural change and increase in fraud and corruption awareness both internally and outside of the Council Annual fraud report through central collection of fraud data Improved sharing of fraud and corruption threats, information and intelligence both internally and externally	Increased reporting of cases Increased awareness of anti-fraud and corruption process and procedures throughout the Council

Preventing and detecting more fraud and corruption	Fraud and corruption proofing of policy and processes Better use of data and technology to prevent and detect fraud and corruption Assessment of the Council's internal controls framework to ensure it remains robust Supporting anti-fraud and corruption policies and procedures including whistleblowing and money laundering	Increased levels of anti-fraud and corruption awareness When fraud or corruption has occurred because of a breakdown in the Council's systems or procedures, the Section 151 Officer will ensure that appropriate improvements in systems of control are implemented to prevent a recurrence. Any significant control issues are reported in the Annual Governance Statement along with actions taken to address the issue.
Be stronger in punishing Fraud and corruption/ recovering losses	Develop capacity and capability to investigate and prosecute fraud and corruption Consistent and effective response for dealing with fraud and corruption cases	Successful use of sanctions and/or prosecution Reduce the losses as a result of fraud or corruption

7. Responsibility for implementing this strategy

Responsibility	Role
Managing Director	Ultimately responsible for preventing and detecting theft, fraud and corruption and promoting an anti-fraud and corruption culture.
Members	As elected representatives, all members of the Council have a duty to the public to maintain the highest standards of conduct and ethics, and to ensure the Council is open and transparent in all the decisions it makes. Members are required to adhere to the Council's constitution, which incorporates a Member Code of Conduct.
Audit and Standards Committee	To satisfy itself there are adequate arrangements in place to manage risk (including that relating to fraud and corruption) effectively. To monitor Council policies on anti-fraud and corruption and to receive periodic reports on fraud and corruption.

	Monitoring the operation of the Code of Conduct.
Corporate Governance Group	Developing, reviewing and maintaining an anti-fraud and corruption framework.
Senior Management Board	Ensuring all staff follow this strategy and any related policies and procedures, supported by the Council's Internal Audit and Human Resources functions.
Section 151 Officer	Has a statutory responsibility under the Local Government Act 1972 for the proper administration of the Council's financial affairs. Where irregularities, fraud or corruption are suspected the S151 Officer should be informed. On being informed of an alleged irregularity, fraud or corruption the S151 Officer will determine the arrangements for investigating the matter in line with the Council's Fraud Response Plan.
Monitoring Officer	Under the Local Government Act 1972 has the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. They also advise the Council on the legality of their decisions.
Managers (all levels)	Responsible for preventing and detecting fraud and corruption and ensuring they operate effective mechanisms in their area of control to: • Prevent theft, fraud and corruption thereby safeguarding the Council's assets and interests • Promote employee awareness • Assess the risk of fraud and corruption and take appropriate action • Take prompt action in line with the Fraud Response Plan where they suspect or are alerted to possible theft, fraud or corruption
All staff	All staff have a responsibility to prevent, detect and report on fraud and corruption or suspected cases.
Partners and Contractors	Required to comply with the Council's policies and procedures when undertaking work for and jointly with the Council
External Audit	Under the International Standard on Auditing 240, when conducting an audit External Audit are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.
Internal Audit	Providing assurance on the effectiveness of systems and procedures to prevent and detect fraud and corruption (by undertaking audits). Supporting managers in minimising fraud and

	corruption related risk and are alert in all their work to risks and exposures that could allow fraud and corruption to take place.

8. Supporting policies, procedures and processes

The Council has a range of policies, procedures and processes in place to formalise arrangements for the prevention, detection and investigation of fraud and corruption. These include:

- Anti-Fraud and Corruption Strategy (this document)
- Whistleblowing Policy (located on the Council's Infonet) http://www.harlow.gov.uk/sites/harlow-cms/files/files/Whistleblowing%20Procedure%20July%202012.pdf)
- Anti-Bribery Policy Statement (Appendix 1 of this document)
- Fraud Response Plan (Appendix 2 of this document)
- Anti-Money Laundering **and Terrorism Financing** Policy and Procedure **(located on the Council's Infonet)** http://infonet.harlow.gov.uk/system/files/HDC%20AML%20Policy%20and%20Procedure%20%202018.pdf
- Employee and Member Codes of Conduct (located on the Council's Infonet and published as part of the Constitution)
- Financial Regulations (located on the Council's intranet and published as part of the Constitution)
- Contract Standing Orders (located on the Council's Infonet and published as part of the Constitution)

9. Policy reporting, review and monitoring performance

This policy can only be varied with the collective agreement of the Managing Director, the Section 151 Officer and the Monitoring Officer.

The Head of Finance, as Section 151 Officer, will develop a rolling anti-fraud action plan to support the strategy, in conjunction with the Head of Internal Audit and senior managers.

It will be the responsibility of the Senior Management Board, via the Corporate Governance Group, to ensure there are adequate resources to support the action plan.

The Audit and Standards Committee will receive regular fraud updates to assist in their oversight of the Council's anti-fraud and corruption strategy and arrangements.

Appendix 1

ANTI-BRIBERY POLICY STATEMENT

Bribery is a criminal offence. Harlow Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does it or will it, accept bribes or improper inducements. To use a third party as a conduit to channel bribes to others is also a criminal offence.

Harlow District Council is committed to the prevention, deterrence and detection of bribery and has zero tolerance towards bribery.

Bribery

Bribery is defined as an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the Council in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

Objective of this policy

This policy provides a coherent and consistent framework to enable Officers to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach. The Council requires that all staff, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible
- comply with the laws and regulations of all jurisdictions in which the Council operates

Scope of this policy

This policy applies to all of the Council's activities. For partners, joint ventures, subsidiary companies and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all service areas.

The Council's commitment to action

The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times
- Raising awareness, and where appropriate offer training, so all employees can recognise and avoid the use of bribery by themselves and others
- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to all employees to report breaches and suspected breaches of this policy
- Include appropriate clauses in contracts to prevent bribery.

Gifts and hospitality

This policy is not meant to change the requirements of the Council's gifts and hospitality policy (included in the Officer Code of Conduct). This makes it clear that sample tokens of modest value bearing the name or insignia of the organisation giving them (for example, pens, diaries or calendars) whether given personally, or received in the post, may be retained unless they could be regarded as an inducement or reward. You should refuse the offer or invitation (or return the gift) unless your Head of Service has advised you that it may be accepted or retained.

Staff responsibilities

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy. Staff must:

- ensure that they read, understand and comply with this policy
- raise concerns as soon as possible as they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in summary dismissal for gross misconduct.

Raising a concern

This Council is committed to ensuring that all of its officers have a safe, reliable, and confidential way of reporting any suspicious activity. Officers have a responsibility to help detect, prevent and report instances of bribery. If an officer has a concern regarding a suspected instance of bribery or corruption, they should report it.

There are multiple channels to help staff raise concerns and should refer to the Whistleblowing Policy and determine their favoured course of action. Staff who do not have access to the intranet should contact the Internal Audit Manager or their Head of Service. Concerns can be raised anonymously.

In the event that an incident of bribery, corruption, or wrongdoing is reported, the Council will act as soon as possible to evaluate the situation. The Council has a clearly defined Whistleblowing Policy and Fraud Response Plan which set out procedures for investigating fraud, misconduct and noncompliance issues. This is easier and quicker if concerns raised are not anonymous.

Staff who refuse to accept a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith. If you have any questions about these procedures they can be directed to the Internal Audit Manager or the Council's Monitoring Officer.

Bribery Act 2010

Under the Bribery Act 2010 there are four core bribery offences:
1. offering, promising or giving a bribe
2. requesting, agreeing to receive or accepting a bribe
3. bribing a foreign public official; and
4. a corporate offence of failing to prevent bribery.

A local authority, such as Harlow District Council, could be liable to prosecution if an employee, agent, or subsidiary bribes another person, intending to obtain an advantage for the local authority.

For individuals, the penalties for committing a crime under the Act are a maximum of 10 years' imprisonment, along with an unlimited fine, and the potential for the confiscation of property under the Proceeds of Crime Act 2002.

Appendix 2

HARLOW COUNCIL FRAUD RESPONSE PLAN

1. Introduction

1.1 The Fraud Response Plan defines the way that Harlow Council applies its various policies and procedures to suspected theft, fraud, corruption and bribery.

1.2 It fits in with various other documents, including the Council's anti-fraud and corruption strategy and the whistleblowing procedure. The procedures for dealing with suspected money laundering are different from other problems – see the Anti-Money Laundering policy and procedure for the necessary actions.

1.3 Different rules apply to Benefits Fraud.

1.4 The aim of this Plan is to provide a toolkit for dealing with problems, and rapid access to expert advice. This fraud response plan guides managers on how to react to suspicions of fraud, theft, corruption and bribery.

1.5 Additionally, it gives an outline on how investigations will be progressed, the manager's role and the role of the Investigating Officer.

