

**AUDIT & STANDARDS COMMITTEE**  
**Wednesday 24 November 2021 at 7.30pm**  
**Council Chamber - Civic Centre**

**AGENDA**

1. Apologies for Absence and Substitutions

2. Declarations of Interest

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

3. Minutes (Pages 2 - 4)

Minutes of the meeting held on 16 June 2021.

4. Matters Arising

5. Written Questions and Petitions

6. Non Contentious Business

7. Committee Work Plan (Pages 5 - 6)

8. Auditor Appointment (Pages 7 - 34)

9. Review of Audit and Standards Committee Effectiveness and Terms of Reference (Pages 35 - 50)

10. External Quality Assurance of Internal Audit against the Public Sector Internal Audit Standards (Pages 51 - 73)

11. Period 8 Internal Audit Activity Report 2021/22 (Pages 74 - 123)

12. Risk Management Progress Report (Pages 124 - 129)

13. References from other Committees

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

14. Matters of Urgent Business

To deal with any matters of an urgent nature.

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

16 June 2021

7.30 - 9.02 pm

**PRESENT**

**Committee Members**

Councillor Eddie Johnson (Chair)  
Councillor Colleen Morrison (Vice-Chair)  
Councillor Simon Carter  
Councillor Jean Clark  
Councillor James Leppard  
Councillor Chris Vince  
Councillor Gareth Williams

**Officers**

Hannah Criddle, Governance Support Officer  
Natalie Hook, Senior Auditor  
Simon Freeman, Head of Finance and Deputy to the Chief Executive  
Sarah Marsh, Internal Audit Manager  
Stuart Moseley, Senior Insurance Officer

**1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillors Jodi Dunne and Matthew Saggers. Councillor Gareth Williams attended as a substitute for Councillor Matthew Saggers.

**2. DECLARATIONS OF INTEREST**

None.

**3. MINUTES**

**RESOLVED** that the minutes of the meeting held on 3 March 2021 are agreed as a correct record and signed by the Chair.

**4. MATTERS ARISING**

None.

**5. WRITTEN QUESTIONS AND PETITIONS**

None.

6. **NON CONTENTIOUS BUSINESS**

None.

7. **AUDITED ANNUAL ACCOUNT 2018/19**

A note was circulated to the Committee before the meeting to confirm that the Council's External Auditors had requested that item 8 on the agenda, the External Auditors Audit Results Report 2018/19 (ISA 260), be withdrawn from the agenda. As a consequence, it would not be practical to consider item 7 on the agenda, Audited Annual Account 2018/19, therefore this was also withdrawn from the agenda.

8. **EXTERNAL AUDITORS AUDIT RESULTS REPORT 2018/19 (ISA 260)**

This item was withdrawn from the agenda.

9. **AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2020/21**

The Committee received its annual report, which outlined its activities during the last municipal year.

**RESOLVED** that the Committee recommends that the Annual Report for the Audit and Standards Committee for 2020/21 be referred to Full Council for approval.

10. **INTERNAL AUDIT ANNUAL REPORT 2020**

The Committee received the Internal Audit Team's annual report, which summarised the results of the internal audit work they had undertaken during the year ending 31 March 2021, and included an overall opinion of the Council's governance, risk management and control framework.

**RESOLVED** that the Committee noted the report.

11. **ANNUAL GOVERNANCE STATEMENT 2020/21**

The Committee received the Annual Governance Statement for 2020/21.

**RESOLVED** that the Committee noted the report.

12. **PERIOD 2 INTERNAL AUDIT ACTIVITY REPORT 2020/21**

The Committee received the latest Internal Audit Activity report and reviewed the work undertaken by the Internal Audit Team since the last report received by this Committee.

The Committee requested that Simon Hill, Head of Governance, was invited to the next meeting to provide an update on the complaints procedure which is included within the tracker.

**RESOLVED** that the report is noted.

13. **RISK MANAGEMENT PROGRESS REPORT**

The Committee received a Risk Management Progress Report.

**RESOLVED that:**

- A** The Committee noted the Strategic Risks and risk scores as at 31 March 2021
- B** The Committee noted variations between residual risk scores and agreed risk appetite threshold levels together with current and future risk controls

14. **COMMITTEE WORK PLAN**

The Committee received its current work plan. Simon Freeman confirmed that work plan would be updated to include the 2018/19 Accounts going to Committee in July 2021, the 2019/20 Accounts in November 2021 and the 2020/21 Accounts in March 2022.

**RESOLVED** that the work plan is noted.

15. **REFERENCES FROM OTHER COMMITTEES**

None.

16. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

# **AUDIT & STANDARDS COMMITTEE WORK PLAN 2021/22**

<b>24 November 2021</b>	
○ Auditor Appointment	Simon Freeman
○ Review of Audit & Standards Committee Effectiveness and Terms of Reference	Sarah Marsh
○ External Quality Assurance of Internal Audit against the Public Sector Internal Audit Standards	Sarah Marsh
○ Period 8 Internal Audit Activity Report 2021/22	Sarah Marsh
○ Review of Internal Audit Charter	Sarah Marsh
○ Review of Code of Corporate Governance	Sarah Marsh
○ Review of Anti-Fraud and Corruption Strategy	Sarah Marsh
○ Review of Regulation of Investigatory Powers Act 2000 (RIPA) Policy 2021	Simon Hill
○ Risk Management Progress Report	Simon Freeman
<b>02 March 2022</b>	
○ Annual Report on the Certification of Grant Claims and Returns ( <i>including fees</i> )	External Auditor
○ External Auditor - Audit Plan 2022/23	External Auditor
○ Internal Audit Strategy and Plan 2022/23	Sarah Marsh
○ Period 11 Internal Audit Activity Report 2021/22	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
○ Audit and Standards Committee Work Plan and Training Programme 2022/23	Sarah Marsh
<b>Standing Items</b>	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
<b>Unallocated Items</b>	
○ Audited Annual Accounts 2018/19, 2019/20 and 2020/21	Simon Freeman
○ External Auditors Audit Results Report 2018/19 (ISA 260), 2019/20 and 2020/21	
○ Management Letter of Representation 2018/19, 2019/20 and 2020/21	

# **AUDIT & STANDARDS COMMITTEE WORK PLAN 2021/22**

<b>Training Plan</b>	<b>Topic</b>
24 November 2021- starts 6.45pm ahead of the Committee meeting	Information governance
02 March 2022- starts 6.45pm ahead of the Committee meeting	The role of Audit Committee and Internal Audit

**REPORT TO:** **AUDIT & STANDARDS COMMITTEE**

**DATE:** **24 NOVEMBER 2021**

**TITLE:** **AUDITORS APPOINTMENT**

**LEAD OFFICER:** **SIMON FREEMAN, DEPUTY CHIEF  
EXECUTIVE AND DIRECTOR OF FINANCE  
(01279) 446228**

**RECOMMENDED that:**

- A** The Audit & Standards Committee recommends to Council that Harlow Council participates in the national procurement process led by Public Sector Audit Appointments Limited (PSAA) for the appointment of its external auditors.
- B** Subject to the agreement of recommendation A, the Audit and Standards Committee recommends to Council that delegated authority be granted to the Director of Finance, as the Council's statutory officer under Section 151 of the Local Government Act 1972 to formally give notice of the Council's intention to opt in to the PSAA procurement exercise.

**BACKGROUND**

1. In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.
2. As a result, new legislation was developed and the Local Audit and Accountability Act 2014 received royal assent on 30 January 2014. The Act enabled the Government to close the Audit Commission on 31 March 2015.
3. Responsibility for management of the existing appointments was transferred to Public Sector Audit Appointments Limited (PSAA) under transitional arrangements. PSAA is an independent company established by the Local Government Association (LGA) for this purpose.

**ISSUES/PROPOSALS**

4. The current arrangements for the delivery of the Council's external independent audit work will end once the audits for the 2022/23 financial year are complete. However, under section 7 of the Act arrangements for the appointment of the new audit contract for the 2023/24 financial year must be in place no later than December 2022. The current contract, let through the PSAA procurement exercise is operated by BDO LLP.

5. Under the Local Audit and Accountability Act 2014, the Council has a number of choices for the appointment of its auditors going forward:
  - a) Undertake our own auditor procurement and appointment exercise.
  - b) Undertake a joint procurement and appointment exercise with other authorities.
  - c) Join the PSAA sector led national scheme.
6. To enable a direct or joint procurement to be undertaken it would first be necessary for the Council to establish an independent Auditor Panel. The functions of the auditor panel are set out in Local Audit and Accountability Act 2014 and also the Local Audit (Auditor Panel) Regulations 2014 (the Auditor Panel Regulations) Essentially the regulations set out the responsibilities of the panel as being to advise the authority on:
  - a) The selection and appointment of the auditor
  - b) Whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy.
  - c) Any proposal by the authority to enter into a liability limitation agreement (see chapter 7 for more information on this)
  - d) Maintaining an independent relationship with its auditor
  - e) The outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.

If the council was successful in achieving viable panel appointments the panel itself would then take responsibility for the full procurement and appointment process for the new audit appointments effective from the 2023/24 financial year.

7. Opting to undertake independent procurement and appointment either solely or jointly is likely to be very difficult to achieve and will take significant time and resources to progress. Indications are that for the very small number of authorities that have sought to undertake their own procurement responses from the sector have been very poor or simply there have been no interested parties willing to tender. The audit firms that are able to tender in any procurement process are required to be included on the Local Auditor Register along with their key partners who have met the eligibility criteria. However, the approved auditors are essentially the seven large firms that will be focussed on the PSSA tender process and it is extremely unlikely that they will consider any specific tender process run independently by individual or joint local authorities.
8. Given the timescales and the difficulties of opting to procure as an independent authority the option to choose to join the sector led procurement

through the PSAA is likely to be the most cost effective and efficient route for the Council to adopt as it did in 2017.

