

AUDIT & STANDARDS COMMITTEE
Wednesday 12 June 2019 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 - 5)

To agree the minutes of the meeting held on 13 March 2019.
4. Matters Arising
5. Written Questions and Petitions
6. Non Contentious Business
7. Committee Work Plan (Pages 6 - 7)
8. Audit and Standards Committee Annual Report 2018/19 (Pages 8 - 15)
9. Internal Audit Annual Report 2018/19 (Pages 16 - 38)
10. Internal Audit Activity Report 2019/20 (Pages 39 - 48)
11. Risk Management Report (Pages 49 - 52)
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**

13 March 2019

7.30 - 8.50 pm

PRESENT

Committee Members

Councillor Stefan Mullard (Chair)
Councillor Jean Clark (Vice-Chair)
Councillor Simon Carter
Councillor Jodi Dunne
Councillor Eddie Johnson
Councillor Chris Vince

Officers

Hannah Criddle, Governance Support Officer
Simon Freeman, Head of Finance and Deputy to the Managing Director
Karen Gardner, Internal Auditor
Simon Hill, Head of Governance
Sarah Marsh, Internal Audit Manager

Also Present

Lisa Clampin, BDO
Councillor Tony Edwards
Francesca Palmer, BDO

43. **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillors Michael Hardware and Shannon Jezzard.

44. **DECLARATIONS OF INTEREST**

Councillors Simon Carter and Chris Vince both declared pecuniary interests in matters related specifically to HTS by virtue as their remuneration as Councillor Directors.

Councillor Stefan Mullard declared a non-pecuniary interest in items 10 and 11 as a member of the Harlow Playhouse Trust.

45. **MINUTES**

RESOLVED that the minutes of the meeting held on 28 November 2018 are agreed as a correct record and signed by the Chair.

46. **MATTERS ARISING**

- a) Minute 39 - Review of Audit & Standards Committee Effectiveness and Terms of Reference

Councillor Carter noted at the previous meeting it was agreed that a task and finish group would be established to look at the appointment of an independent person to the Committee. Councillor Mullard confirmed he would start working on this soon.

47. **WRITTEN QUESTIONS AND PETITIONS**

None.

48. **NON CONTENTIOUS BUSINESS**

None.

49. **COMMITTEE WORK PLAN**

The Committee received its current work plan.

RESOLVED that the work plan is noted.

50. **ANNUAL REPORT ON THE CERTIFICATION OF GRANT CLAIMS AND RETURNS**

The Committee received the annual report on the Certification of Grant Claims and Returns from the previous external auditors, Ernst & Young.

The Committee expressed its thanks to the Revenues and Benefits team for the exceptionally accurate work carried out in the benefit administration.

RESOLVED that:

- A** The Committee noted the report.

51. **EXTERNAL AUDITOR - AUDIT PLAN 2018/19**

The Committee received a report which outlined the rationale behind the proposed annual audit plan, which was set out in Appendix A to the report, and had been planned by BDO, the external auditor.

RESOLVED that:

- A** The Committee noted the report and planned audit work to be undertaken by BDO the Council's new external audit provider.

52. **INTERNAL AUDIT STRATEGY AND PLAN 2019/20**

The Committee received a report proposing the Internal Audit Strategy and Plan for the 2019/20 municipal year.

Members of the Committee considered that the effectiveness and contribution that the Strategy and Plan made, met the criteria within the Council's assurance framework.

RESOLVED that:

A The Internal Audit Strategy and Plan for 2019/20 is approved.

53. **PERIOD 11 INTERNAL AUDIT ACTIVITY REPORT 2018/19**

The Committee received the Period 11 Internal Audit Activity Report which showed the progress being made against the Audit Plan since the last meeting of this Committee.

It was noted that there was a proposal to defer three audits.

RESOLVED that:

A The three audits be deferred as detailed in the report.

54. **AUDIT AND STANDARDS COMMITTEE WORK PLAN AND TRAINING PROGRAMME**

The Committee received its proposed 2019/20 work plan and proposed training programme for Councillors.

RESOLVED that:

A The work plan and training programme for the 2019/20 municipal year are agreed.

55. **RISK MANAGEMENT PROGRESS REPORT**

The Committee received a report on the Risk Management Appetite.

RESOLVED that:

A The Risk Management Appetite as set out in the report is agreed.

B A Risk Maturity Assessment is carried out and the findings are reported back to the Committee during 2019/20.

C A Risk Appetite Framework is established and reported back to the Committee during 2019/20.

56. **REFERENCES FROM OTHER COMMITTEES**

None.

57. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

AUDIT & STANDARDS COMMITTEE WORK PLAN 2019/20

June 2019	
○ Audit and Standards Committee Annual Report 2018/19	Sarah Marsh
○ Internal Audit Annual Report 2018/19	Sarah Marsh
○ Period 2 Internal Audit Activity Report 2019/20	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
July 2019	
○ Annual Governance Statement 2018/19	Simon Freeman
○ Audited Annual Accounts 2017/18	Simon Freeman
○ Management Letter of Representation	External Auditor
○ External Auditors Audit Results Report 2018/19 (ISA 260)	External Auditor
November 2019	
○ Annual Audit Letter	External Auditor
○ Period 8 Internal Audit Activity Report 2019/20	Sarah Marsh
○ Review of Internal Audit Charter	Sarah Marsh
○ Review of Audit & Standards Committee Effectiveness and Terms of Reference	Sarah Marsh
○ Review of Code of Corporate Governance	Sarah Marsh
○ Anti-Fraud and Corruption Strategy	Sarah Marsh
○ Risk Management Progress Report <i>(Min 32, 25/11/15)</i>	Simon Freeman
March 2020	
○ Annual Report on the Certification of Grant Claims and Returns <i>(including fees)</i>	External Auditor
○ External Auditor - Audit Plan 2019/20	External Auditor
○ Internal Audit Strategy and Plan 2020/21	Sarah Marsh
○ Period 11 Internal Audit Activity Report 2019/20	Sarah Marsh

AUDIT & STANDARDS COMMITTEE WORK PLAN 2019/20

○ Internal Audit Compliance with the Public Sector Internal Audit Standards	Sarah Marsh
○ Audit & Standards Committee Work Plan and Training Programme	Sarah Marsh
○ Risk Management Progress Report <i>(Min 32, 25/11/15)</i>	Simon Freeman
Standing Items	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
Unallocated Items	
○ None	
Training Plan	
June 2019	Presentation by external auditors (BDO) on their role.
July 2019	Presentation on John Dyson on how to read financial accounts
November 2019	Fraud Awareness Training
March 2020	Risk Management Training

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **12 JUNE 2019**

TITLE: **AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT**

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

RECOMMENDED that it is recommended to Full Council that:

The Annual Report for the Audit and Standards Committee for 2018/19 be agreed.

BACKGROUND

1. The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in this annual report the Committee supports the Council to maintain a high standard of corporate governance.
2. The Annual Report of the Audit and Standards Committee outlines its work and achievements during the year ending 31 March 2019. The Annual Report helps to demonstrate to residents and the Council's other stakeholders the vital role that the Committee fulfils and the contribution that it makes to the Council's overall governance arrangements.
3. The Audit and Standards Committee role is two-fold:
 - a) Audit - To oversee the Council's internal audit and risk functions; receive and approve external audit reports; scrutinises the Annual Statement of Accounts; make 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.
 - b) Standards - To deal with a range of matters including issues concerning Councillors' conduct, provide advice and guidance to the Council, the Cabinet and individual Councillors and advise on the application and review of the Constitution.
4. Whilst there is no statutory obligation for a local authority to establish an Audit Committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.
5. The key benefits of an effective Audit Committee are to:

- a) increase awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- b) provide additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review;
- c) reduce the risks of illegal or improper acts;
- d) increase public confidence in the objectivity and fairness of financial and other reporting;
- e) contribute to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations; and
- f) reinforce the importance and independence of internal and external audit and similar review processes.