2. Purpose of the Fraud Response Plan

2.1 The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud to:

- Minimise fraud by taking prompt action
- Prevent further losses where fraud has occurred
- Maximise recovery of losses
- Ensure the accuracy and integrity of evidence for successful disciplinary and court action
- Identify lessons to be learned to improve fraud management
- Maximise positive publicity when frauds are discovered and dealt with effectively
- Deter others from fraud that they may be contemplating

In addition to obvious frauds involving theft of assets or the misappropriation of funds, the following are examples of the types of activity that may be regarded as fraud. The list is merely indicative and not exhaustive:

- Manipulation or misreporting of financial information.
- Misuse of the organisation's assets, including cash, stock and other assets
- Deception (e.g. misrepresentation of qualifications to obtain employment)
- Offering or accepting bribes or inducements from third parties
- Conspiracy to breach laws or regulations
- Fraudulent completion of official documents (e.g. VAT receipts)
- Time recording fraud

- Theft of intellectual property (e.g. unauthorised use of a brand name/logo, theft of customer data or product design)

3. The Manager's role in dealing with suspected fraud

First response

Where managers suspect a fraud has taken place the first **course of action must be to contact the Head of Finance (as Section 151 Officer) and Internal Audit** who will in turn ensure the Monitoring Officer and the Managing Director are informed.

The only exception to this is where the matter is clearly related to the benefits system. In such cases, refer the matter direct to the Department of Works and Pensions (DWP), details of which can be found on the Council's web site.

The Head of Finance will retain overall responsibility and control for any investigation but will delegate responsibility for leading the investigation to an Investigating Officer ensuring they are independent of the service area under investigation and appropriately experienced and trained. Internal Audit will provide advice and guidance to the Investigating Officer if they are not appointed as such. **Investigations of suspected fraud should only be undertaken by officers authorised by the Head of Finance.**

There may be circumstances where it is appropriate for local managers to undertake some preliminary exploration to check on the validity of an allegation or irregularity to establish whether there is a case to be investigated. Where this occurs, advice should be sought from the Head of Finance or Internal Audit as such activity may alert the fraudster, resulting in the destruction of evidence or compromising the collection of further evidence.

Human Resources will be consulted should action need to be taken against an individual staff member, such as suspension to protect evidence. Therefore, the Head of Finance will inform Human Resources at the earliest opportunity, and if appropriate agree a way forward.

Where initial investigations point to the likelihood of a criminal act having taken place, the Head of Finance or Monitoring Officer will inform the Police. Crime numbers should be obtained and provided to Internal Audit/Insurance for reporting purposes.

Initial Enquires

Speed is of the essence, therefore the Investigating Officer should make discreet initial enquires to determine if there actually appears to be an irregularity. During this initial enquiry the Investigating Officer should:
- Determine the facts and factors that gave rise to the suspicion
- Examine the factors to determine whether a genuine mistake has been made or whether an irregularity has occurred
- Document their findings, ensuring access is restricted i.e. not held in an 'open area' of the network

- Secure any relevant documentation/records if this can be done without alerting the perpetrator

The Investigating Officer should not formally interview staff at this stage.

4.   Formal Investigation

The Head of Finance will instigate a formal investigation, in consultation with Internal Audit and the relevant Head of Service, to be undertaken by the appointed Investigating Officer. In the absence of the Head of Finance, their responsibilities are transferred to the Monitoring Officer or Managing Director.

Consideration will be given by the Head of Finance whether to involve other agencies such as Police, HM Revenue & Customs, Cabinet Office, the Department for Work and Pensions, the National Anti-Fraud Network, the National Crime Agency, External Audit and other councils.

The Head of Finance, in consultation with Human Resources, will consider whether it is necessary to suspend one or more employees to protect evidence, colleagues or assets in line with disciplinary procedures.

5.   Conducting the Investigation

The exact format of an investigation is fluid but some general principles will apply to all investigations:
- Investigate and report back to the Head of Finance promptly. If the investigation extends more than two or three days then the Head of Finance or Internal Audit should be given periodic updates.
- Comply with legislation on interviewing (Police and Criminal Evidence Act, PACE) and surveillance (Regulation of Investigatory Powers Act, RIPA). However, it is not normally necessary, even when there may be a criminal offence, to conduct interviews under PACE rules. The police can re-interview witnesses and suspects later on in the process.
- Record all evidence received, ensuring that it is sound and adequately supported (see further guidance below).
- Keep written records of all fact-finding meetings and interviews.
- Email correspondence about the investigation should be discreet and use an agreed 'case name' rather than real names or locations.
- All sensitive attachments should be password protected (or, preferably, not emailed).
- Hold evidence securely, with appropriate restriction to access (both manual and electronic documentation)
- Maintain confidentiality and discretion throughout, and share information on a "need to know" basis. In particular, be mindful that senior officers may need to hear disciplinary cases, and therefore should not know details of cases.
- Where appropriate, contact other enforcement agencies e.g. Police, HM Revenue & Customs. This should be always enacted via Internal Audit as they may have established lines of communication and referral protocols.

- Investigators must not accept any offer of repayment of money or resignation at any stage, as this could prejudice the investigation. Any such offers should be recorded in the interview notes, and passed on to the Head of Finance for consideration (in conjunction with the HR Manager).

The Council has the right to suspend any employee involved pending the outcome of an investigation. Suspension does not imply guilt but suspension can prevent the removal or destruction of vital evidence. When suspects are not suspended, supervision will usually need to be increased. Always seek advice from Human Resources on suspensions and any subsequent disciplinary action.

The Head of Finance will report losses to the Council's Insurance Team at the earliest stage.

6.   Actions Following the Completion of an Investigation

Upon completion of an investigation, the Investigating Officer will report findings in an appropriate format (usually written) to the Head of Finance. The final report will also be issued to the Managing Director and the Monitoring Officer, and if appropriate to the relevant Head of Service, HR Manager and members of the Audit and Standards Committee.

In all cases the Council's insurers should be informed of actual losses as soon as these have been firmly established.

The Head of Service must remedy control weaknesses identified during the course of the investigation. Internal Audit will provide advice and support on effective controls.

Internal Audit will record of all investigations and final outcomes in the theft, fraud, corruption and bribery register, including crime numbers. This information informs future prevention strategies, and is used in reporting fraud and corruption at the Council.

The Communications Team should be informed (it is useful to have a protocol regarding publicity of frauds) so that publicity can be managed effectively.

Whenever fraud has been proved, the Council will make every effort to recover the losses. The method used will vary depending on the type of loss and the regulations and powers available. All means of recovery including recovery under social security legislation, attachments to earning, civil court proceedings and criminal court compensation will be used as appropriate to the offence.

Simon Freeman
Head of Finance and Section 151 Officer
simon.freeman@harlow.gov.uk 01279 44 6228

November 2018

Alternative Contacts

- Internal Audit Manager, Sarah Marsh 01279 44 6884
  sarah.marsh@harlow.gov.uk
- Monitoring Officer, Jane Greer 01279 44 6406 jane.greer@harlow.gov.uk
- Managing Director (Interim), Brian Keane 01279 44 6000
  brian.keane@harlow.gov.uk

Outline of Fraud Response Process

Fraud or theft occurs / suspicion aroused

Inform Head of Finance immediately
(Simon Freeman Tel. 446228)
and
Internal Audit
(Sarah Marsh Tel. 446884)

who will decide on the next course of action

Human Resources informed where appropriate

Possible Issue

- Investigating officer appointed by Head of Finance
- Formal investigation commences

No issue or referred for management investigation only

- Investigation concluded
- Investigating officer reports back to Head of Finance

Harlow Council
Internal Audit Charter

November 2018

INTERNAL AUDIT CHARTER

1.   INTRODUCTION AND PURPOSE

1.1   The purpose of this Charter is to set out the nature, role, responsibility, status and authority of Internal Audit within Harlow District Council, and to outline the scope of internal audit work. The Charter will also be used to monitor the performance of the Internal Audit function.

1.2   The United Kingdom Public Sector Internal Auditing Standards (UKPSIAS) define Internal Auditing as:

'*An independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*.

1.3   Internal Audit work is conducted in accordance with the UKPSIAS and encompasses the mandatory elements of the Internal Auditors International Professional Practice Framework which can be found on the Chartered Institute of Internal Auditors website.

2.   REVIEW OF THE AUDIT CHARTER

2.1   This Charter will be subject to annual review by the Internal Audit Manager and any significant changes presented to the Audit & Standards Committee for approval.

3.   ROLE OF INTERNAL AUDIT

3.1   Within local government there is a statutory requirement for an Internal Audit function. The Accounts and Audit (England) Regulations 2015 require that a local authority 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'.

3.2   In addition, the Council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. The S151 Officer relies, amongst other sources, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

3.3   Internal Audit's activities and responsibilities are defined and approved by the Audit & Standards Committee, via this Charter, as part of their oversight role. The Internal Audit Manager reports functionally to the

Head of Finance. In recognising the unique and critical role of the Internal Audit Manager, CIPFA's Statement on the Role of the Head of Internal Audit (HIA) sets out five key principles for delivering an effective internal audit function. Each of these five principles is underpinned by expected governance arrangements, core HIA responsibilities and personal and professional standards expected of the post holder. As part of the continuous assessment of the effectiveness of the Internal Audit function, these principles are benchmarked against current practices and reported accordingly.

3.4   Internal Audit's primary role is to assist the Council's senior management team, particularly the Head of Finance, the Monitoring Officer, the Managing Director and Councillors in the effective discharge of their responsibilities. To this end, Internal Audit provides them with analyses, appraisals, recommendations, advice and information to enable effective control over the activities reviewed, including the Council's financial affairs.

3.5   Importantly, the Internal Audit Plan culminates in the Internal Audit Manager providing an annual audit opinion to senior management and Councillors on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control which, in turn, informs the Annual Governance Statement.   Internal Audit has a significant role / input into the production of the Annual Governance Statement (AGS) which forms part of the published Annual Accounts.