9. PSAA formally contacted all authorities on 22 September 2021 setting out their prospectus for the national scheme. The letter and the Prospectus are attached to this report as Appendix A and B respectively. The letter invited authorities to opt in to the PSAA lead national procurement in accordance with the Local Audit (Appointing Person) Regulations 2015 (the Regulations). To opt in to the process the council must formally notify PSAA no later than 11 March 2022 that it wishes to do so by way of completion of a form of notice of acceptance included as Appendix C to this report for information.
10. The decision to opt in to the sector led body procurement can only be made under the Regulations as a result of the decision being taken by “the members of an authority meeting as a whole” or effectively a meeting of Council.
11. The Audit and Standards Committee is therefore asked to consider the content of this report and appendices and to recommend to Council that the PSAA route is accepted. This will enable the Council to formally opt in to the procurement run by the sector led body for the purposes of appointing its external auditors from 2023/24.
12. The Council will not incur a fee for the procurement exercise through PSAA however there will be costs associated with the running of the contracts once appointed that will be recovered by PSAA through the Audit Scale Fees charged to councils participating in the scheme.
13. PSAA have prepared an information leaflet and a Frequently Asked Questions document for prospective councils wishing to opt in both of which are attached to this report for information.

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific

**Author:** Andrew Bramidge, Director of Strategic Growth and Regeneration

### **Finance (Includes ICT and Property and Facilities)**

The Council must put in place adequate arrangements to secure the appointment of its external audit service. The recommendations and content of this report set out proposals to ensure that these requirements are met.

**Author:** Simon Freeman, Deputy to the Chief Executive and Director of Finance

**Housing**

None specific

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

**Community Wellbeing (includes Equalities and Social Inclusion)**

None specific

**Author: Jane Greer, Director of Communities and Environment.**

**Governance (includes HR)**

The Local Audit and Accountability Act 2014 sets out the arrangements for the audit of local authorities. This report sets out the recommended option for securing the services of an external audit provider from 2023/24 onwards.

**Author: Simon Hill, Director of Governance and Corporate Support**

**Appendices**

Appendix A – Harlow District Council Invitation

Appendix B – PSAA Prospectus

Appendix C – Harlow District Council Notice of Acceptance

**Background Papers**

Developing the option of a national scheme for local auditor appointments Public Sector Audit Appointments – A Prospectus August 2016  
Appointing Persons FAQ's – PSAA October 2016

**Glossary of terms/abbreviations used**

DCLG - Department for Communities and Local Government

LGA – Local Government Authority

PSAA – Public Sector Audit Appointments Limited

22 September 2021

To: Mr Keane, Chief Executive  
Harlow District Council

Copied to: Mr Freeman, S151 Officer  
Councillor Johnson, Chair of Audit Committee or equivalent

Dear Mr Keane,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme

## **Why accepting the national scheme opt-in invitation is the best solution**

### **Public Sector Audit Appointments Limited (PSAA)**

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### **The national scheme for appointing local auditors**

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### **What the appointing person scheme from 2023 will offer**

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

## **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

## **Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

## **Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).



# PROSPECTUS

## The national scheme for local auditor appointments

All eligible bodies

September 2021

[www.psaa.co.uk](http://www.psaa.co.uk)

## About PSAA

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.

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# Introduction

PSAA has issued its formal invitation to all eligible bodies to opt into the national scheme for local auditor appointments for the second appointing period, which will provide external audit arrangements for the period commencing from the financial year 2023/24.

This prospectus is published to provide details of the national scheme and to assist eligible bodies in deciding whether or not to accept PSAA's invitation. The scheme has been shaped by [your feedback to the June 2021 consultation](#) on our draft prospectus. The key areas of our approach that have been refined in response to consultation feedback are set out later in this prospectus.

In relation to appointing auditors, eligible bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, i.e. in Full Council, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision must be taken by the holder of that office.

An eligible body that has decided to join the scheme must inform PSAA by returning the Form of Acceptance Notice (issued with the opt-in invitation) **no later than midnight on Friday 11 March 2022**.

An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023. In accordance with the regulations, as the appointing person, PSAA must: consider a request to join its scheme; agree to the request unless it has reasonable grounds for refusing it; and notify the eligible body within four weeks of its decision with an explanation if the request is refused. Where the request is accepted, PSAA may recover its reasonable costs for making arrangements to appoint a local auditor from the opted-in body.

## Audit does matter

The purpose of audit is to provide an independent opinion on the truth and fairness of the financial statements, whether they have been properly prepared and to report on certain other requirements. In relation to local audit the auditor has a number of distinctive duties including assessing the arrangements in place to deliver value for money, and dealing with electors' objections and issuing public interest reports.