Assurance Activity 2018/19

- 6. To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from the following sources:

Internal Audit

- 7. The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit function which is discharged by the Head of Finance as Section 151 Officer. Internal Audit is a key source of assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.
- 8. The Committee considered and agreed reports regarding the Internal Audit Strategy, Internal Audit Charter and Annual Plan 2018/19. It has also monitored progress made by management in implementing audit recommendations and received regular progress reports on the work and performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance, risk management and internal control in place.

Assurance Framework / Annual Governance Statement

- 9. The Committee's terms of reference include advising on the effectiveness of the Council's assurance framework including the production of the Annual Governance Statement.
- 10. During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. The Assurance

Framework is compiled from various sources of assurance, for instance Heads of Service and other key officers.

11. The Internal Audit Manager provides an annual report and opinion regarding the Council's control framework. This opinion is considered by the Committee alongside other sources of assurance.
12. The Committee reviewed the Annual Governance Statement (AGS) for 2017/18 which identified governance issues requiring further ongoing improvement relating to:
 - a) Compliance with the General Data Protection Regulations; and
 - b) Business Continuity Planning testing regimes.
13. The assurance framework and the Council's Code of Corporate Governance remained unchanged during 2018/19. The Code was reviewed by the Committee in November 2018 ensuring it remained compliant with the CIPFA/SOLACE framework – Delivering Good Governance in Local Government and no changes were required.
14. The Committee was able to be satisfied that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Internal Audit Manager's annual opinion.

Anti-Fraud and Corruption

15. Countering fraud and corruption is the responsibility of every Councillor and Officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud including the work of the Corporate Fraud Group.
16. The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI) and the work of the Housing Fraud Officer.
17. The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.
18. Based on the work to date, coupled with no major incidences of fraud and corruption being highlighted by management or Internal Audit, the Committee concludes that there is a sound anti-fraud framework in place. The Council's Anti-Fraud and Corruption Strategy was reviewed and approved by the Committee in November 2018.

Risk Management

19. The Committee receives and discusses reports relating to risk management. Work continues to enhance monitoring and reporting mechanisms to ensure there is adequate scrutiny and challenge of risk across the Council and aligning this with the service planning process. Committee members are presented with the corporate strategic risk register with a rolling review of individual risks contained within it.
20. At its March 2019 meeting the Committee reviewed and agreed the Council's risk appetite and for a risk maturity assessment to be undertaken in 2019/20. This will allow benchmarking of risk management within the Council against best practice and establish how well risk management as a discipline is embedded and integrated.

Statement of Accounts and External Auditors

21. Following recommendations made by the Constitution Panel, Council at its February 2018 meeting approved that authority was delegated to the Audit and Standards Committee to approve the Annual Governance Statement and the Annual Statement of Accounts for 2017/18. In addition, approval was given to amend the Constitution so that the Chair of the Audit and Standards Committee, rather than the Leader of the Council, was given authority to sign both of these key documents off. This was undertaken to achieve the much shorter timescales for signing off the Statement of Accounts (moving from the end of September to the end of July) as required by Government in the Accounts and Audit Regulations 2015.
22. At its September 2018 meeting the Committee reviewed and approved the Council's Statement of Accounts for 2018/19.
23. During the year the Committee received a number of reports from the External Auditors Ernst & Young LLP (EY) who attended most meetings. These reports include the Audit Results Report 2017/18, Annual Audit Letter 2017/18 and Certification of Claims and Returns annual report 2017/18.
24. In March 2019 the Committee met with the Council's new external audit provider, BDO, and noted their planned audit work to be undertaken relating to the 2018/19 Annual Statement of Accounts.
25. When reviewing the reports the Committee considered audit risks highlighted by the External Auditors.

Committee Working Arrangements

26. The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities and risks. The Committee considered items which are presented annually, such as audit results, the statement of accounts, the annual governance statement, and audit plans; as well as a number of other

items including a review of the Audit and Standards Committee's terms of reference.

27. Training sessions have been held before most Committee meetings and the agreed work programme enables the Committee to provide an independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment. Training provided in 2018/19, open to all Councillors, included assurance frameworks, information governance, financial statements and the role of Internal Audit.
28. In November 2018 the Committee undertook its own effectiveness review and reviewed its Terms of Reference, the results of which concluded its Terms of Reference were still fit for purpose and the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee. Some minor areas for improvement were identified being:
 - a) Review of Audit Committee membership as 2018 CIPFA guidance asks local Councils to consider the inclusion of at least one independent member;
 - b) Repeat the skills and knowledge analysis as this was last undertaken by the Committee in September 2017; and
 - c) Considers whether the Committee could be more effective in supporting accountability if there is greater engagement with Officers.
29. Members of the Committee have a wide range of both experience and professional knowledge. The Committee has the benefit of being well supported by Council Officers. This included the Head of Finance, who is also the Section 151 Officer, the Council's Monitoring Officer, and the Internal Audit Manager as well as the Council's external auditors.
30. No major breakdowns in internal control, governance and risk management that have led to a significant loss in one form or another, have been recorded or reported. Nor has any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk.
31. The purpose, strategy and work programme of the Committee mitigates against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:
 - a) An effective risk management framework and internal control environment including audit;
 - b) The effectiveness of financial and non-financial performance (to the extent that it affects exposure to risk and poor internal control); and
 - c) The compilation and consideration of the Annual Governance Statement.

Outcomes and Achievements

32. Through its work, the Committee's main outcome is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.
33. The Committee has added value through its activity and in particular:
- a) It has continued to increase the importance placed upon governance issues, particularly risk management, anti-fraud and corruption and the assurances sought that key risks are being mitigated; and
 - b) It has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.

Conclusions

34. The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability and the delivery of Audit and a robust assurance framework. The Committee has received and challenged reports from management and both internal and external audit.
35. The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

Looking Forward

36. The Committee has continued to work well and has considered a wide range of different topics relating to the Council's governance framework. It has continued to establish and develop its role, particularly in respect of ensuring that there are good risk assessment/management arrangements and good governance procedures in place.
37. Stricter internal control and the establishment of a Committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, the Committee will continue to raise awareness of the need for internal control and the implementation of audit recommendations as well as to maintain a watching brief on the areas highlighted in the Annual Governance Statement. In addition, through a process of independent and objective reviews, the Committee is best placed to provide an additional assurance as the adequacy of the Council's overall governance arrangements.
38. The Committee has performed its duties as required under its terms of reference, contributing to an effective control framework. In order to build upon its achievements to date and to raise awareness of the work of the Committee during the coming year the Committee will focus on the following:

- a) Continue to review governance arrangements to ensure that the Council adopts best practice;
- b) Continue to support the work of audit (external and internal) and ensure that appropriate responses are provided to their recommendations;
- c) Continue to help the Council manage the risk of fraud and corruption;
- d) Provide effective challenge, particularly to officers, raising awareness of the importance of sound internal control arrangements and giving the appropriate assurances to the Council;
- e) Consider the effectiveness of the Council's risk management arrangements.
- f) Provide existing and new members to the Committee with relevant training, briefings etc. to help in discharging their responsibilities.

IMPLICATIONS

Place (Includes Sustainability)

None specific.

Author: Jane Greer, Head of Community Wellbeing on behalf of Graeme Bloomer, Head of Place

Finance (Includes ICT)

There are no financial implications and no direct risk management implications arising from the recommendations.

Author: Simon Freeman, Head of Finance and Deputy to the Managing Director

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)

There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report the Audit Committee helps the Council to maintain a high standard of corporate governance.

Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, internal controls and risk as set out in the Accounts and Audit (England) Regulations 2015.

Author: Simon Hill, Head of Governance

Appendices

None.

Background Papers

None.