3.6   Internal Audit has a role in understanding the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the systems of risk management and internal control operated by the Council.

4.   MISSION AND AIMS OF INTERNAL AUDIT

4.1   The Internal Audit function has adopted the Global Institute of Internal Auditors mission statement as follows:

Mission Statement: To enhance and protect organisational value by providing risk based and objective assurance, advice and insight. The core principles being:

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 focussed

10.   Promotes organisational improvement

5.   RESPONSIBILITIES OF INTERNAL AUDIT

5.1   Internal Audit is responsible for:

- The examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes.
- Compliance with significant policies and procedures established by management and Members
- Conducting its work in accordance with UKPSIAS and associated codes of ethics and other guidance for the Professional Practice for Internal Auditing.
- Ensuring that it is appropriately resourced to be able to deliver the agreed Audit Plan.

5.2   The delivery of the Internal Audit function is predominantly via in-house resources supplemented where necessary by engaging external resources to cover for periodic shortfalls or, for example, to provide a specific expertise.

6.   INDEPENDENCE AND OBJECTIVITY

6.1   Internal Audit will develop its approach to its work in consultation with the Audit and Standards Committee but independently of any specific area of the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective approach to its work.

6.2   Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Internal Audit may, however, review systems under development and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

6.3   Where the Internal Audit Manager has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. For example, the Internal Audit Manager may be asked to take on responsibility for compliance or risk management activities. These roles could impair, or appear to impair, the organisational independence of the Internal Audit function. Safeguards would include oversight by the Audit

and Standards Committee, periodic evaluation of reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

6.4   The Internal Audit Manager will confirm to the Audit and Standards Committee, at least annually, the organisational independence of the Internal Audit activity.

7.   CONFLICTS OF INTEREST

7.1   Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

7.2   Each auditor is required to proactively declare any potential 'conflict of interest' prior to the commencement of each audit assignment. In addition and where possible, audits are rotated within the team to avoid over-familiarity and complacency.

7.3   In any circumstances where a potential conflict of interest were to arise this would be reported and, where applicable, appropriate arrangements approved by the Head of Finance to avoid any compromise of internal audit independence.

8.   STATUS OF INTERNAL AUDIT IN THE COUNCIL

8.1   Internal Audit must have direct access to senior management, the Audit & Standards Committee, the Managing Director and the Chair of the Audit & Standards Committee. The Head of Finance will advise the Audit & Standards Committee in relation to the required level of Internal Audit resources required in order for the Committee to make a formed decision in such matters. The Internal Audit Manager will communicate and interact directly with senior management and the Audit & Standards Committee, including between meetings as appropriate. Outside of formal senior management meetings and meetings of the Audit & Standards Committee, the Internal Audit Manager will have direct access to the Managing Director and to the Chair of the Audit & Standards Committee.

8.2   For the purposes of the Internal Audit activity, the following groups are defined:

Audit & Standards Committee

The Audit & Standards Committee is responsible for overseeing the effectiveness of the internal audit function, and holding the Internal Audit Manager to account for delivery, through the receipt of regular updates and reports. The Audit & Standards Committee is responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery. The Audit & Standards Committee is also responsible for the overall operation of the Internal Audit function, including:

- Resourcing and financial performance.
- Performance indicators measuring operational effectiveness.
- The overall strategic direction of the service.

Senior Management

The Council's senior management team is responsible for helping shape the programme of assurance work through an analysis and review of key risks to achieving the Council's objectives and priorities. Senior management provides leadership and direction for the Council.

8.3 For line management purposes, the Internal Audit Manager reports to the Head of Finance who approves all decisions regarding the performance evaluation, appointment, or removal of the Internal Audit Manager, in consultation with the Senior Corporate Team and the Internal Audit shared service Board.

8.4 The day to day operational management of the Internal Audit function lies with the Internal Audit Manager, who is accountable through the Head of Finance to the Audit & Standards Committee for standards of performance and the proper discharge of the audit function.

8.5 The Internal Audit Manager is responsible for the preparation of the Annual Audit Plan, agreeing it with Councillors and the effective implementation of the Audit Plan. Prior to drawing up the Audit Plan, the Internal Audit Manager will consult with Heads of Service and Senior Management Team with regard to risks, concerns etc. and take account of any issues raised by them.

9. **AUTHORITY AND ACCESS FOR INTERNAL AUDIT WORK**

9.1. Internal Audit, with strict regard to confidentiality and safeguarding records and information, is authorised access to any and all Council records (paper and computerised), physical properties, IT systems and personnel pertinent to carrying out any engagement and subject to third party agreement as

may be deemed necessary (e.g. external third party database access). Such access will be granted as and when it may be required with prior notice being given wherever possible. There may be instances when such access may not be subject to prior notice if agreed with the Head of Finance. However, Internal Audit will endeavour to give adequate and reasonable notice, where possible, when working on routine audit reviews.

9.2 Internal Audit also has free and unrestricted access to the Audit & Standards Committee and senior management. Internal Audit examines and evaluates, on a risk focussed basis, the whole system of controls established by management, not just the controls over financial accounting and reporting, but all operational and management controls.

10. SCOPE

10.1 The scope of Internal Audit work encompasses but is not restricted to the following:

- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the Council's defined goals and objectives;

- the extent of compliance with, relevance of, and financial effect of, policies, strategies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations;

- the extent to which the assets and interests are acquired, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause;

- the suitability, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;

- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic aims;

- the suitability of the organisation of the areas audited for carrying out their function, to ensure that services are provided in a way which is economical, efficient and effective;

- the follow-up actions taken to implement recommendations made and remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and widely communicated;

- the operation of the Council's corporate governance and risk management arrangements.

10.2 Internal Audit may undertake work outside of the approved annual Internal Audit plan(normally additional activity requested by management) where it has the necessary skills and resources to do this, and this will be determined by the Internal Audit Manager in consultation with the Head of Finance on a case by case basis.

11. PLANNING AND REPORTING

11.1 A risk based approach is adopted in planning the work of the audit function. This involves a needs and risk assessment of all the activities carried out by the Council from which an Annual Plan is prepared. The type of audits covered include:

- Key financial systems reviews
- Systems/Operational Reviews – either high level assurance or full scope detailed reviews.
- Proactive Anti-fraud work and fraud investigations
- Specialist Audits (for example contract/computer/major projects)
- Corporate governance support work
- Audit Advice
- Staff training and promotion of awareness.

11.2 The Internal Audit Manager submits to Councillors for approval an Annual Internal Audit Plan, setting out the recommended scope of audit work in the period based upon risk assessment criteria. The Annual Plan is developed with reference to a longer term strategic outlook for Internal Audit work for the three year period, prepared in conjunction with management. The Audit Plan is a dynamic document, which is flexible and reactive to situations arising during the course of the period covered and hence may be subject to review and revision during the year.

11.3 In determining the Annual Internal Audit Plan and coverage, the Internal Audit Manager takes into account several factors including the Council's risk management arrangements and other assurance and monitoring arrangements for achieving the Council's objectives. The allocation of resources is based upon the relative knowledge, skills, experience and any specialisms that may be required. The Internal Audit Manager can also draw upon other parties to deliver internal work for example to meet "in-house" shortfalls arising from sickness, vacancies or to provide a

particular specialism providing the costs can be managed within the approved operational budget for the audit service. If the Internal Audit Manager considers that the audit resources available in any way limit the scope of Internal Audit or prejudice the ability of Internal Audit to deliver a service consistent with the standards expected, then those charged with the governance of the Council would be advised accordingly.

11.4. Internal Audit carry out the work, as agreed, report upon the outcome and findings, and make appropriate recommendations on the action to be taken as a result. Services response will include a timetable for anticipated completion of action to be taken. The reporting arrangements will include both individual and composite reports to Heads of Service and the Senior Management Team and where appropriate to the Audit & Standards Committee, at the agreed intervals.

11.5 Internal Audit is responsible for appropriate follow up on report findings and recommendations and will provide updates to the Audit & Standards Committee on the results.

11.6 Internal Audit will report to the Audit & Standards Committee, in accordance with the agreed arrangements, on the overall adequacy of the internal control system and major findings, recommendations and management actions. Any significant deviation from the approved Audit Plan will be communicated through the periodic activity reporting process.

11.7 Based upon its work, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Senior Management Team and to the Audit & Standards Committee, including fraud risks, governance issues, and other matters needed or requested by these bodies. This ensures that Internal Audit plays a key role in providing assurance on the effectiveness of the entire control environment.

12. FRAUD AND CORRUPTION

12.1 Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. However, internal auditors should be alert in all their work to risks and exposures that could allow fraud and corruption to take place and to any indicators that fraud and corruption may have occurred. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

12.2 It is the responsibility of individual service areas to consider the risk and impact of fraud and to design and implement suitable safeguards to mitigate these risks. The role of Internal Audit in relation to countering

fraud is to support services in minimising fraud-related risk. It does this in several ways including:

- Developing and reviewing the Council's Anti-Fraud & Corruption Strategy.
- Maintaining a Fraud Response Plan.
- Financial Regulations requiring all incidents of suspected or detected fraud to be notified to Head of Finance and the Internal Audit Manager.
- Developing and maintaining data and intelligence networks with appropriate bodies including the Cabinet Office (National Fraud Initiative), Police, other Local Authorities and Government agencies.