Good quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

*"The LGA set up PSAA to provide a way for councils to meet the legislative requirements of audit procurement without unnecessary bureaucracy and to provide leverage for councils by collaborating in a difficult market. It is now more important than ever that councils work together to ensure we get what we need from the audit market."*

*James Jamieson. Chairman of the Local Government Association*

## Context: changes in the audit market

In 2014 when the Local Audit and Accountability Act received Royal Assent the audit market was relatively stable. In 2017 PSAA benefitted from that continuing stability. Our initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result, we were able to enter into long term contracts with five experienced and respected firms and to make auditor appointments to all bodies. However, although we did not know it at the time, this was the calm before the storm.

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the Government commissioned four independent reviews, all of which have subsequently reported:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

In total the four reviews set out more than 170 recommendations which are now at various stages of consideration by Government with the clear implication that a series of significant reforms could follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.

By the time firms were conducting 2018/19 local audits, the measures which they were putting in place were clearly visible in response to a more focused regulator that was determined to achieve change. In order to deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain higher levels of assurance. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) - a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements, and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.

This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.

2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. The timeliness problem is extremely troubling. It creates disruption and reputational damage for affected parties. There are no easy solutions, and so it is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality. PSAA is fully committed to do all it can to contribute to achieving that goal.

Delayed opinions are not the only consequence of the regulatory drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been received than in prior years and audit costs have increased.

None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where, for example, increased fees and disappointing responses to tender invitations have been experienced during the past two years.

All of this paints a picture of an audit industry under enormous pressure, and of a local audit system which is experiencing its share of the strain and instability as impacts cascade down to the frontline of individual audits. We highlight some of the initiatives which we have taken to try to manage through this troubled post-2018 audit era in this prospectus.

We look forward to the challenge of getting beyond managing serial problems within a fragile system and working with other local audit stakeholders to help design and implement a system which is more stable, more resilient, and more sustainable.

## Responding to the post-2018 pressures

MHCLG's<sup>1</sup> Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. The significant work to reform audit in the wake of the four independent reviews is underway. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018.

Local government audit will not be immune from these difficulties. However, we do believe that PSAA's national scheme will be the best option to enable local bodies to secure audit services in a very challenging market. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.

We believe that the national scheme already offers a range of benefits for its members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;

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<sup>1</sup> Immediately prior to the publication of this document it was announced that MHCLG has been renamed to Department for Levelling Up, Housing and Communities (DLUHC). The document refers to the department as MHCLG.

- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

The national scheme from 2023/24 will build on the current scheme having listened to the feedback from scheme members, suppliers and other stakeholders and learning from the collective post-2018 experience.

Since 2018 we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:

- commissioning an independent review undertaken by Cardiff Business School of the design of the scheme and implementation of our appointing person role to help shape our thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. We published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- proactively and constructively engaging with the various independent reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- establishing the Local Audit Quality Forum, which has to date held five well attended events on relevant topics, to strengthen engagement with Audit Committee Chairs and Chief Finance Officers;
- using our advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and
- sharing our experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

As a member of the newly formed Local Audit Liaison Committee (established by MHCLG as outlined in its Spring statement), we are working closely with a range of local audit stakeholders including MHCLG, FRC, NAO, ICAEW, CIPFA and the LGA to help identify and develop further initiatives to strengthen local audit. In many cases desirable improvements are not within PSAA's sole gift and, accordingly, it is essential that this work is undertaken collaboratively with a common aim to ensure that local bodies continue to be served by an audit market which is able to meet the sector's needs and which is attractive to a range of well-equipped suppliers.

One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, we plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA.

In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, we have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.

We are very conscious of the value represented by these contract extension options, particularly given the current challenging market conditions. However, rather than simply extending existing contracts for two years (with significant uncertainty attaching to the likely success of a further procurement to take effect from 1 April 2025), we believe that it is preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.

MHCLG has recently undertaken a consultation proposing amendments to the Appointing Person Regulations. We have set the length of the next compulsory appointing period to cover the audits of the five consecutive financial years commencing 1 April 2023.

## PSAA is well placed to lead the national scheme

As outlined earlier, the past few years have posed unprecedented challenges for the UK audit market. Alongside other stakeholders PSAA has learned a great deal as we have tried to address the difficulties and problems arising and mitigate risks. It has been a steep learning curve but nevertheless one which places us in a strong position to continue to lead the national scheme going forward. MHCLG's Spring statement confirmed Government's confidence in us to continue as appointing person, citing our strong technical expertise and the proactive work we have done to help to identify improvements that can be made to the process.

The company is staffed by a team with significant experience of working within the context of the regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees. All of these roles are undertaken with a detailed, ongoing, and up-to-date understanding of the distinctive context and challenges facing

both the sector and a highly regulated service and profession which is subject to dynamic pressures for change. Where appropriate we have worked with MHCLG to change our regulations where they are preventing efficiency.

We believe that the national collective, sector-led scheme stands out as the best option for all eligible bodies - especially in the current challenging market conditions. It offers excellent value for money and assures the independence of the auditor appointment.