Glossary/abbreviations used

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

SOLACE – The Society of Local Authority Chief Executives

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **12 JUNE 2019**

TITLE: **INTERNAL AUDIT ANNUAL REPORT 2018/19**

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

RECOMMENDED that:

The Internal Audit Annual report and the Internal Audit Manager's opinion be noted and is considered in conjunction with the Annual Governance Statement 2018/19.

BACKGROUND

1. This document summarises the results of internal audit work during 2018/19 and, as required by the Accounts and Audit (England) Regulations 2015, gives an overall opinion of the Council's governance, risk management and control framework.
2. The Internal Audit Manager is required to provide the Council and the Managing Director with a statement on the adequacy and effectiveness of the organisation's risk management, control and governance processes.
3. In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is a reasonable assurance there are no major weaknesses in the Council's risk management, control and governance processes.
4. In assessing the level of assurance to be given, the Internal Audit Manager has taken into account:
 - a) All reviews completed during the year
 - b) Any follow up actions taken in respect of audits from previous periods
 - c) High priority recommendations not accepted by management or acted upon (there were none) and any associated risks
 - d) The effect of any significant changes in the Council's objectives, activities or systems
 - e) Matters arising from previous reports to the Audit and Standards Committee
 - f) Whether any limitations have been placed on the scope of Internal Audit (there have not been any)
 - g) The extent to which resources constraints may impinge upon the Internal

Audit Manager's ability to meet the full audit needs of the Council (there have been none)

- h) What proportion of the Council's audit need has been covered to date
 - i) The results of work performed by other assurance providers including the work of the External Auditors
5. The Internal Audit Manager is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Council's risk management, control and governance processes to be drawn.
 6. Based upon the results of work undertaken during the year, it is the Internal Audit Manager's overall opinion that the Council has in place adequate and effective governance, risk management arrangements and control processes. Where there have been significant issues these have been accepted by Management and promptly corrected.
 7. This report outlines the work undertaken by Internal Audit during the 2018/19 year and covering the period 1 April 2018 to 31 March 2019.
 8. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of these arrangements.
 9. Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
 - a) the opinion
 - b) a summary of the work that supports the opinion
 - c) a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.
 10. The primary role of Internal Audit is to provide assurance to the Council (management, Heads of Service and the Audit and Standards Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Internal Audit Work During 2018/19

11. The 2018/19 Internal Audit Plan was presented to and agreed by the Audit and Standards Committee in March 2018. The plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:
 - a) knowledge and experience accumulated in Internal Audit, including the results of previous reviews
 - b) a review of audit themes against the Corporate risk register and Council priorities
 - c) the work of other assurance providers both internally and externally
 - d) the external environment including economic climate, government initiatives such as welfare reform and changes in funding
 - e) harmonisation of themes with Borough of Broxbourne Council and Epping Forest District Council to enable benchmarking and sharing of good practice.
12. The plan was designed to allow sufficient audit coverage to support the overall opinion for the Council and whilst there were some variations to the plan during the year, which were reported and approved by the Audit and Standards Committee, there has still been sufficient internal audit coverage in order to give this opinion.
13. At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:
 - a) 'Substantial' assurance – Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure
 - b) 'Moderate' assurance - Basically sound control, with areas of weakness, which put system/service objectives at risk. (Any high priority recommendations will prevent this level of assessment)
 - c) 'Limited' assurance – There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk
 - d) 'No' assurance – There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

Summary of Assurance Work

14. A total of 12 audit reports were issued as part of the 2018/19 Plan, with all of these being assurance reviews. The moderate and limited assurance reports these tend to relate to a specific area rather than represent a breakdown of controls across the Council. The table below provides a comparison between the 2018/19 and previous three financial years:

Table 1: Assurance Report Comparison

Assurance rating	2018/19	2017/18	2016/17	2015/16
Substantial	6	2	7	9
Moderate	4	6	6	4
Limited	2	0	1	1
No	0	0	0	0
TOTAL	12	8	14	14

15. The number of reports issued in 2017/18 has decreased when compared with other years and was a result of Internal Audit undertaking more advisory work during 2017/18 than originally anticipated. It is not an indication that the Council's control framework has deteriorated.

16. Appendix A sets out work carried out by Internal Audit during the year in narrative form and compares this to the original plan agreed by Audit and Standards Committee in March 2018. This summary includes individual audit reviews, investigations, consultancy and advice and other internal audit engagement activities with the Council.

17. It is important that the work of Internal Audit is aligned with the strategies, objectives and risks of the organisation. This is set out in the Audit Strategy and Audit Plan which the Audit and Standards Committee receive each March. Appendix B lists the individual audit reports issued as part of the 2018/19 Plan with their assurance rating and number of recommendations made by risk priority.

Tracker Progress

18. Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories are linked to risk and, in order of priority, are rated 'high', 'medium' and 'low'.

19. Reports on progress of the management implementation of agreed recommendations are actively monitored by the Senior Management Board. The Audit and Standards Committee receives a report of all overdue recommendations plus any fundamental recommendations from final reports issued, regardless whether they are overdue or not.

20. The process continues to work well and there are no significant issues to report regarding the implementation of audit recommendations.

Other Sources of Assurance

21. The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.

22. Special investigations: Internal Audit investigates any allegations of fraud and suspected irregularity. There are separate arrangements for reporting, investigating and dealing with benefits fraud. A record is maintained of all reported and alleged fraud and theft with a summary reported annually to the Audit and Standards Committee. For 2018/19 there were no significant (estimated at more than £10,000) investigations by Internal Audit into suspected fraud.

23. Advice: Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit sitting on key business groups which in 2018/19 included:

- a) Corporate Governance Group
- b) IT Operations Board
- c) Information Governance Group

24. In addition, Internal Audit raises awareness of control issues throughout the Council particularly through the update of key governance documents and the co-ordination and analysis of service assurance statements which feeds into the Annual Governance Statement.

25. Anti-Fraud and Corruption work: Harlow Council participates in the National Fraud Initiative which is a data matching exercise run annually by the Cabinet Office. The exercise seeks to identify fraud spanning public bodies and Internal Audit is the key point of contact and facilitates and supports the Council's involvement.

26. Internal Audit continues to be an active member of the Corporate Fraud Group, sharing good practice seen elsewhere and helping to deliver anti-fraud initiatives which supports the Council's anti-fraud and corruption strategy which was approved at the November 2018 Audit and Standards Committee.

Effectiveness

27. In line with good practice, the Internal Audit service should on an annual basis ensure it is compliant with the 2017 Public Sector Internal Audit Standards

(PSIAS), notifying the Audit and Standards Committee of any areas of non-compliance.

28. Following an external assessment the service was confirmed as fully compliant in November 2016 and this is still the case as there have been no significant changes in the way the Internal Audit service is delivered or operates, and the Internal Audit Manager has not taken on any additional responsibilities that could compromise the service's independence and objectivity.

29. Performance indicators are in place to monitor service performance and reported at each Audit and Standards Committee with a summary for the year presented below with a comparison with last years' results. The amount of time to obtain management responses has been brought to Senior Management Board's attention:

Table 2: Performance Indicator Summary

Aspect of Service	Performance Indicator	Target	Year End 2018/19	Year End 2017/18
Audit Plan	<ul style="list-style-type: none"> Achievement of the annual Plan 	<ul style="list-style-type: none"> Sufficient internal audit work in order that the Internal Audit Manager can give their annual opinion. 	<ul style="list-style-type: none"> Achieved 	<ul style="list-style-type: none"> Achieved
Internal Audit processes	<ul style="list-style-type: none"> Issue of draft report after closing meeting 	<ul style="list-style-type: none"> Within 10 working days 	<ul style="list-style-type: none"> 6 days 	<ul style="list-style-type: none"> 4 days
	<ul style="list-style-type: none"> Issue of final report after agreement with client to draft 	<ul style="list-style-type: none"> Within 5 working days 	<ul style="list-style-type: none"> 4 days 	<ul style="list-style-type: none"> 5 days
Effective management engagement	<ul style="list-style-type: none"> Management responses within 10 working days of draft report 	<ul style="list-style-type: none"> 10 working days 	<ul style="list-style-type: none"> 19 days * 	<ul style="list-style-type: none"> 11 days
	<ul style="list-style-type: none"> Implementation of agreed audit recommendations 	<ul style="list-style-type: none"> Within agreed timescales 	<ul style="list-style-type: none"> Largely met (as reported by tracker) 	<ul style="list-style-type: none"> Largely met (as reported by tracker)
Continuous	<ul style="list-style-type: none"> Auditors 	<ul style="list-style-type: none"> 40 hours of 	<ul style="list-style-type: none"> Target for 	<ul style="list-style-type: none"> Not

Professional Development (CPD)	maintain and improve their knowledge, skills and other competencies through directed and self-directed activities	CPD activity per auditor	2018/19 achieved.	reported, as new PI for 2018/19
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* The reason for the increase is due to delays because of the Christmas break and managers agreeing a suitable resolution with Internal Audit for the more complex or wider reaching recommendations.