Internal Audit also aims to provide anti-fraud awareness training and guidelines to staff.

12.3   Once any suspected or detected fraud has been notified to the Internal Audit Manager, the appropriate course of action will be discussed with the Head of Finance and a decision taken as to who should lead any subsequent investigation, whether it is Internal Audit or service management, and whether to report to the police.

13.   PERIODIC ASSESSMENT

13.1   Internal Audit will, in conjunction with the Audit & Standards Committee, provide regular reports on its performance and effectiveness drawing upon both quantitative and qualitative measures including adherence to professional standards. Furthermore, there will be mechanisms for quality control/continuous improvement in service delivery through such measures including internal self-assessments, peer reviews and independent external assessment, the latter to be conducted at least every five years.

14.   RESPONSIBILITIES OF SENIOR MANAGEMENT BOARD

14.1   The Councils Senior Management Board has responsibility for determining the scope of Internal Audit work, in relation to relevant professional standards / guidelines, and for deciding the action to be taken on the outcome of, or findings from, their work.

14.2   They also have a responsibility to ensure that the Internal Audit function has:
- the support of management,
- adequate resources; and

- direct access and freedom to report to senior management and Councillors, including the Head of Finance, Monitoring Officer, Managing Director and Cabinet / the relevant Committee.

14.3 The Senior Management Board also have primary responsibility for establishing and maintaining a proper and effective control environment and for managing risk, including proper accounting records and other management information for running the Council. In addition there is also a primary responsibility for the prevention and detection of fraud, including the prompt reporting to all relevant parties of any evidence or reasonable suspicion of an irregularity.

14.4 During the course of an audit, Heads of Service and their staff will be required to co-operate fully with the auditor's requirements, including the completion of action plans, signing off of reports and the timely implementation of specific and agreed recommendations made by Internal Audit.

15. RELATIONSHIP WITH THE EXTERNAL AUDITORS / OTHER REGULATORY BODIES

15.1 Internal Audit will consult and where appropriate work closely with others, including the Council's appointed external auditors, to minimise areas of duplication and to maximise the value obtained from the total audit resource. However, the work of Internal Audit will not be driven by external audit's own priorities.

Sarah Marsh – Internal Audit Manager
November 2018

(Date of next review: November 2019)

REPORT TO:	**AUDIT AND STANDARDS COMMITTEE**
DATE:	**28 NOVEMBER 2018**
TITLE:	**REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE AND ITS TERMS OF REFERENCE**
LEAD OFFICER:	**SARAH MARSH, INTERNAL AUDIT MANAGER (01279) 446884**

RECOMMENDED that:

A   The Committee notes the results of the review of effectiveness of the Audit and Standards Committee and agrees the proposed action plan for improvements.

BACKGROUND

1.   The purpose of this report is to review the Audit and Standards Committee Terms of Reference and its compliance with updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The report also seeks to ensure the committee remains effective in the fulfilment of its key governance framework role.

2.   The Committee reviews its Terms of Reference and effectiveness on an annual basis. This was last undertaken in 2016 with the 2017 review postponed to 2018 whilst waiting for new guidance from CIPFA.

3.   The new CIPFA guidance, entitled 'Audit Committee: Practical Guidance for Local Authorities and Police', was published in the spring 2018 and replaces the 2013 edition. The 2018 edition updates the core functions of the audit committee in relation to governance, risk management, internal control and audit. This includes new legislation affecting audit committees in combined authorities and updates to regulations and statutory guidance. The updates to the Public Sector Internal Audit Standards, and Delivering Good Governance in Local Government: Framework and associated guidance are also considered for their impact on the work of the audit committee.

4.   There are changes to the core functions of the committee in relation to external audit, reflecting the new arrangements for auditor appointment and new guidance on ethical standards for auditors issued by the Financial Reporting Council. The audit committee role in relation to counter-fraud has also been updated to reflect the Code of Practice on Managing the Risk of Fraud and Corruption.

5.   CIPFA's guidance also provides practical support to those wishing to evaluate their existing committee and plan improvements. The checklists provided are attached as appendices A and B to the report.

ISSUES/PROPOSALS

Terms of Reference Review

6. Internal Audit has carried out a comparison of the Committee's current Terms of Reference (attached as Appendix C to the report) with the 2018 CIPFA model terms of reference and benchmarking against Broxbourne and Epping Forest. On this basis the current terms of reference are still fit for purpose.

Approach to the Effectiveness Review

7. The effective operation of the Committee forms a key element of the Council's assurance framework. An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the Council's business.

8. Using the recommended practice in the CIPFA audit committee guidance will help the committee achieve a good standard of performance. Using the checklists provided by CIPFA supports an assessment against recommended practice to inform and support the Committee. This should not be seen as a tick-box activity.

9. This review is based on guidance issued in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police (2018 edition).

Previous Results

10. Effectiveness reviews have been undertaken and reported in the past, with the last being November 2016. The 2016 review identified several areas for improvement including:

    a) Review the Committee's terms of reference annually;

    b) Consider the role of the Committee with regards to value for money, partnerships and the Council's approach to fraud;

    c) Undertake a skills and knowledge analysis; and

    d) Report back on the Committee's performance.

11. There have all been addressed as evidenced in the results section below.

Results of the Effectiveness Review

12. The results of the self-assessment show that the Council is able to demonstrate compliance with recommended best practice for an effective audit committee.

13. Resulting from the attached checklists, three areas for consideration have been identified and listed in the Action Plan below:

Table 1 – Action Plan

Area	Description and proposed action
Audit Committee Membership	The 2018 CIPFA guidance asks local councils to consider the inclusion of at least one independent member. With the support of Member Services the Committee should consider the value of appointing an independent person, what skills, knowledge or experience such a person should bring to the Committee and how to source such a person.
Skills and knowledge analysis	A skills and knowledge analysis was last undertake in September 2017 and should be repeated to help inform the decision regarding the appointment of an independent member.
Committee engagement	The Audit Committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly. CIPFA gives the following examples on how this can be achieved: • The committee focuses on a significant risk area from the risk register and invite the head of service to attend to discuss risks and explain how the risk is mitigated. • When reviewing an audit report with significant weaknesses or disputed recommendations then the responsible head of service should be present to answer questions directly. • If other action plans are monitored by committee then again involve responsible heads. • Invite other members on other committees such as scrutiny if the agenda covers areas of interest to them.

IMPLICATIONS

Place (Includes Sustainability)
None specific.
Author: Jane Greer, Head of Community Wellbeing on behalf of Graeme Bloomer, Head of Place

Finance (Includes ICT)
The Audit and Standards Committee has a pivotal role in how the Council delivers good governance. The purpose of the Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process, and reviewing the effectiveness of these arrangements.

Author: Simon Freeman, Head of Finance

Housing
None specific.
Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)
None specific.
Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)
To comply with CIPFA guidelines and as part of the process for gathering evidence for the production of the Annual Governance Statement, the Council is required to review the effectiveness of its Audit Committee. This review ensures that the Council fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

The Accounts and Audit (England Regulations) 2015 requires that a relevant authority must ensure that it has a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objective;

- Ensures that the financial and operational management of the authority is effective; and

- Includes effective arrangements for the management of risk.

The Accounts and Audit Regulations do not specify that these requirements must be met by an audit committee. However, where the audit committee undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.
Author: Colleen O'Boyle, Interim Head of Governance

Appendices

Appendix A – Good Practice Self-Assessment Checklist
Appendix B – Audit Committee Effectiveness Checklist
Appendix C – Current Terms of Reference for Harlow Audit and Standards Committee

Background Papers

CIPFA Audit Committees Practical Guidance for Local Authorities and Police (edition 2018)

Glossary of terms/abbreviations used

CIPFA – The Chartered Institute of Public Finance and Accountancy.

Appendix A

Harlow Audit and Standards Committee self-assessment of good practice: This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police and this publication. This guidance was updated in 2018 and changes in the checklist since it was last used by the Committee in 2016 can be seen as **bold underlined** narrative.

Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

	Good Practice Questions	Yes	Partly	No
	Audit committee purpose and governance			
1	Does the authority have a dedicated audit committee?	The Committee meets 4 times a year.		
2	Does the audit committee report directly to full council?	Council receives all minutes from the Audit and Standards Committee.		
3	Do the terms of reference (ToR) clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	The Committee's current TofR was reviewed against CIPFA guidance in November 2018 and found to be fit for purpose.		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	The Audit and Standards Committee forms part of the Council's committee structure. Its role and function is set out in the Council's Constitution.		

	Good Practice Questions	Yes	Partly	No
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Through its Terms of Reference, reports it receives, member training, review and challenge of the Annual Governance Statement (AGS), annual accounts, representation by members and officers.		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	There are arrangements for holding the Committee to account through its reporting to Council (including annual report and effectiveness). For a more independent view consider the role of the Scrutiny Committee in assessing the performance of the Audit and Standards Committee.		
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement: • good governance • assurance framework including partnerships and collaboration arrangements • Internal and external audit • financial reporting • risk management	These are covered in the Committee's ToR and review of the Annual Governance Statement.		