Membership of the scheme will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. Assuming a high level of participation, the scheme can make a significant contribution to supporting market sustainability and encouraging realistic prices in a challenging market.

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the NAO<sup>2</sup>), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements.

The scope of public audit is wider than for private sector organisations. For example, for 2020/21 onwards it involves providing a new commentary on the body's arrangements for securing value for money, as well as dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports.

Auditors must be independent of the bodies they audit to enable them to carry out their work with objectivity and credibility, and to do so in a way that commands public confidence. We will continue to make every effort to ensure that auditors meet the relevant independence criteria at the point at which they are appointed, and to address any identified threats to independence which arise from time to time. We will also monitor any significant proposals for auditors to carry out consultancy or other non-audit work with the aim of ensuring that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditor to bodies involved in formal collaboration/joint working initiatives, if the parties consider that a common auditor will enhance efficiency and value for money.

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<sup>2</sup> MHCLG's Spring statement proposes that overarching responsibility for the Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

# **PSAA's commitments**

## **PSAA will contract with appropriately qualified suppliers**

In accordance with the 2014 Act, audit firms must be registered with one of the chartered accountancy institutes - currently the Institute of Chartered Accountants in England and Wales (ICAEW) - acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will then be subject to inspection by either or potentially both the RSB and the FRC. Currently there are fewer than ten firms registered to carry out local audit work.

We will take a close interest in the results of RSB and FRC inspections and the subsequent plans that firms develop to address any areas in which inspectors highlight the need for improvement. We will also focus on the rigour and effectiveness of firms' own internal quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. To help inform our scrutiny of both external inspections and internal quality assurance processes, we will invite regular feedback from both audit committee chairs and chief finance officers of audited bodies.

## **PSAA will support market sustainability**

We are very conscious that our next procurement will take place at a very difficult time given all of the fragility and uncertainties within the external audit market.

Throughout our work we will be alert to new and relevant developments that may emerge from the Government's response to the Kingman, CMA and Brydon Reviews, as well as its response to the issues relating specifically to local audit highlighted by the Redmond Review. We will adjust or tailor our approach as necessary to maximise the achievement of our procurement objectives.

A top priority must be to encourage market sustainability. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work which suppliers must undertake, firms will be informed as to which developments should be priced into their bids. Other regulatory changes will be addressed through the fee variation process, where appropriate in the form of national variations.

## **PSAA will offer value for money**

Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies.

We believe that the most likely way to secure competitive arrangements in a suppliers' market is to work collectively together as a sector.

We will seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies. We will also continue to seek to minimise our own costs (which represent approximately 4% of overall scheme costs). We are a not-for-profit company and any surplus funds will be returned to scheme members. For example, in 2019 we returned a total £3.5million to relevant bodies and, more recently, we announced a further distribution of £5.6m in August 2021.

We will continue to pool scheme costs and charge fees to opted-in bodies in accordance with our published fee scale as amended from time to time following consultations with scheme members and other interested parties. Pooling is a key tenet of the national collective scheme.

Additional fees (fee variations) are part of the statutory framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or the regulator (the FRC) increases its requirement on auditors.

Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact. Fees are rising in response to the volume of additional audit work now required.

The outcome is awaited of MHCLG's recent consultation on changes to the regulations, designed to provide the appointing person with greater flexibility to allow a fee scale to be set during the audit year (rather than before it starts). If implemented, these changes will enable approved recurring fee variations to be baked into the scale fee at an earlier date so the scale fees are more accurate and the volume of fee variations is reduced.

It is important to emphasise that by opting into the national scheme you have the reassurance that we review and robustly assess each fee variation proposal in line with statutory requirements. We draw on our technical knowledge and extensive experience in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision.

## Procurement Strategy

Our [procurement strategy](#) sets out the detail and scope of the procurement to deliver contracts from which the auditor appointments will be made for eligible bodies that decide to accept the invitation to opt into PSAA's scheme.

Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

We expect to initiate a new procurement for audit services in February 2022 and, subject to a satisfactory outcome, to award contracts in August 2022. Subject to consultations with opted-in bodies and audit firms, we plan to make auditor appointments by 31 December 2022 (as required by the regulations).

## Response to consultation feedback

PSAA consulted with eligible bodies and other stakeholders on our draft prospectus for the national scheme for local auditor arrangements from April 2023, and with the audit services market on important features of its procurement strategy. The insight provided from both these important consultations has helped to shape the arrangements that PSAA will implement from 2023/24. Key areas are highlighted below.

### Evolution of the Local Audit Framework

The consultation responses highlight the need for system-wide change. In many areas it is not within PSAA's remit to effect the significant change required.