30. Internal Audit staff participate in Continuous Professional Development including keeping abreast of best professional practice. Members of the Internal Audit team participate in various networking groups including the Essex Audit Group, the Midland Audit Group and the London Audit Group, where speakers on topical issues give presentations. There are also close working relationships with other councils.

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 results of this report and the Internal Audit Manager's overall opinion provide sources of assurance for the Annual Governance Statement **Author: Simon Freeman, Head of Finance and Deputy to the Managing Director**

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 review ensures that the Council fulfils the requirements of the Accounts & Audit Regulations (England) 2015.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Internal Audit 2018/19 Outcomes
Appendix B – Audit Report Monitoring 2018/19

Background Papers

Public Sector Internal Auditing Standards (PSIAS) 2017
Accounts and Audit Regulations (England) 2015

Glossary/abbreviations used

None

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
Corporate Framework				
<p>Governance & Probity</p> <p>The corporate priorities are underpinned by sound leadership, management of resources, and governance</p>	<p>The Council's governance framework underpins everything it does; therefore, robust arrangements are key in managing this risk.</p>	<p>Harlow Trading Services (HTS) – strategic governance audit: we will build on the previous year's HTS audits to ensure robust governance arrangements are in place and that potential conflict of interests with significant partners are being well managed</p> <p>Member of the Corporate Governance Group</p>	<p>HTS Strategic Governance: The governance arrangements for HTS (Property and Environment) consist of its Articles of Association, a Scheme of Delegation, and a Business Plan and were found to be fit for purpose and working well in practice. The Council's interests are protected by way of the Shareholder Sub-Committee. Overall, the Committee is fulfilling its role; however, there are a number of opportunities for it to become more strategically focused. For example, by receiving reports from other assurance providers (such as Internal Audit), ensuring it is not too focused on operational issues and considering an away day/session with the HTS Board to explore growth opportunities.</p> <p>Active Member of the Corporate Governance Group, which meets monthly.</p>	<p>HTS Strategic Governance – substantial assurance</p>
<p>Fraud</p> <p>Proactive fraud</p>	<p>CR01 (Financial resilience) - any loss through</p>	<p>Member of the Corporate Fraud Group. Oversee the</p>	<p>Member of the Corporate Fraud Group, which meets quarterly. This group oversees the</p>	<p>Completed for 2018/19</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
work	fraud is a drain on resources which, in turn, reduces the amounts available for service delivery.	<p>delivery of the Council's anti-fraud and corruption action plan.</p> <p>Potential for fraud considered in all audits. Co-ordinate National Fraud Initiative data matching process.</p>	<p>Council's action plan that co-ordinates the Council's approach and activities that complements the Council's anti-fraud and corruption strategy, which was updated in November 2018.</p> <p>IA continued in year work regarding the National Fraud Initiative</p> <p>Four special investigations were undertaken by Internal Audit, two of which were referred to HR for further investigation under the Council's disciplinary procedure. There was no evidence of fraudulent or illegal activity with the other two investigations, the results of which were fed back to the whistleblower who had raised concerns.</p>	
Assurance Framework incl. Risk Management and support to Audit Committee	Risk in achieving corporate priorities as these are underpinned by sound leadership, management of resources, and governance.	<p>Co-ordination of year-end assurance reporting, including the Annual Governance Statement.</p> <p>Assistance to Head of Finance and the Insurance and Risk Manager in enhancing and embedding the</p>	IA drove the annual review each service undertakes regarding the effectiveness of its governance, risk management and internal control arrangements. Findings and key themes/common issues were reported to the Corporate Governance Group and fed into the Annual Governance	Completed

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
		<p>Council's risk management framework.</p> <p>Support and training to the Audit Committee.</p>	<p>Statement process.</p> <p>IA continues to provide advice and good practice as the Council embeds risk management through its performance management system, InPhase.</p> <p>IA has developed a training programme for the Audit and Standards Committee, as well as providing training opportunities in neighbouring councils. Topics have assurance frameworks, Information Governance and the role of Internal Audit.</p>	
<p>Information Management and Governance -</p> <p>Data protection and security. Data sets, owners and protocols.</p> <p>Governance and data sharing.</p> <p>Training and awareness</p>	<p>CR08 Information Governance and Data Compliance: Breach of data protection and other legislation related risks which could lead to significant fines and reputational damage.</p>	<p>General Data Protection Regulation compliance (GDPR): GDPR came into effect 25 May 2018. IA will work with the Council's Data Protection Officer to help ensure compliance across the Council.</p>	<p>Internal Audit continued as part of the GDPR project team, which, after 25 May 2018, morphed into the officer Information Governance Group. This is chaired by the Head of Governance and includes both the DPO and Internal Audit as members.</p> <p>In addition, for a sample of audits IA completed a GDPR checklist and found overall these areas were generally GDPR compliant. Any control weaknesses or areas for improvement have been fed</p>	<p>Completed for 2018/19</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
			back to the DPO.	
Performance Management: Data integrity & quality (collection, collation, analysis and validation). Use of performance targets	Risk of non-achievement of corporate priorities and lack of transparency.	HTS related performance indicators: The suitability and integrity of Performance Indicators (PIs) considered within operational audits, including reliance on third party data.	HTS related performance indicators: This was covered in the housing repairs audit – see later on No concerns identified regarding performance indicators examined in other audits including housing repairs, leaseholders and complaints.	Completed
Value for Money (VfM) - Guiding principle of the Council	VfM helps the Council manage its corporate risk CR01 on financial resilience.	2018/19 introduces a suite of short/sharp audits driven by data analytics e.g. spend analysis, inventories and payroll. Continue the small Officer group looking at spend analysis across the Council. VfM is always considered within operational audits.	Data analytics was used in the purchase card report, as reported later on under contingency. VfM was considered within operational audits (in terms of the 3Es – economy, efficiency and effectiveness). Areas for improvement in terms of the 3Es identified in a number of audits including IT Asset Management, software licencing, housing rents and purchase cards.	Completed
Joint Working, Shared Services, Outsourcing and Partnerships	On corporate risk register: CR06 - Lack of resources and capacity, Council and key partners.	Harlow Trading Services (Property and Environment Ltd): Through our 2018/19 audit programme we will assess how HTS arrangements are working in practice	Covered in the HTS Strategic Governance and housing repairs audit.	Completed