	Good Practice Questions	Yes	Partly	No
	- value for money or best value - counter fraud and corruption **supporting the ethical framework**			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	The Committee produces an annual report, reviews its Terms of Reference and effectiveness review.		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them? *Note: CIPFA guidance states that Audit Committees can also support their authorities by undertaking a wider role in other areas including:* *considering governance, risk or control matters at the request of other committees or statutory officers* *working with the local standards **and ethics** committees to support ethical values* *reviewing and monitoring treasury management arrangements* *providing oversight of other public reports, such as the annual report.*	The Committee includes the Standards Committee as evidenced in their Terms of Reference. Other roles as suggested by CIPFA are adequately covered by other committees, Cabinet and the full Council.		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Various reports received by the Committee throughout the year ensure the majority of core areas are covered. This includes the Annual Governance Statement (AGS), Internal Audit's		

	Good Practice Questions	Yes	Partly	No
		annual report and its regular progress reports, External Audit reports (including the Statement of Accounts), and risk management reports.		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes.		
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. • **consideration has been given to the inclusion of at least one independent member**	Ten councillors sit on the Committee, with the main political parties represented, who bring to the Committee a range of experiences and skills. This is supplemented with periodic member training. There are no independent members.		
13	**Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council as appropriate for the organization?**	Not applicable		
14	Does the chairman of the committee have appropriate	Yes.		

	Good Practice Questions	Yes	Partly	No
	knowledge and skills?			
15	Are arrangements in place to support the committee with briefings and training?	The formal work programme for the Committee is reviewed at each meeting. Periodic training opportunities (internal and external) made available to members including joint events with Broxbourne and Epping Forest Councils.		
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Member requirements and core knowledge and skills framework taken into account when developing the training programme. A formal knowledge and skills analysis was undertaken and reported to the September 2017 Audit and Standards Committee meeting. Consideration should be given to repeating the exercise as membership of the committee has recently changed.		
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	The Head of Finance (Section 151 Officer) and the Internal Audit Manager agree that this is the case.		

Good Practice Questions		Yes	Partly	No
18	Is adequate secretariat and administrative support to the committee provided?	Yes.		
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	The Chairman meets regularly with the Internal Audit Manager and Head of Finance and has access to External Audit. The Committee's annual report is approved by Council.		
20	**Are meetings effective with a good level of discussion and engagement from all the members?**	Yes. Attendance levels are high; discussion and debate actively encouraged by the Chair.		
21	**Does the committee engage with a wider range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?**		Officers are held to account through the committee's review of audit reports (internal and external) and progress being made to implement recommendations, monitoring risk registers and other key strategies. The Committee has in the past requested Officers to attend where appropriate.	

Good Practice Questions		Yes	Partly	No
22	**Does the committee make recommendations for the improvement of governance, risk and are these acted on?**	This is undertaken through the Committee's work programme.		
23	Has the committee evaluated whether and how it is adding value to the organisation?	The Committee looks at itself by way of assessing its effectiveness and governance arrangements. The annual report assists with the process. In addition, the Committee adds value by ensuring audit recommendations are acted upon which assist Officers to spend more time on audits.		
24	Does the committee have an action plan to improve any areas of weakness?	An action plan to address relevant issues is reported to the Committee as part of the review of effectiveness.		
25	**Does the committee publish an annual report to account for its performance and explain it works?**	Yes, and is approved by Council.		

Appendix B: Evaluating the Effectiveness of Harlow Audit and Standards Committee

This appendix sets out an assessment of Harlow's Audit and Standards Committee against a set of criteria as prescribed in the CIPFA publication *Audit Committees – Practical Guidance for Local Authorities and Police 2018 edition.* Changes in the guidance from the 2013 version can be identified as **narrative** underlined and in bold.

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
1.Promoting the principles of good governance and their application to decision making	**Supporting the development of the local code of governance.** Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. *(Note: Not applicable to Harlow Council).*	Annual Governance Statement review by the Committee prior to its presentation as part of the Statement of Accounts. Annual report from Internal Audit. The Committee periodically reviews the Council's Local Code of Corporate Governance to ensure it remains relevant. Last undertaken November 2017 and is on the November 2018 agenda. Audit committee effectiveness last undertaken November 2017 and was postponed for 2017 whilst waiting for new CIPFA guidance. The Audit Committee has its own training programme, which is open to all Members including the effective audit committee and risk management.	5
2. Contributing to the development of an effective control environment	**Actively** monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Audit recommendation tracker to each Committee. Officers have been called to account, where appropriate, by the Committee. Wider engagement with Officers should be explored. Annual report from Internal Audit and supplemented with regular progress reports of internal work undertaken. The Section 151 Officer attends all Audit Committee meetings.	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	Corporate risk register reviewed by Committee at each meeting and subject to relevant challenge. Members have been provided with risk management training including the Council's risk management strategy and toolkit.	5
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	Committee reviews and will challenge reports from the different assurance providers including Internal and External Audit and risk management.	5
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, **providing constructive challenge** and supporting improvements. **Actively supporting the quality assurance and improvement programme of internal audit.**	Internal Audit progress report to each Committee meeting. Annual review of Audit Charter and quality assurance and improvement programme, ensuring compliance with the Public Sector Internal Audit Standards (PSIAS). Audit Chair was actively involved in the 2016/17 External Quality Assessment of Internal Audit, which is required every five years under PSIAS.	5
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance	**Reviewing how the governance arrangements support the achievement of sustainable outcomes.**	Committee achieves this through assessment of risks, Internal Audit work and External Audit findings. The involvement of the Committee in the agreement of and content of the annual Audit Plan also	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
arrangements	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	enables key risks to be adequately monitored. In addition, the Committee reviews the Annual Governance Statement and Local Code of Corporate Governance.	
7. Supporting the development of robust arrangements for ensuring value for money (VfM)	Ensuring that assurance on value for money arrangements are included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	This is undertaken as part of the annual accounts process, VfM work undertaken and reported on by External Audit. This, in turn, along with other assurance providers (such as Internal Audit and the Corporate Governance Group), informs the Annual Governance Statement report which is approved by the Committee after appropriate scrutiny and questioning.	5
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	Reviewing arrangements against the standards set out in Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members	Fraud risks considered by the Committee as part of the risk management framework and the work of both Internal and External Audit. This includes regular updates on the work undertaken by the Council which is overseen by the Corporate Fraud Group. In line with good practice the Committee should periodically review the Council's anti-fraud and corruption strategy and its approach to anti-fraud and corruption. This was last undertaken in March 2018. Ethical governance forms part of the Audit and Standards Committee role, as per their Terms of Reference.	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1 See key above
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. **Publishing an annual report from the committee.**	Formal committee structure in place, standard report, published on Council website. The Committee considers what assurances it requires regarding partnerships when approving the Internal Audit Plan as it includes partnerships as a theme. The Committee produces annually a report of its work, which is approved by Council.	5

Appendix C – Current Terms of Reference for Harlow Audit and Standards Committee

The Audit and Standards Committee was established at the Annual Council meeting on 24 May 2012. Its role is two-fold:

1. Audit - The Committee oversees the Council's internal audit and risk functions; receives and approves external audit reports; scrutinises the Annual Statement of Accounts; makes reports and recommendations to the Cabinet, Committees and the Council as a whole on the adequacy of its corporate governance and risk management arrangements and the associated control environment.

2. Standards - The Committee deals with a range of matters including issues concerning Councillors' conduct, provides advice and guidance to the Council, the Cabinet and individual Councillors and advises on the application and review of the Constitution.

The Terms of Reference of the Audit and Standards Committee are as follows:

Audit

1. To consider the Audit Manager's annual report and opinion, the summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements.

2. To consider summaries of Internal Audit reports.

3. To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales.

4. To consider reports dealing with the management and performance of the providers of Internal Audit services.

5. To consider the external auditor's Annual Audit and Inspection Letter and other reports.

6. To comment on the scope and depth of external audit work and to ensure it gives value for money.

7. To liaise over the appointment of the Council's external auditor.

8. To commission work from Internal Audit and the external auditor.

Regulatory framework

9. To review any issue referred to it by the Chief Executive, Chief Operating Officer, Statutory Officer or any Council body.

10. To monitor the effective development and operation of risk management and corporate governance in the Council.

11. To monitor Council policies on whistle blowing, for contraventions of financial and other procedures or fraud-related situations; Anti-fraud and Corruption Strategy and complaints.

12. To monitor the production of the Annual Governance Statement and recommend its adoption to the Cabinet.

13. To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice.

14. To consider the Council's compliance with its own and other published standards and controls.

Accounts

15. To review the annual Statement of Accounts and consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Cabinet and/or the Full Council.

16. To consider the external auditor's report to those charged with governance on issues arising from their audit of the accounts.

Standards

17. Promoting and maintaining high standards of conduct by Councillors and co-opted persons of Committees.

18. Assisting Councillors and co-opted persons of Committees to observe the Code of Conduct.

19. Advising the Council on the adoption or revision of the Code of Conduct.

20. Monitoring the operation of the Code of Conduct.

21. Advising and/or censuring and/or imposing a sanction on a Councillor or co-opted person of a Committee (or former Councillor or co-opted person) of the Council.

22. Having oversight of all aspects of Councillor development.

23. Receiving annual reports in a monitoring and guidance role on whistle blowing, bullying and harassment.

24. Being fully involved in any ethical review of the Council or its activities.

Meetings are open to members of the public, except for when confidential information is being considered.

Members of the public may **ask questions** at meetings of the Audit and Standards Committee.

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **28 NOVEMBER 2018**

TITLE: **RISK MANAGEMENT PROGRESS REPORT**

LEAD OFFICER: **STUART MOSELEY, INSURANCE AND RISK MANAGER (01279) 446215**

RECOMMENDED that the Committee**:**

A   Approves the Risk Management Strategy (attached as Appendix A to the report).