The newly formed Local Audit Liaison Committee (as outlined in MHCLG's Spring statement), has enabled PSAA to highlight the need for a range of actions to tackle the identified issues that are essential to support a more stable, more resilient, and more sustainable local audit system. Sometimes the actions can be taken by individual organisations, but more frequently responsibility lies collectively across the system. The Liaison Committee and its members are now taking actions forward, including:

- All stakeholders to communicate the importance of audit timeliness as a consistent message to audit firms;
- PSAA to work with the FRC to develop the approach to quality evaluation of tenders;
- MHCLG and other stakeholders to understand the extent of potential increased audit costs for all eligible bodies and to consider how these might be met;
- All stakeholders to consider ways in which to attract new entrants (firms and Key Audit Partners) into the market;
- Central government departments to provide clarity on the direction of local audit policy to inform firms' consideration ahead of next procurement;
- The NAO and FRC to work together to consider how they can provide clarity about the future direction of the Code of Audit Practice to firms ahead of the next procurement; and
- MHCLG, CIPFA and the LGA to consider how to support finance departments with accounting and audit requirements.

In the vast majority of the areas consulted on which were within PSAA's remit, responses were supportive of our proposals for the national scheme from 2023/24 which is very encouraging. Areas where we have revisited and evolved our approach are highlighted below.

## **Minimum Audit Fees**

Audit fees are rising in all sectors in response to increased regulatory requirements for audit quality and changes in audit scope and technical standards. Striving to ensure realistic fee levels is a vital prerequisite to achieving a more sustainable and stable local audit market.

Where individual audits currently attract scale fees that do not cover the basic costs of the audit work needed for a Code-compliant audit, we propose to implement a minimum fee level at the start of the next appointing period, for the audit of the 2023/24 accounts. Our independent research indicates a minimum fee level of £31,000 should apply, based on the 2020/21 scope of audit work, to any opted-in body (a police and crime commissioner and a chief constable constitute one body for this purpose).

We cannot anticipate scale fees for the next appointing period at this stage, because they will depend on the prices achieved in the procurement and any changes in audit requirements. Where any price increase means that the scale fee for a body does not reach the floor set by the minimum fee, the fee for that body would increase to reach the minimum level. It is likely, given current expectations, that the introduction of a minimum fee specifically would lead to an increase in fees for a relatively small number of local bodies. PSAA consults each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.

Introducing a minimum fee is a one-off exercise designed to improve the accuracy of the fee scale for the next appointing period. Fee variations would continue to apply where the local circumstances of an audited body require additional audit work that was not expected at the time the fee scale was set.

## **Standardised fee variations**

Current local audit regulations allow PSAA to approve fee variation requests only at individual bodies, for additional audit requirements that become apparent during the course of an audit year. MHCLG has announced the intention to amend the regulations, following a consultation, to provide more flexibility. This would include the ability for PSAA to approve standardised fee variations to apply to all or groupings of bodies where it may be possible to determine additional fees for some new requirements nationally rather than for each opted-in body individually. Where it is possible to do this, it would have the effect of reducing the need for local fee variations.

## **Approach to social value in the evaluation of tenders**

We plan to retain our original proposal of a 5% weighting but to broaden the criteria by asking bidders to describe the additional social value they will deliver from the contract, which could include the creation of audit apprenticeships and meaningful training opportunities. Bidders will also be asked to describe how their delivery of social value will be measured and evidenced.

## **Contract Management**

The quality of the audit services received by opted-in bodies is very important to both the bodies themselves and to PSAA. Our intention is therefore to focus a significant majority of the quality assessment of tender submissions on resourcing, capacity and capability (including sector knowledge) and on client relationship management and communication. Correspondingly, we intend to apply a lesser weighting to those criteria that are regularly assessed by the regulator. We will seek the views of the regulator in developing the detail of our approach.

We will also review the contract terms used in 2017 ahead of the next procurement of audit services. In particular we will consider the potential to introduce enhanced performance management arrangements aligned to the greater emphasis on quality within the tender evaluation process. Any such revision must ensure continued compliance with the FRC's Ethical Standard which prevents audit fees from being "*calculated on a predetermined basis relating to the outcome or result of a transaction, or other event, or the result of the work performed*".

## **Information and Communication**

Following the success of the webinars held to support the recent consultation, PSAA will be running a series of webinars starting in October 2021. The webinars will provide eligible bodies with the opportunity to hear and ask questions about specific areas of scheme arrangements and PSAA's work, and our progress to prepare for the second appointing period. Details of the [webinar series](#) can be found on our website.

# Eligible Principal Bodies in England

The following bodies are eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils
- metropolitan borough councils
- London borough councils
- unitary councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area
- chief constables for an area
- national park authorities for a national park
- conservation boards
- fire and rescue authorities
- waste authorities
- the Greater London Authority and its functional bodies
- any smaller bodies whose expenditure in any year exceeds £6.5m (e.g. Internal Drainage Boards) or who have chosen to be a full audit authority (Regulation 8 of Local Audit (Smaller Authorities) Regulations 2015).