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
<p>Projects</p> <p>Business case, project methodology, governance arrangements, contract management and viability</p>	<p>Poor project management increases the risk of projects not being delivered on time, to budget or does not meet the needs of the Council.</p>	<p>Capital projects programme: Will take into account the revised project management methodology being developed within InPhase.</p> <p>Time set aside each year to examine a sample of projects.</p>	<p>Capital projects programme: The Audit and Standards Committee approved the deferral of this audit to allow time for the revised corporate project methodology to take effect.</p> <p>A sample of projects were examined in the Customer Services Review audit, see later on.</p>	<p>Completed</p>
<p>Contingency</p>	<p>Annual provision for responsive work, special investigations and/or key/emerging risk areas</p>	<p>Will take into account themes/issues coming out of the Annual Governance Statement.</p>	<p>Purchase cards – this audit was requested by the Head of Finance following concerns in this area. The audit found a 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. Although there was a lack of accountability, lack of spend analysis and challenge at a corporate level there was no evidence of fraud.</p>	<p>Purchase cards – Limited assurance</p>
<p>Themed/cross cutting audits</p>				
<p>Procurement</p> <p>Themed audits - compliance, VfM,</p>	<p>Risks include non-compliance with legislation, fraud, not</p>	<p>Contractual arrangements within Housing: This audit relates to contracts</p>	<p>Housing (contractual arrangements): Audit started and findings will be reported as part of the 2019/20 Audit Plan.</p>	<p>Housing (contractual arrangements) - to be reported as part of the 2019/20 Audit Plan</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
fraud, goods and services. End to end processes (need, selection, appointment, contract management & exit strategies)	achieving value for money, poor service delivery.	outside of HTS and includes the Council's arrangements with Savills.	In addition, a small number of contracts were examined as part of the special investigations undertaken by Internal Audit. Overall, these had been let in line with the Council's Contract Standing Orders.	
Health & Safety	Risk of compromising the health and safety of individuals and non-compliance with H&S legislation leading to fines or imprisonment.	Asbestos Management: will ensure there is a joined up process for both housing and non-housing properties	The Council's asbestos management plan is reviewed annually to ensure it is up to date. Housing and non-domestic asset movements, acquisitions and disposals records are updated on a periodic basis to ensure the records of properties requiring asbestos surveys are up to date. There are robust procedures in place to take action in incidents where asbestos containing materials are damaged and released. Asbestos awareness training is delivered where appropriate.	Asbestos Management - Substantial assurance
Business Continuity Planning (bcp)	Without adequate bcp the Council could fail to deliver its services in the event of significant incident.	Business Continuity Planning (BCP): Will assess progress being made to align and maintain business continuity and IT disaster recovery plans	Internal Audit retained oversight of BCP through regular discussions with key Officers, reporting back to the Corporate Governance Group.	Completed for 2018/19

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
<p>Key Financial Controls (KFC)</p> <p>Four-year rolling programme of full system and key control audits (unless significant change in process/system or poor audit outcome)</p>	<p>CR01 (Financial resilience)</p>	<p>Housing Rents</p>	<p>The Housing Rents system has effective controls in place over setting up new tenants, daily uploads of the cash receipting file, current tenant arrears, write offs and performance monitoring.</p> <p>Notwithstanding this, the audit identified that Former Tenant Arrears are not regularly pursued by the Housing Section due to capacity issues. Instead, priority is given to maintaining control and collecting current arrears, in order to minimise risk that these will become uncollectable.</p>	<p>Housing rents – Substantial assurance over the controls and processes in relation to the collection of housing rents income. Moderate assurance regarding Former Tenant Arrears as these remain high and reflect future plans to consider the future resources allocated to collection.</p>
<p>Income Streams</p> <p><i>Management of resources features in the corporate plan</i></p>	<p>To ensure financial resilience the Council needs to protect and maximise its income streams</p>	<p>Commercial rents: will examine how leases are set up and rental income is monitored to ensure there are effective and efficient processes in place being a key source of income for the Council.</p>	<p>Commercial rents: The Audit and Standards Committee agreed the deferral of this audit because of competing priorities with other Internal Audit work. In addition, there were no significant concerns regarding this area.</p> <p>During the year Internal Audit has monitored the level of under and over adjustments within the cash office as this has been an issue in past years. As for last year, the level of unders and overs remains very low.</p>	<p>Commercial rents audit deferred to 2019/20</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
<p>IT Audits: IT Governance, IT Regulation, Security/Privacy, Business Systems, DRP/BCP, Network, Emerging Technologies e.g. mobile devices, IT Applications and Projects</p>	<p>CR08 Information Governance and Data Compliance: Risks around data and asset security and loss of service. Opportunity for IT to be an enabler for delivering the Council's priorities.</p>	<p>A specialist IT Auditor will be brought in for more technical audits. In 2018/19 we will make sure the Council is making good use of its IT assets and software licences</p>	<p>IT Asset Management: A clear framework of responsibility is in place for the acquisition, receipt, deployment and disposal of IT Assets. Efficiencies could be achieved by making departments responsible for verifying and reconciliation of their own assets with ICT undertaking spot checks to confirm accuracy. Need to ensure the Council's four year replacement programme is formalized in the Council's IT Strategy.</p> <p>Software licencing: Area is well managed and regular reconciliations are made to other systems to ensure that usage can be accounted for, with a pro-active review undertaken to resolve any specific licensing issues. Need to develop a software management policy to advise service departments of the correct procedure to be followed in managing, utilising, and procuring software; ensuing corporate consistency is achieved. Plus enhance reporting of application and software management to support further investigation</p>	<p>IT Asset Management – Moderate assurance</p> <p>Software licencing - Substantial assurance</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
			prior to renewal of licenses.	
Operational/service audits				
Housing: Housing Management Property Services Housing Needs and Options Sheltered Housing Area Housing Home Ownership	CR03 - Lack of Suitable Housing Mix CR04 - Lack of adequate Council housing	Housing repairs: Was carried forward from 2017/18 as new processes being developed following transfer of services to HTS. Leaseholders: Completion of the audit started end of 2017/18	Housing repairs: There are robust governance and scrutiny arrangements in place to monitor the performance of responsive repairs. Known weaknesses with current repairs performance indicators will be picked up as part of the Council's Best value review. Leaseholders: There are rigorous processes, including adequate documentary evidence, to support leaseholder service charge calculations, and the methodology employed for apportioning costs complies with the lease agreements, legislation and Council policy. Robust debt monitoring and recovery processes, carried out in line with Council policy, maximise leaseholder service charge income for the Council. As part of the three-year best value review of the HTS contract, the Annual Service Charge allocation model should be revisited and, based on actual HTS costs, so there is a more realistic allocation of leaseholder service charges.	Housing repairs – Moderate assurance Leaseholders - Substantial assurance

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
<p>Community Wellbeing: Community Safety Community, Leisure and Culture Customer & Media Services Youth & Citizenship</p>	<p>CR05 - Inability to fulfil Community Leadership role</p> <p>CR07 - Ability to support children and family aspirations</p>	<p>Customer Services Review: Customer will assess progress against the action plan and will link with the complaints audit.</p> <p>Complaints: Last audit 14/15</p> <p>Safeguarding: Completion of the audit started end 2017/18</p>	<p>Customer Services Review: The Review needs to be revisited to ensure it reflects the current direction of the Council. The Action Plan should be clear on the overall outcomes it wants from its Customer Services Review by ensuring there are SMART objectives and measurable benefits. The Customer Services Board should ensure that appropriate project management methodology is in place for all projects for which it is responsible to ensure their successful delivery.</p> <p>Complaints: Robust process in place for recording and processing complaints. The complaints procedure is clear and readily accessible on the Council's public website. Complaints procedure works appropriately as supported by the low number of complaints that have been escalated to Local Government Ombudsman within the past three years, and an even lower number upheld by them.</p> <p>Safeguarding: The Council has an up to date Safeguarding</p>	<p>Customer Services Review – Moderate assurance</p> <p>Complaints – Substantial assurance</p> <p>Safeguarding – Limited assurance</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
			<p>Policy and key staff are aware of their responsibilities in this area. The main concern of the audit was the lack mandatory training for all staff on safeguarding. This had been on hold for over one year whilst a new e-learning platform was introduced, and is being re-introduced. Risk Registers relating to safeguarding have recently been updated and as a result of the 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.</p>	
Regeneration and Enterprise Zone	<p>CR02 - The Harlow Offer</p> <p>CR06 - Lack of Resources and Capacity, Council and key partners</p>	<p>Economic Development: Will examine the Council's approach to this, ensuring there is a joined up approach in achieving the Council's objectives, both internally and externally.</p>	<p>The Council has a clear vision for economic development supported by an approved five year strategy. Action plans need to be developed to ensure the wide range of activities undertaken to deliver these are coordinated and prioritised as some actions are undertaken by other Council departments and external parties.</p>	<p>Economic Development – Moderate assurance (subject to management agreement)</p>
Place: Properties, facilities & projects Properties &	<p>CR06 - Lack of Resources and Capacity, Council and key</p>	<p>Planning and Building Control</p> <p>Oversight of on-boarding</p>	<p>Planning and Building Control – deferral was agreed with the Audit and Standards Committee to allow time for the vacant</p>	<p>Planning and Building Control audit deferred to 2019/20</p>