B   Reviews the Corporate Risk Register as set out in the report.

BACKGROUND

1.   The Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management in the Council.

2.   The Council's Risk Management Strategy, previously agreed by the Committee, states that its responsibility is to understand, scrutinise, and endorse the Council's Risk Management Strategy and monitor the Council's risk appetite.

3.   The Council's Risk Management Strategy and Risk Management Toolkit were last revised in January 2015.

4.   Since 2015, work has been undertaken in conjunction with the senior management team to:

   a) Re-define the Council's strategic risks;

   b) Define the council's risk appetite;

   c) Address the risk management process; and

   d) Incorporate Risk Management into the council's performance management system 'InPhase' to facilitate management and reporting of risks

5.   Consequently, the Risk Management Strategy has been updated to reflect these changes, and to incorporate changes that have taken place to the organisational structure since 2015.

ISSUES/PROPOSALS

Risk Management Strategy

6. To simplify Risk Management, the existing and separate Risk Management Strategy and Risk Management Toolkit have been combined into a single Risk Management Strategy which is now included as Appendix A to this report.

7. One of the key changes has been to ensure that the risk management process now clearly links risk to the Corporate Plan and Service Objectives.

8. Roles and Responsibilities have been redefined to establish ownership of risk across the whole council including elected members.

9. As previously stated, the Committee's role is defined as undertaking to:

    a) Monitor the effective development and operation of risk management in the Council; and

    b) Understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.

10. Future actions centre around further defining risk appetite across services and embedding a culture which embraces risk at all levels as part of its 'business as usual'.

11. In addition the Council's Risk Management e-learning module will be updated to reflect the updated Risk Strategy and Risk Management process and to provide ongoing access to a live support and training tool for all staff.

12. Having made the changes outlined in this report and as detailed in Appendix A, the updated strategy is now considered to be aligned to the council's corporate objectives and is far more focused on being a strategy that can be implemented in such a way that clearly links risks and objectives across all service areas.

Corporate Risk Register

13. To help facilitate the understanding of the Council's key risks, the Corporate Risk Register is reported to the Audit and Standards Committee for scrutiny and challenge.

14. The Corporate Risk Register continues to be reviewed on at least a quarterly basis by the Senior Management Board (SMB), who also continue to monitor any cross cutting or strategic risks contained in service plans.

15. The Corporate Risk Register relates to key and cross cutting corporate issues and strategic risks contained in service plans. Corporate or service level risks scoring 18 or higher are reported to the SMB and are identified in the Corporate Risk Register attached at Appendix B.

16. Risks scoring 20 or higher will be reported to Cabinet as part of the regular Joint Finance and Performance Report.

17. It has been agreed for the Audit and Standards Committee to focus on one or two key risks at each of their meetings, which is in line with good practice ensuring all risks are covered within an acceptable cycle of meetings.

18. The Committee has previously reviewed:

   a) CR01 – Sustainable Budget;

   b) CR02 – The Harlow Offer;

   c) CR03 – Housing Mix;

   d) CR04 – Lack of adequate Council Housing;

   e) CR05 – Inability to fulfil Community Leadership role; and

   f) CR08 – Information Governance and Data Compliance.

19. It is proposed the Committee examines CR06 – Lack of Resources and Capacity, Council and key partners. The narrative from the risk register for this risk is presented in Appendix C.

20. The Corporate Risk Register continues to be scrutinised on a regular basis by the SMB and provides a mechanism for Committee challenge by presenting an update at each meeting.

IMPLICATIONS

Place (Includes Sustainability)
As contained within the report.
Author: Jane Greer, Head of Community Wellbeing on behalf of Graeme Bloomer, Head of Place

Finance (Includes ICT)
Whilst there are no direct financial implications resulting from the approval of the strategy, the application of the Risk Management Strategy itself across all service areas does create a framework which, when applied correctly will both identify and manage risks including those which may have a financial impact if not recognised and managed effectively.
Author: Simon Freeman, Head of Finance

Housing
As contained within the report.
Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)
As contained within the report.
Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)
Having a robust Risk Strategy enables the Council to understand and manage the risks that are inherent to the work undertaken. It further forms part of the governance of the Council ensuring accountability and responsibilities of those making decisions to ensure that risks are captured and reported on.
Author: Amanda Julian, Legal Services Manager on behalf of Colleen O'Boyle, Interim Head of Governance

Appendices

Appendix A – Draft Risk Management Strategy
Appendix B – Key Corporate Risks
Appendix C – CR06 – Lack of Resources and Capacity, Council and Key Partners

Background Papers

None.

Glossary of terms/abbreviations used

SMB – Senior Management Board

Harlow Council

Risk Management Strategy

Version 3.0

September 2018

2

2

Foreword

All of us manage risks in our daily lives almost unconsciously – assessing the speed of traffic when crossing the road, taking out insurance policies and making everyday decisions. However, risk and risk management can sometimes be seen as specialist subjects, requiring expertise outside 'normal' management experience. This can lead to risks being ignored altogether or a view taken that risk can be avoided by maintaining the status quo.

Innovation and good governance are not mutually exclusive. The next few years will present significant challenges for the Council in delivering its services. The difference between a thriving authority providing value for money and stagnation could be the willingness to embrace a risk taking culture while taking timely and appropriate action in the face of threats to objectives. Risk management is therefore an essential part of the Council's overall Governance arrangements. Because risk management is about achieving objectives, it needs to be integral to our decision making, an essential part of routine management and should be 'part of the day job' of all officers who are responsible for achieving objectives.

The Council's attitude to risk is to operate in a culture of creativity and innovation, in which key risks are identified in all areas of the business and the risks are understood and managed, rather than avoided. We should not be afraid of risk but we must proactively manage it. Ultimately, effective risk management will help us to meet future challenges and opportunities to deliver the most effective services, thereby improving our ability to deliver priorities and improve Harlow for residents, businesses and visitors

This Risk Management Strategy is designed to provide managers with the tools needed to manage risk effectively, providing the framework and process with which to manage risk in a systematic, consistent and effective way. The Strategy will be periodically reviewed as necessary to ensure that it reflects the Council's needs and remains challenging and responsive to Government direction and requirements.

Brian Keane
Managing Director
Harlow Council

Introduction

Harlow Council is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles. The council recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a balanced, structured and cost effective way. Risk cannot be totally eliminated and may at times need to be embraced as part of an innovative approach to problem solving and achieving best value. In essence, risk management is not about taking no risks at all. It is about being able to take calculated and controlled risks to improve the services that residents receive. The Risk Management Strategy outlines the framework, responsibilities and accountabilities for the systematic and consistent management of risk across the Council, partnership and collaborative activities.

The objectives of this Strategy are to:

- Identify the scope of risk management;
- Embed and integrate risk management into the culture of the Council;
- Assign roles, responsibilities and accountability for risk management activities within the Council;
- Raise the awareness of the need for risk management by all those connected with the Council's delivery of services;
- Reduce the impact, disruption and loss from an event and reduce where possible the financial impact of risk;
- Enhance realisation of opportunities and resulting benefits;
- Ensure consistency throughout the Council in the management of risk.

These objectives will be achieved by:

- Providing a pragmatic and standardised approach to risk management across the Council;
- Incorporating risk management considerations into all levels of business planning, including project and partnership arrangements;
- Skills training and development for all relevant managers, staff and Members in the effective management of risk;
- Regular monitoring and reporting of risk to identify trends and likely direction of risks for Councillors and Senior Managers to be aware of when making decisions.

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What is Risk Management?

Risk is defined as the "effect of uncertainty on objectives" (ISO 31000). An effect is a positive or negative deviation from what is expected, and that risk is often described by an event, a change in circumstances or a consequence.

Risk management is the process followed to control the level of risk in business and service activities which could impact on the delivery and achievement of corporate priorities, principles and service objectives. In practice, risk management is the ongoing process of identifying threats and opportunities, implementation of measures aimed at reducing the likelihood of them occurring and minimising the impact if they do.

Risk management is a key component of corporate governance in maintaining a strong control environment. Because risk management is about achieving objectives it needs to be integral to the council's decision making and core business processes such as business planning, budgeting and performance reviews.

Everybody manages risk – the Council's risk management framework provides the necessary level of formality to allow risk managers to consider risk systematically as well as demonstrate and communicate what they are doing to manage risk.

Benefits of Risk Management

The following benefits are brought about by effective risk management:
- Achievement of objectives more likely
- Adverse (damaging) events less likely
- Costly re-work and fire fighting reduced
- Capital and resources utilised more efficiently and effectively
- Quality of service improved
- Improved performance (Key Performance Indicators scores)
- Support of better planning
- Help better informed decision making
- Use risk management to support innovation
- More positive outcomes for stakeholders
- Provision of reassurance to stakeholders
- Help protect and enhance the Council's reputation
- Reduction in insurance premiums and claim related losses

Risk Appetite

Risk appetite can be defined as the amount and type of risk an organisation is willing to accept in the pursuit of its objectives.

The council recognises that some level of risk needs to be accepted but it will vary according to the activities undertaken. Escalation and reporting of risk is currently strictly defined within the risk management process but work will be undertaken to strengthen and clarify definition of risk appetite to ensure it reflects acceptable levels of risk across the council's services.

The Council's current risk appetite is defined as moderate (see table below for definitions). This means the Council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, however, also carry a greater level of risk. The Council's preference is for safe delivery options, especially for those services required by statute.