## **Board Members**

Steve Freer (Chairman)

Keith House

Caroline Gardner CBE

Marta Phillips OBE

Stephen Sellers

PSAA Board members bring a wealth of executive and non-executive experience to the company. Areas of particularly relevant expertise include public governance, management and leadership; local government and contract law; and public audit and financial management.

Further information about PSAA's Board can be found at

<https://www.psaa.co.uk/about-us/who-we-are/board-members/>

## **Senior Executive Team**

Tony Crawley, Chief Executive

Sandy Parbhoo, Chief Finance Officer

Andrew Chappell, Senior Quality Manager

Julie Schofield, Senior Manager Business & Procurement

Within the PSAA senior executive team there is extensive and detailed knowledge and experience of public audit, developed through long standing careers either as auditors or in senior finance and business management roles in relevant organisations.

Further information about PSAA's senior team can be found at

<https://www.psaa.co.uk/about-us/who-we-are/executive-team/>

# Annex - Procurement Options

## Our Preferred Option

A 5 year contract with the fallback of the right to extend one or more of the current contracts if there are insufficient or unaffordable bids.

## Other Options Considered and Rejected

### Option 1

Extending the existing contracts for 2 years and deferring the procurement. We want to secure 5 year contracts if we can because we believe this option is more attractive to the market.

### Option 2

A 5 year contract with a commitment not to extend the existing contracts. We need the back stop of the right to extend the existing contracts if there are insufficient bids to allow us to make auditor appointments to all opted in bodies or if any of the bids received propose unacceptable prices.

### Option 3

A 5 year contract with pre-determined prices for years 1 and 2 thereby avoiding the need for firms to price in the value of the right to extend the existing contracts. We believe such an arrangement will be unattractive to the market. Firms should be able to offer their own prices for years 1 and 2.

## **Appointing Period 2023/24 to 2027/28**

### **Form of notice of acceptance of the invitation to opt in**

(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk)

**Subject: Harlow District Council**

**Notice of acceptance of the invitation to become an opted-in authority**

This email is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023/2024 to 2027/2028 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **Harlow District Council** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: [insert name of signatory]

Title: [insert role of signatory] (authorised officer)

For and on behalf of: **Harlow District Council**

Date: [insert date completed]

<b>REPORT TO:</b>	<b>AUDIT AND STANDARDS COMMITTEE</b>
<b>DATE:</b>	<b>24 NOVEMBER 2021</b>
<b>TITLE:</b>	<b>REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE AND ITS TERMS OF REFERENCE</b>
<b>AUTHORS</b>	<b>INTERNAL AUDIT MANAGER</b>
<b>LEAD OFFICER:</b>	<b>SARAH MARSH, INTERNAL AUDIT MANAGER (01279) 446884</b>

**RECOMMENDED THAT:**

- A** The Committee agrees no changes are required to its Terms of Reference.
- B** The Committee considers the results of the review of effectiveness of the Audit Committee and notes progress against last year's action.

**BACKGROUND**

1. The purpose of this report is to review the Audit and Standards Committee Terms of Reference and its compliance with 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 Audit and Standards Committee reviews its Terms of Reference and effectiveness on an annual basis with the last review being in November 2020. The Committee's Terms of Reference forms part of the Council's Constitution, therefore, any changes to them would require full Council approval.
3. The 2018 CIPFA guidance, entitled "Audit Committee: Practical Guidance for Local Authorities and Police" gives guidance on the core functions of the audit committee in relation to governance, risk management, internal control and audit. CIPFA's guidance also provides practical support to those wishing to evaluate their existing Committee and plan improvements and the checklist provided have been used in this report.

**ISSUES/PROPOSALS**

**Terms of Reference Review**

4. Internal Audit has carried out a comparison of the Committee's current Terms of Reference, as set out in Appendix A 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 and no changes are required.

### **Approach to the Effectiveness Review**

5. The effective operation of the Audit 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.
6. This review was performed by the Internal Audit Manager using the recommended practice in the CIPFA Audit Committee guidance. Using the checklist provided by CIPFA to support an assessment against recommended practice to inform and support the Audit and Standards Committee in its duties. This should not be seen as a tick-box activity and will help the committee achieve a good standard of performance.

### **Previous Results**

7. The Committee's effectiveness reviews have been undertaken previously with the last review being in August 2020. The results of the 2020 self-assessment confirmed that the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee and there were no new areas for improvement. The minor areas for improvement are listed in the Action Plan below, with the status with these as at November 2021:

**Table 1 – Action Plan**

<b>Area</b>	<b>Description and proposed action (August 2020)</b>	<b>Progress as November 2021</b>
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.	Completed – following a recruitment process and approval by full Council an independent person has been appointed, with their first meeting being at the November 2021 Audit and Standards Committee meeting.
Skills and knowledge analysis	A skills and knowledge analysis was last undertaken in September 2017 and should be repeated to help inform the decision regarding the appointment of an independent member.	Completed – this was undertaken in 2020 and 2021 and reported to the August 2020 and November 2021 meetings respectively.