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
estates Operations, energy & emergency planning Planning & Building Control Environmental Health Licensing Street Scene	partners	arrangements for replacement waste and recycling contract.	Planning and Building Control Manager post to be recruited to. IA met regularly with the project lead to ascertain progress being made regarding the new waste contract	
Governance: Corporate & Governance Support Legal Services Electoral Services Human Resources Procurement & Relationship (covered elsewhere in the plan) Policy & Performance (covered under performance management)	Risk of corporate priorities not being met should these service areas fail to deliver.	HR – starters, movers and leavers: Will be based on analytical review as detailed under the VfM section.	Fieldwork in progress and findings will be reported as part of the 2019/20 Audit Plan	To be reported as part of the 2019/20 Audit Plan
Finance: Revenues & Benefits (covered under KFC audits)	CR01 (Financial resilience)	Covered in other audits	Covered under IT audits	.Completed for 2018/19

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
ICT (covered elsewhere in the plan) Accountancy (see also KFC audits) Insurance				
Follow Up Audits Review of progress against recommendations on the tracker	Tracker process ensures risks identified in audits have been managed to an acceptable level.	Includes specific follow up work especially where Limited assurance previously given. Includes maintaining the recommendation tracker, which is reported at each Audit and Standards Committee	Implementation of all recommendations continues to be scrutinised as part of the tracker process. Recommendations made in previous reports are routinely followed up when the audit is next undertaken, for example purchase cards, asbestos management and housing rents. Playhouse Follow Up (cash handling): In October 2017 Internal Audit issued a moderate assurance report on the Playhouse. Internal Audit returned to the Playhouse 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. Since the follow up audit controls have been tighten up and the number and value of errors when reconciling takings	.Completed for 2018/19

Audit Area and Context	Corporate Risks	Proposed outline/scope	Year End position	Status/assurance
			(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.	

**Appendix B - Audit Plan Monitoring 2018-19
Year End**

	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
Leaseholders	Housing	10	Final report	■	■	■	Substantial	0	1	0
HTS - strategic governance	Housing	10	Final report	■	■	■	Substantial	0	1	1
Asbestos Management	Housing	15	Final report	■	■	■	Substantial	0	0	5
IT - software licences	Finance	10	Final report	■	■	■	Substantial	0	1	1
Complaints	Community wellbeing	12	Final report	■	■	■	Substantial	0	2	0
Key Financial Control - Housing rents	Housing	15	Final report	■	■	■	Substantial/Moderate	0	3	0
IT Asset Management	Finance	10	Final report	■	■	■	Moderate	0	1	4
Customer services review	Community wellbeing	10	Final report	■	■	■	Moderate	0	2	1
Purchase cards (new audit)	Finance	15	Final report	■	■	■	Limited	2	5	0
Safeguarding	Community Wellbeing	10	Final report	■	■	■	Limited	1	2	1
Playhouse follow up (cash handling)	Community Wellbeing	5	Final report	■	■	■	n/a	0	2	0
Economic Development	Community Wellbeing	15	Draft report	■	■		Moderate	0	3	0
Housing Repairs	Housing	15	Draft report	■	■		Moderate	0	5	0
Human Resources - starters, leavers and movers	Governance	10	In progress	■						
Contractual arrangements (Housing)	Housing	20	In progress	■						
Totals				15	13	11		3	28	13
Deferral (approved by the Audit and Standards Committee)										
Income - commercial rents	Place	15								
Planning and building control	Place	10								
Capital projects programme	Finance	15								

Key

HTS - Harlow Trading Services

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **12 JUNE 2019**

TITLE: **INTERNAL AUDIT ACTIVITY REPORT**

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

RECOMMENDED that:

- A** The Committee reviews the outcomes of the work of the Internal Audit service for the period April to June 2019 and identifies any issues for further consideration.

BACKGROUND

Progress Against Audit Plan

1. The Council's audit plan for 2018/19 has been completed and sufficient work has been undertaken in order for the Internal Audit Manager to give their annual report and assurance opinion which is reported elsewhere in the agenda.
2. Work has commenced on the 2019/20 Audit Plan, as set out in Appendix A, which includes a new audit regarding Harlow Trading Services (Property and Environment) Ltd (HTS) and their compliance with the General Data Protection Regulations. Audit timings have been agreed with the Senior Management Board to ensure a steady flow of reports throughout the year.

Internal Audit Reports

3. Three final reports have been issued since the Committee received its last update in November 2018:

a) Asbestos Management – substantial assurance

An up to date asbestos management plan and a programme of works for asbestos management surveys are in place for housing and non-domestic properties. There is effective communication of the asbestos management policy and asbestos information on the Council's website for officer and public view.

Housing and non-domestic asset movements, acquisitions and disposals records are updated on a periodic basis to ensure the records of properties requiring asbestos surveys are up to date. Whilst records are updated there is no formal reconciliation carried out to ensure that the list of housing and non-domestic assets is complete and accurate.

Asbestos management data is held in spreadsheets and therefore the accuracy and integrity of data more difficult to control. An asbestos database

to record and monitor all asbestos survey data and removal works would be ideal, but would come at a price. Whilst quality checks on asbestos surveys and removal works documentation are completed, checks on asbestos removal works should be formally recorded.

There are robust procedures in place to take action in incidents where asbestos containing materials are damaged and released. Asbestos awareness training is delivered to appropriate Council and HTS staff.

b) Complaints – substantial assurance

The Council currently operates a three stage complaints process with a robust process in place for recording and processing complaints via a central database, AchieveService. The complaints procedure is clear and readily accessible on the Council's website for public view.

The Council's complaints procedure works well as supported by the low number of complaints (20) that have been escalated to Local Government Ombudsman (LGO) within the past three years by a complainant. It is equally supported by an even lower number of complaints (three) that were upheld by the Local Government Ombudsman in the same period. The last complaint that was upheld was in 2016/17.

Stage one complaints are dealt with by third tier managers and accompanied by their teams. Stage two complaints are dealt with by the Head of Service. Stage three complaints are dealt with by the Managing Director and supported by the service. Consideration should be given to moving to a two stage complaints process to streamline the process. This would also be in line with many other district councils.

Lessons learnt are being captured in a three question questionnaire. This questionnaire is for officers who upheld or partially upheld a complaint. The officer that is dealing with the complaint cannot close it unless the questionnaire is completed. Lessons learnt are being captured, in line with good practice, but more needs to be done in order that the Council can demonstrate it is learning from these.

c) Customer Services Review – Moderate assurance

The Customer Service Review needs to be revisited to ensure it reflects the current direction of the Council. The Action Plan should be clear on the overall outcomes it wants from its Customer Services Review by ensuring there are SMART objectives and measurable benefits.

The Customer Services Board should continue to oversee delivery of the Action Plan through regular monitoring of a programme of projects, some of which may be outside their direct control (such as the Council's telephony project). The Board should ensure that appropriate project management methodology is in place for all projects for which it is responsible to ensure their successful delivery.