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.

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 overall risk appetite and by corporate priority will be reassessed periodically.

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Roles and Responsibilities

Responsible Body	Role	Monitoring Period
Managing Director	Ultimate responsibility for the council's risk management strategy and its arrangements.	Quarterly
Senior Management Board (SMB)	Identify strategic and service risks during the annual corporate planning cycle. Review and manage risks in accordance with monitoring and reporting requirements. Set risk appetite.	Ongoing/ Quarterly
Elected Members (Audit and Standards Committee)	Monitor the effective development and operation of risk management in the Council. Understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.	Quarterly (in line with committees cycle)
Insurance and Risk Manager	Develop Risk Management Policy and document internal risk policies and structures. Report risks to SMB quarterly highlighting exceptions, cross cutting trends and themes for consideration.	Ongoing
Third Tier Managers	Identify and manage operational service risks. Identify and report changed circumstances/risks. Promote risk aware culture. Implement risk improvement recommendations within service departments.	Ongoing/ Quarterly
All Employees	Understand and implement the risk management process. Report inefficient, unnecessary or unworkable controls. Report incidents and near miss incidents. Co-operate with incident investigations.	Ongoing
Internal Audit Manager	Provide independent assurance of the Council's risk management arrangements, reporting on the efficiency and effectiveness of internal controls. Promote risk management as part of good governance.	Ongoing/ Annual

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Training & Awareness

Risk management training is available via the Council's e-learning platform 'i-learn'. This should form part of the Council's induction process for line managers and other members of staff where appropriate. It may also serve for risk awareness sessions for existing staff.

Training on use of the Council's performance management system InPhase will include management of risks.

Members of the Audit and Standards Committee will be provided with periodic training and awareness regarding risk.

Awareness of the Council's risk management processes should be given as part of the Council's procurement process when tendering for goods and services. Invitations to Tender will require bidding organisations to confirm they will familiarise themselves with and comply with our risk management processes.
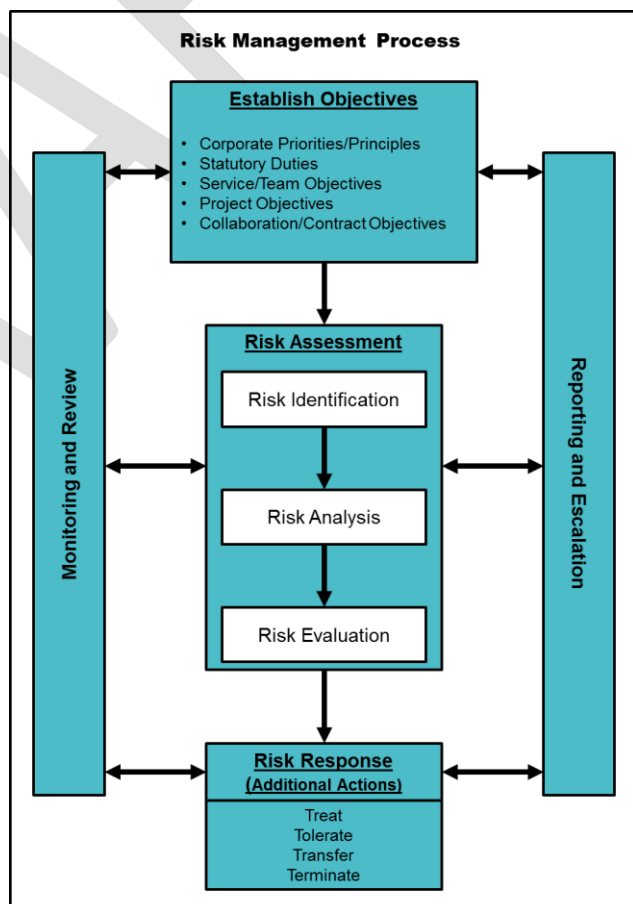
Risk Management Process

Harlow Council's systematic approach to risk management is primarily objective driven and runs in parallel with the Council's corporate, service and team planning process.

The Corporate Plan and ongoing statutory duties set corporate priorities, principles and service objectives. Associated risks are identified, analysed and evaluated.

Risks are reported in accordance with a defined risk escalation process and a proportionate risk response is required to manage risks within risk appetite.

Risks are managed and monitored via the Council's performance system InPhase. Managers should update risk registers on a real time basis. This means updating information about the risk as and when circumstances change as well as on a periodic basis.

Risk Management Process

Establish Objectives
- Corporate Priorities/Principles
- Statutory Duties
- Service/Team Objectives
- Project Objectives
- Collaboration/Contract Objectives

Risk Assessment

Risk Identification

Risk Analysis

Risk Evaluation

Risk Response
(Additional Actions)
Treat
Tolerate
Transfer
Terminate

Monitoring and Review

Reporting and Escalation

6

The full risk management process is:

1. Establish Objectives

The annual corporate planning cycle begins with the development of the Corporate Plan. This outlines the Council's vision, priorities and goals to drive improvement over the coming three years. The corporate goals, underlying principles and statutory duties set the Council's objectives and drive formation of the Service Plans and their objectives.

Contracts and Service Level Agreements (SLA) will set the respective collaboration objectives.

2. Risk Assessment

Risk assessment follows a three stage process:

a. Risk Identification

Risks are identified as events or circumstances which could impact on achievement of objectives. Consideration should be given to the following:
- Have any of the risks previously identified significantly changed or are they still relevant?
- Are there any risks missing from the register?
- Is anything planned over the next 12 months that will give rise to a significant risk?

This process should involve as many of the decision makers as necessary. Logging your risk should take a proportionate amount of time and resource in relation to the magnitude of the risk. Risk owners should avoid logging their risks "just for the sake of it".

The description of risk should always be written as a causal statement "IF", "THEN". This is a critical part of risk management because it demonstrates cause and effect. However, the risk owner should not re-state failure of the objective as the risk.

Example: Objective: To arrive on time this morning. Risk might be described as "IF I oversleep, THEN I may arrive late."

b. Risk Analysis

Analysis sets the context of the risk, identifies the possible reasons why it might arise, the possible impacts, and sets out existing risk controls. The required information is set out as follows:
- Background - In addition to the risk description a short background narrative is required to set the context of the risk in relation to the objectives which may be impacted.
- Inherent likelihood comment – sets out the events or circumstances which will lead to the risk occurring before controls are put in place.

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- Inherent impact comment – describes the impact of the risk before controls are put in place.
- Current controls – Sets out all current risk controls. These might include (but are not limited to) policies, procedures, training, preventative measures such as segregation of duties or restriction of access, or contract arrangements.

c. Risk Evaluation

Each risk is scored by giving likelihood and impact ratings using the risk rating matrix below. The risks are scored in three stages using different assumptions:
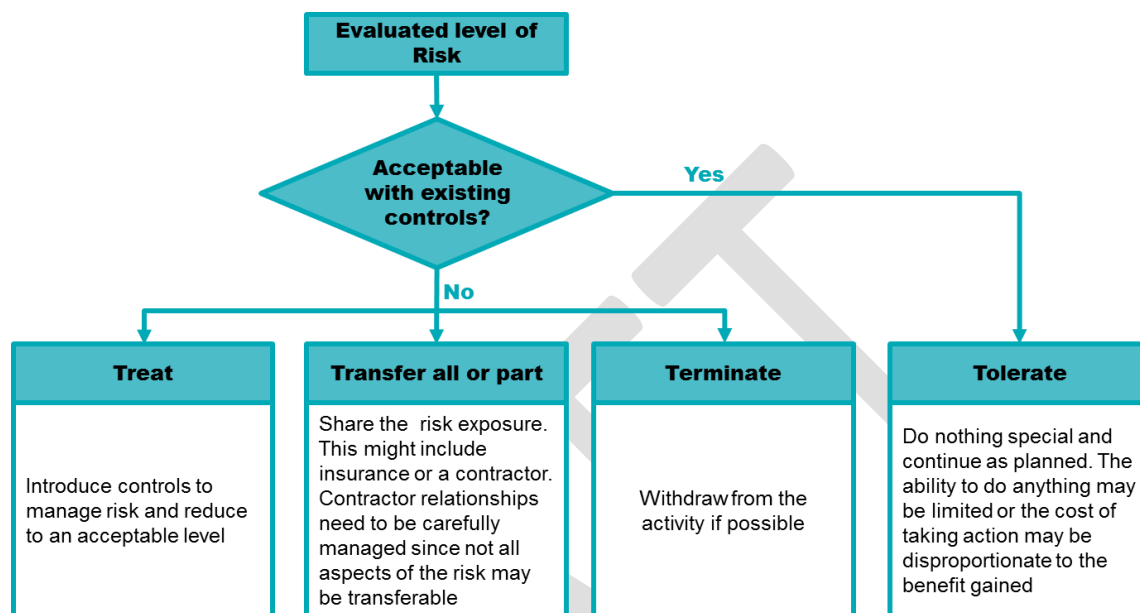
i.   Inherent score - original risk rating before controls
ii.   Residual score – current risk rating with existing controls
iii. Foreseeable score –risk rating after application of specified additional controls - identified under risk response - and influence of external risk factors e.g. economic, political, natural

Likelihood				1	2	3	4	5
Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months.	5		11	16	20	23	25
Likely	75% likely to happen or has happened at least once or twice in the last 12 months.	4		7	12	17	21	24
Moderate	50% likely to happen or happened once or twice in the last 24 months.	3		4	8	13	18	22
Unlikely	20% likely to happen or has happened once or twice in the last 5 years.	2		2	5	9	14	19
Rare	5% likely to happen or hasn't happened within the last 5 years.	1		1	3	6	10	15

Risk Rating Matrix				1	2	3	4	5
				Minimal impact to objective	Adverse effect to objective leading to time or resource issues	Important impact on objective or most of expected benefits.	Extreme adverse impact on objective leading to financial or reputational issues	Complete failure of objective
				Minor slippage	Minor	Moderate	Major	Catastrophic
						Impact		

3. Risk Response

Having evaluated the residual risk, the course of action is determined by the Council's risk appetite. The diagram below outlines the risk response process.