Ongoing Audit Work

4. A number of assignments in the 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:
 - i) Information Governance: At its May meeting the Information Governance Group continued work on a draft Information Governance strategy and framework for the Council. The Group also reviewed the Council's data breach log, which had two new entries since their last meeting in February. These were due to human error, therefore, a staff awareness campaign is being instigated.
 - ii) Corporate Fraud: Internal Audit also sits on the Corporate Fraud Group, which notes the success of the Tenancy Fraud Officer since being post May 2018:
 - 177 tenancy checks completed
 - 20 properties recovered
 - Due to fraud 8 applicants have been removed from the Housing Register and 3 applicants have had their housing allocation banding changed
 - 3 Right to Buys have either been cancelled or had a household member refused due to non-occupancy.
5. Since the pan Essex data matching service went live in May 2017, Revenues and Benefits has investigated 1,524 data discrepancies, 234 of which are currently ongoing. This has made savings of £166,487 in Council Tax discounts claimed. This matching takes place on a monthly basis. The service is currently reviewing the 1,280 matches from the National Fraud Initiative (NFI) which is a two yearly national exercise and has identified to date one fraud and one error, amounting to £500 in savings.

Recommendation Tracker

6. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not.
7. The current tracker, set out in Appendix B, contains eight recommendations which have passed their due date. A comparison with previous periods is outlined in the table below:

Table One – Tracker Comparison

Recommendation Priority	Number (as at June 2019)	Number (as at March 2019)	Number (as at Nov 2018)	Number (as at June 2018)
High - not yet due	0	0	0	1
High - passed due date	0	1	1	0
Medium - passed due date	5	5	5	12
Low - passed due date	3	2	2	4
TOTAL	8	8	8	17

8. The previous high level recommendation related to the HTS payment mechanism audit and the need to undertake a fundamental review of performance indicators. This is being undertaken through the Best Value review, which is being led by the Head of Governance, and takes into consideration the outcomes of internal audit's work.

IMPLICATIONS

Place (Includes Sustainability)

None specific.

Author: Jane Greer, Head of Community Wellbeing

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 and Deputy to the Managing Director

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: Simon Hill, Head of Governance

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker

Background Papers

None.

Glossary of Terms

HTS – Harlow Trading Services (Property and Environment) Ltd

LGO – Local Government Ombudsman

NFI – National Fraud Initiative

**Appendix A - Audit Plan Monitoring 2019/20
June 2019**

	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
Completion of 18/19 Audit Plan (as informed to March 19 Audit and Standards Committee)										
HR Starters, leavers and movers	Governance	5	In progress	■						
Contractual arrangement (Housing)	Housing	20	Scoping							
Quarter 1										
HTS (P&E) Ltd - GDPR compliance (new audit)	Corporate	10	In progress	■						
Conflicts of Interest (staff and Members)	Governance	10	Scoping							
Commercial Rents	Place	15								
Quarter 2										
Leah Manning Centre	Community Wellbeing	25								
Change and patch management	Finance	10								
Quarter 3										
Key Financial Control - Treasury Management	Finance	12								
Key Financial Control - Fixed Assets	Finance	12								
Business Continuity Planning	Corporate	10								
Corporate H&S framework	Corporate	15								
Harlow and Gilston Garden Town	Place	12								
Planned maintenance and major works	Housing	15								
HTS and Public Contract Regulations (part of the planned maintenance audit)	Housing	0								
Quarter 4										
Data retention and disposals	Corporate	20								
Homelessness	Housing	15								
Purchase cards	Finance	15								
Capital projects programme	Finance	15								
Parks, landscapes and Streetscene	Place	15								
Not a specific audit										
Advice and guidance for the new HR system	Governance	3								
Totals				2	0	0		0	0	0

Key

HTS (P&E) - Harlow Trading Services (Property and Environment)
GDPR -General Data Protection Regulations

Internal Audit Recommendation Tracker (Overdue)

Last Updated: 16 May 2019

Appendix B

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 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. Kier Harlow/(HTS) - Assistant Solicitor/ Head of Governance	(HTS) - Assistant Solicitor/ Head of Governance	01/02/17	25/05/18 31/01/19 31/03/19 01/06/19	<p>May to Oct 2017: Information sharing processes and policies being reviewed. HTS need to appoint a DPO and have privacy notices etc. in place. A meeting to be held with HTS to go through the data they receive and process to determine if they are data controllers or data processors.</p> <p>Feb 18 to May 18: Data sharing mapping commenced and terms and conditions for Data Sharing agreements drafted. There is a data sharing protocol on the infonet which is to be used as a template for all contracts that process personal data.</p> <p>Oct 18: A draft variation deed for the Services Agreement between the Council and HTS is now in final form containing all GDPR Information Sharing obligations between the Parties.</p> <p>Mar 19: The Variation Deed for the Services Agreement is now complete; no further action required for the formal contract by the Council's legal team. Draft data sharing protocols have been prepared.</p> <p>May 19: Concluded operational discussions to get a better understanding of the data shared between HDC & HTS. The information on data shared between HDC and HTS completed and will now be used to populate the ROPA and the Information Sharing Protocol by the end of May 2019. IA note – rec will be closed when a copy of signed protocol is received</p>	Overdue

Internal Audit Recommendation Tracker (Overdue)

Last Updated: 16 May 2019

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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
Playhouse (2017/18) October 2017 46	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 update accordingly.	Technical and Projects Manager Community, Leisure and Cultural Services Manager	30/11/17 01/04/18	30/12/18 31/01/19 30/04/19 31/07/19	Feb / 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. Feb 19: The Community, Leisure and Cultural Services Manager and the Playhouse Director are working together to procure an Insurance consultant to complete the inventory. May 19: A quote for an inventory of playhouse assets has been undertaken on 14/05/19. Once received and agreed work will then proceed as soon as possible	Overdue
Purchase Cards (2018/19) October 2018	3.1	Policies are required to clarify the Council's approach for: <ul style="list-style-type: none"> the provision of hotel accommodation, the provision of employee uniform and subsistence and hotel allowance claims. 	Medium	Policies related to allowances , including those referred to within this audit are being reviewed or drafted as a suite of documents which will be presented to SMB by 30/12/18	HR Manager/ Head of Governance	30/12/18	30/04/19 30/09/19	Mar 19: New Head of Governance commenced in January 2019. Draft completed for review of HoS and SMB, recommendation by HR Manager accepted by SMB to expand coverage of policy to include "business travel" and mileage rates within the policy. For appropriate consultation with SMB/TU before implementation. May 19: Instruction from SMB to include rates for allowances as part of the overall review committed to by organisation and for consultation, as appropriate with trade union.	Overdue

Internal Audit Recommendation Tracker (Overdue)

Last Updated: 16 May 2019

Appendix B

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
Software Licensing (2018/19) December 2018	1	A Software Management policy should be developed and distributed accordingly.	Medium	A Software Management Policy will be developed and distributed to all staff	Senior ICT Manager	28/02/19	31/03/19 30/06/19	Mar 19: A Software Management Policy is being developed and will be distributed as part of the updated Information Security Policy and Acceptable Terms of Use by 31/03/19. May 19: This is currently in draft format to go to the ICT Operations Board and Information Governance Group.	Overdue
IT Asset Management (2018/19) December 2018 47	1	The ICT Strategy should be updated and the four-year replacement strategy confirmed within it, approved and adopted	Medium	The ICT Strategy will be updated to include IT equipment life-cycle and the replacements strategy.	Senior ICT Manager	31/03/19	30/06/19	May 19: This is being included in the ICT Strategy which is in draft format.	Overdue
IT Asset Management (2018/19) December 2018	4 & 5	An annual asset to inventory reconciliation process be introduced to confirm the numbers of IT assets within departments. ICT may then undertake a compliance check on a sample basis Consideration be given to making departments responsible for the verification of the assets and locations, with IT, then undertaking a small sample test.	Low	This will be discussed with the Senior Management Board as to the practicalities and risks that this may introduce.	Senior ICT Manager	31/01/19	31/03/19 30/06/19	Mar 19 and May 19: This still needs to be discussed with the Senior Management Board	Overdue