Controls should always be proportional to the risk so that the resource and cost required does not outweigh the benefit of the control.

```
                    ┌──────────────────────┐
                    │  Evaluated level of  │
                    │        Risk          │
                    └──────────────────────┘
                             │
                    ◇─────────────────◇
                    │  Acceptable      │      Yes
                    │  with existing   │───────────────┐
                    │  controls?       │               │
                    ◇─────────────────◇               │
                             │ No                       │
```

Treat	Transfer all or part	Terminate	Tolerate
Introduce controls to manage risk and reduce to an acceptable level	Share the risk exposure. This might include insurance or a contractor. Contractor relationships need to be carefully managed since not all aspects of the risk may be transferable	Withdraw from the activity if possible	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 benefit gained

4. Monitoring and Review

Managing risks is not just about identifying and assessing risks and putting controls in place to mitigate the risks. Risks will constantly change and so a key stage of the risk management process is risk monitoring.
Risks are required to be updated quarterly to align with service planning and performance management monitoring and reporting. It is important that risk registers are kept up to date and accurate as this will form the means by which not only objectives are being monitored but also how risks are being managed.

Monitoring of strategic risks is undertaken by the risk owner with quarterly reviews by the Senior Management Board. Monitoring of service risks should be undertaken through management team meetings. Management should prioritise those risks, concentrating on high risks (red) and medium risks (yellow/amber) but also regularly review actions to ensure low (green) risks are being effectively managed and to identify any emerging risks.

The review of risk registers should consider:

a. Existing Risks

- Are the key risks still relevant?
- Has anything occurred which could impact upon them? E.g. changes in legislation, service delivery
- Are the risk ratings appropriate?

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- Are the controls in place effective?
- If risk scores are increasing what further controls might be needed?
- If risk scores are decreasing can controls be relaxed without adversely affecting likelihood or impact ratings?

b. New Risks

- Has something new happened within the service, project, partnership or contract e.g. contract delivery issue, a new partner organisation to work with, a new project starting, a new or different way of delivering services?
- Has ongoing management review identified, for example, budget pressures, unexpected demand for a service or external factors such as changes in legislation or government policy?

It may be appropriate to close risks. However, when risks are closed from a register, there should be a record of the reasons for this decision and what has happened to the risk.

5. Reporting and Escalation

Reporting of risks should provide senior management and members with assurance that key risk exposures have been identified, assessed and mitigating controls evaluated or implemented. Senior Management Board is accountable for strategic risks and each Head of Service are is accountable for monitoring the risks within their service. Risk information is reported quarterly to the Senior Management Board and regularly to Audit and Standards Committee. Significant risks scoring 20 and above are reported to Cabinet through the quarterly Joint Finance and Performance Report.

Heads of Service are required to report on management of risk and effectiveness of controls within their service areas within their Annual Governance Statement declarations.

6. Future actions

This strategy provides a framework to manage risk. The ongoing challenge is to ensure that risk management is fully embedded and integrated into the council's culture. This will be taken forward as follows:

- Risk appetite will be reassessed to ensure it not only reflects the overall corporate risk appetite but also the risk appetite as it relates to each service.
- Risk management will be further embedded at departmental level.
- Risk culture will be regularly reviewed as part of a risk maturity assessment to document progress and identify further improvements.

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Linking risk to other areas

Below are areas that deserve special note in relation to risks. Each have significant risks associated with them which may have a major impact across the Council. It is very important that risks in these areas are identified, assessed and prioritised.

Business Continuity Management

Business Continuity Management (BCM) is complementary to the risk management framework.

While risk management seeks to manage risk around the key services that the council delivers, service delivery can be disrupted by a wide variety of incidents, many of which are difficult to predict or analyse by cause.

By focusing on the impact of disruption, BCM identifies the services which the council must deliver, and can identify what is required for the council to continue to meet its obligations. Through BCM, the council can recognise what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the council delivers within Harlow. With that recognition, the council can then take a pragmatic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

Health and Safety

The Council has responsibilities under health and safety legislation to ensure the health, safety and welfare at work of employees and other people affected by the Council's business.   Managing health and safety risks is an integral part of business risk management and the management of such risks should not be taken in isolation. Poor health and safety management can have a negative impact on other business risks such as reputation, insurance, business continuity and financial resources.

The effective management of health and safety risks, as with all significant corporate risks, is an essential part of the role of the relevant managers. The organisation and arrangements for managing health and safety within the Council are detailed in the Council's Health and Safety Policy documents.

Information Governance

Legislation such as the General Data Protection Regulation, Freedom of Information Act 2000, Environmental Information Regulations 2004, Human Rights Act 1998, Equality Act 2010 and Privacy and Electronic Communications Regulations 2003 , requires the council to have arrangements in place to manage and protect all information taking into account its security, storage, use, access and retention.

The Council can be subject to regulatory intervention and have fines levied by the Information Commissioner's Office (ICO) where there are failures to comply with relevant legislation.

While the Council has policies in place to address legal requirements, it has recognised the need to improve the council wide understanding of Information Governance and has set up an Information Governance Group (IGG), chaired by the Head of Governance. The group's role is to examine and monitor relevant legislation, advise on compliance and ensure suitable training and awareness to support the delivery of the requirements and legal obligations.

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council transfers risks to an insurance company by contributing a premium. In the event of a financial loss, the Council is entitled to indemnity, subject to policy excesses and other terms and conditions that are in place.

The administration of the Council's insurance arrangements is undertaken by the Insurance Department within Finance. The section provides a comprehensive Insurance service including insurance provisions and other related insurance activities such as processing of claims.

Risk Owner	Inherent Likelihood	Inherent Impact	Controls Already in Place	Residual Likelihood	Residual Impact	Residual Risk Score	Residual Risk Indicator	DoT	Foreseeable Likelihood	Foreseeable Impact	Foreseeable Risk Score	Additional actions to mitigate risk	Last Reviewed
SRFIN02 - Financial Systems Operational Availability													
IF : If the financial systems are not properly supported													
THEN : Then we may lack reliable and efficient reporting													
BACKGROUND : The Council uses Unit 4 Business World (formerly Agresso) accounting software. Expertise is required to enable ongoing support for systems reporting													
Freeman, Simon	Almost Certain (5)	Major (4)	Council has bought in expertise	Likely (4)	Major (4)	21	▲	»	Likely (4)	Major (4)	21	Review of systems support, create and develop skillsets within accountancy service to enable robust and reliable systems reporting	30/09/2018
SRHSG03 - Tackling housing need													
IF : If housing need is not met													
THEN : Then there will be residents who have a lack of housing or are in unsuitable housing conditions													
BACKGROUND : There is a known acute housing shortage of all tenures particularly social housing which results in increased Housing Need Register and overcrowding													
Murray, Andrew	Likely (4)	Major (4)	Allocations Policy and Homelessness Strategy	Likely (4)	Major (4)	21	▲	➡	Almost Certain (5)	Major (4)	23	Partnership working and Government grants to target scarce resources Successful award of additional Government rough sleepers grant to increase the supply of supported housing accomodation	30/09/2018
SRPLC11 - Continue to lobby Central Government to meet the infrastructure requirements of Harlow													
IF : If the key infrastructure needs of the town are not met													
THEN : Then housing growth cannot be delivered													
BACKGROUND : In particular, the Garden Town infrastructure requirements need to be met to ensure a sustainable development that will contribute to the renewal of Harlow													
Cooper, Dianne	Likely (4)	Catastrophic (5)	A Housing Infrastructure Fund bid has been shortlisted by Homes England and a full business case is to be submitted by March 2019	Likely (4)	Catastrophic (5)	24	▲	»	Moderate (3)	Major (4)	18	Further works needs to be done with developers, neighbouring authorities and Government to deliver the growth objectives	30/09/2018

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

Owner: Greer, Jane   Position: Head of Community Wellbeing

Last Reviewed	This risk impacts upon		Major Review Frequency	Next Major Review Date
30/06/2018	■ CP4 - A clean and green environment		Annually	31/03/2019

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, Waste Collection Contract, Street Scene 'contract' with HTS, Landscapes 'contract' with HTS, Town Park regeneration project, NEPP.

	Residual Risk	DoT		Foreseeable Risk	Additional actions to mitigate risk (4Ts)
Risk Rating	14	🟡	✔	9	Devise and implement new project plan for landscape and streetscene maintenance and improvement. Implement actions from resident satisfaction surveys and budget survey, increase transparency, Communications Strategy, (Continue review of scope and spec of services). Delivery of 'Make Harlow Sparkle' project.
Risk Likelihood	Unlikely (2)	★	✔	Unlikely (2)	
Risk Impact	Major (4)	🟧	➡	Moderate (3)	