Internal Audit Recommendation Tracker (Overdue)

Last Updated: 16 May 2019

Appendix B

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
Safeguarding 2018/19 February 2019	4	Request that the Council's Whistle blowing document be updated as required.	Low	The HR Manager and the Head of Governance has this in hand. The policy is being updated and will be presented to Unions and Senior Management Board.	HR Manager (Head of Governance)	31/03/19	30/06/19	May 19: In progress. A revised whistleblowing policy has been approved by the Corporate Governance Group	Overdue
Asbestos Management 2018/19 April 2019	5	To record the review dates on the asbestos management policy and update the policy published on the Council's website	Low	Policy will be reviewed and updated where necessary.	Housing Asset and Business Systems Manager	30/04/19	30/06/19	May 19: Current policy is being reviewed in its entirety to simplify and align the format with the Council's preferred format. Review dates will be added to the cover page and the revised document will be uploaded to the Council's website as soon as the review is completed.	Overdue

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **12 JUNE 2019**

TITLE: **RISK MANAGEMENT REPORT**

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

RECOMMENDED that:

A The Committee reviews the Corporate Risk Register as set out in the report.

BACKGROUND

1. The Audit and Standards Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management within the Council.
2. The Council's Risk Management Strategy agreed by the Committee in November 2018 states that the responsibility of the Audit and Standards Committee is to:
 - a) Monitor the effective development and operation of risk management in the Council.
 - b) Understand, scrutinise, and endorse the Council's risk management strategy and monitor the Council's risk appetite.

CORPORATE RISK REGISTER

3. To facilitate understanding of the Council's key risks, the Corporate Risk Register is reported to the Audit and Standards Committee for scrutiny and challenge.
4. The Corporate Risk Register is reviewed on a quarterly basis by the Senior Management Board (SMB). Any cross-cutting or strategic risks contained in the Service Plan will also be monitored.

SUMMARY OF KEY RISKS

5. Corporate risks scoring 18 or higher are reported to SMB and are identified in the Corporate Risk Register which can be seen at Appendix A.
6. Risks scoring 20 or higher will be reported to Cabinet as part of the regular Joint Finance and Performance Report (JFPR). As at 31 March 2019 there were no risks falling in to this category.

7. Moving forward and with the development of the In Phase performance and risk software it is anticipated that Service risks will also be available for reporting in a similar way.

IMPLICATIONS

Place (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Project Director – Enterprise Zone and Interim Head of Planning

Finance (Includes ICT)

None specific.

Author: Simon Freeman, Head of Finance and Deputy to the Managing Director

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 considered Corporate Risk Register enables the Council to understand and manage the risks that are inherent to the work undertaken and could have the greatest impact. Regular monitoring by the Committee ensures accountability and that those risks are regularly captured and reported on.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Corporate Risk Register

Glossary of Terms

JFPR – Joint Finance Performance Report

SMB – Senior Management Board

Appendix A - Strategic Risks with Residual Risk Score between 18 and 25

Inherent Likelihood	Inherent Impact	Residual Likelihood	Residual Impact	Residual Risk Score	Residual Risk Indicator	DoT	Foreseeable Likelihood	Foreseeable Impact	Foreseeable Risk Score
CR01 - Financial resilience									
Risk Owner : Freeman, Simon									
Last Reviewed : 31/03/2019									
IF : If a sustainable budget is not secured									
THEN : Then the Council will lack financial resilience									
BACKGROUND : The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk. In addition uncertainty exists in respect of the Government's plans for local government funding reform and business rates retention.									
Likely (4)	Major (4)	Moderate (3)	Major (4)	18		➡	Moderate (3)	Moderate (3)	13
CONTROLS ALREADY IN PLACE : Development of the Council's MTFs and the detailed planning of future budgets is now undertaken early in the financial year and is an on-going process rather than an annual review and is linked with the monthly Budget Monitoring process. The council has approved a three year MTFP which reflects that there are very small projected budget gaps over the period 2019/20 – 2021/22 subject to the outcomes of the anticipated Government funding review.									
ADDITIONAL ACTIONS TO MITIGATE RISK : Whilst the pressures generated in the Council's grant income are largely driven by Government policy the financial situation continues to be monitored at a high frequency. The Administration will continue to be provided with detailed financial information and will be appropriately supported in reaching decisions upon how these financial challenges can be faced.									
CR02 - The Harlow Offer									
Risk Owner : Greer, Jane									
Last Reviewed : 31/03/2019									
IF : If the Harlow Offer is poor									
THEN : Then the town will fail to attract new or retain current businesses									
BACKGROUND : A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination. The Harlow Offer is key to retaining and attracting new investment in to the town									
Likely (4)	Major (4)	Moderate (3)	Major (4)	18		➡	Moderate (3)	Moderate (3)	13
CONTROLS ALREADY IN PLACE : Infrastructure plan (incl M11/J7A). Town centre improvements. Housing mix. Enterprise Zone delivery lead. Economic Development Strategy. Project to promote the Harlow opportunity commenced late 2017.									
ADDITIONAL ACTIONS TO MITIGATE RISK : Continued work with ECC to deliver road and transport infrastructure improvements. Develop forward plan for improving transport infrastructure in Harlow. Take forward EZ skills plan to support development of a skilled workforce. Town Centre public realm improvements.									
CR05 - Inability to fulfill Community Leadership role									
Risk Owner : Greer, Jane									
Last Reviewed : 31/03/2019									
IF : If the Council is unable to fulfil its community leadership role									
THEN : Then partnering and strategic opportunities may be lost, impacting on strategic plans and the future of discretionary services									
BACKGROUND : Discretionary services are dependent upon the Council's community leadership role which relies to some extent on co-production and co-operation of other agencies and organisations									
Moderate (3)	Major (4)	Moderate (3)	Major (4)	18		➡	Unlikely (2)	Moderate (3)	9
CONTROLS ALREADY IN PLACE : Health and Wellbeing Strategy, Safer Harlow Partnership, Regeneration Strategy									

Inherent Likelihood	Inherent Impact	Residual Likelihood	Residual Impact	Residual Risk Score	Residual Risk Indicator	DoT	Foreseeable Likelihood	Foreseeable Impact	Foreseeable Risk Score
ADDITIONAL ACTIONS TO MITIGATE RISK : Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Mental Health Strategy.									
CR08 - Information Governance and Data Compliance									
Risk Owner : Hill, Simon									
Last Reviewed : 31/03/2019									
IF : If the Council does not adopt a holistic response to data and information governance									
THEN : Then it may be unable to demonstrate statutory compliance									
BACKGROUND : The Council is working towards an Information Governance Framework to ensure information is dealt with efficiently, effectively and lawfully. The framework will allow oversight of policies and procedures required for compliance with GDPR/Data Protection legislation, Freedom of Information Act (FOIA) and Environmental Information Regulations (EIR) regimes and the anticipated Electronic Data Protection Regulations (EDPR)									
Almost Certain (5)	Major (4)	Moderate (3)	Major (4)	18	■	➔	Moderate (3)	Major (4)	18
CONTROLS ALREADY IN PLACE : Corporate FOI and EIR policies are effective. The GDPR officer working group completed policy reviews, staff and Member training and continues to advise on compliance. The statutory Data Protection Officer oversees compliance and reports serious breaches while sharing good practice and learning points and will continue to embed best practice. Permanent Data Protection Officer appointed. Information Governance Group initiated.									
ADDITIONAL ACTIONS TO MITIGATE RISK : Information Governance Group convene terms of reference and reporting mechanisms will include a rolling programme of policy and procedure reviews for data processing and sharing. Undertake Data Impact Assessments as necessary. Refresh training once framework approved – both general awareness for staff generally and specific expert training where appropriate.									