Area	Description and proposed action (August 2020)	Progress as November 2021
Committee engagement	<p>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:</p> <ul style="list-style-type: none"> <li>• The committee focuses on a significant risk area from the risk register and invite the head of service/director to attend to discuss risks and explain how the risk is mitigated.</li> <li>• When reviewing an audit report with significant weaknesses or disputed recommendations then the responsible head of service/director should be present to answer questions directly.</li> <li>• If other action plans are monitored by committee then again involve responsible heads.</li> <li>• Invite other members on other committees such as scrutiny if the agenda covers areas of interest to them.</li> </ul>	Completed - the Committee as a whole is aware of these options available to them

### **Results of the Effectiveness Review**

8. The current self-assessment, as set out in Appendix B to the report, has been carried out by the Internal Audit Manager and 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).
9. The results of the self-assessment show that the Council continues to demonstrate compliance with recommended best practice for an effective Audit Committee. There are no areas that the Committee requires improvement on.

### **Skills and Knowledge Review**

10. Internal Audit facilitated a skills and knowledge analysis of the Audit and Standards Committee. An anonymised summary of the results can be found in appendix C.
11. This concludes the committee has collectively a wide range of knowledge and experience, including both public and private sectors. There was no one area that lacked collective knowledge or experience.

12. The results have helped inform a training programme for the Committee, which will be open to all councillors. Typically these take place just ahead of each Audit and Standards Committee meeting and are facilitated by the Internal Audit Manager. The proposed training programme for the rest of 2021/22 is detailed below:

- a) November 2021 – Information Governance
- b) March 2022 – The Role of Audit Committee and Internal Audit

13. Some of the newer councillors and the recently appointed independent member lack organisational knowledge about the Council. The Internal Audit Manager will liaise with the Governance Support team on how best to address this.

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance (includes ICT, and Property and Facilities)**

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, Deputy to the Chief Executive and Director of Finance**

### **Housing**

None specific

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

### **Community Wellbeing**

None specific

**Author: Jane Greer, Director of Communities and Environment**

### **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 objectives

- 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: Simon Hill, Director of Governance and Corporate Support**

## **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

## **Appendices**

Appendix A – Committee's current Terms of Reference

Appendix B – Good practice self-assessment checklist

Appendix C – Summary of the Committee's skills and knowledge analysis

## **Appendix A: 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.

## **Appendix B: 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.

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.

<b>Good Practice Questions</b>		<b>Yes</b>	<b>Partly</b>	<b>No</b>
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	The Committee meets four 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 ToR was reviewed against CIPFA guidance in August 2020 and again in November 2021. It remains 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.		
5	Does the audit committee provide support to the authority	Through its Terms of Reference, reports it		

## Appendix B: Harlow Audit and Standards Committee self-assessment of good practice

<b>Good Practice Questions</b>		<b>Yes</b>	<b>Partly</b>	<b>No</b>
	in meeting the requirements of good governance?	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).		
<b>Functions of the committee</b>				
7	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement:</p> <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework including partnerships and collaboration arrangements</li> <li>• Internal and external audit</li> <li>• financial reporting</li> <li>• risk management</li> <li>• value for money or best value</li> <li>• counter fraud and corruption</li> <li>• supporting the ethical framework</li> </ul>	These are covered in the Committee's ToR and review of the Annual Governance Statement.		
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, and annually reviews its Terms of Reference and		

## Appendix B: Harlow Audit and Standards Committee self-assessment of good practice

Good Practice Questions		Yes	Partly	No
		effectiveness.		
9	<p>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?</p> <p><i>Note: CIPFA guidance states that Audit Committees can also support their authorities by undertaking a wider role in other areas including:</i></p> <ul style="list-style-type: none"> <li>• <i>considering governance, risk or control matters at the request of other committees or statutory officers</i></li> <li>• <i>working with the local standards and ethics committees to support ethical values</i></li> <li>• <i>reviewing and monitoring treasury management arrangements</i></li> <li>• <i>providing oversight of other public reports, such as the annual report.</i></li> </ul>	<p>The Committee includes the Standards Committee as evidenced in their Terms of Reference.</p> <p>Other roles as suggested by CIPFA are adequately covered by other committees, Cabinet and the full Council.</p>		
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 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	Yes.		

## Appendix B: Harlow Audit and Standards Committee self-assessment of good practice

Good Practice Questions		Yes	Partly	No
	with its core purpose?			
<b>Membership and support</b>				
12	<p>Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• where independent members are used, that they have been appointed using an appropriate process.</li> <li>• consideration has been given to the inclusion of at least one independent member</li> </ul>	<p>Eight 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.</p> <p>Full Council approved in September 2021 the appointment of a named independent member to the Committee following a successful recruitment campaign.</p>		
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?	Yes (see 12 above)		
14	Does the chairman of the committee have appropriate knowledge and skills?	Yes.		
15	Are arrangements in place to support the committee with briefings and training?	Formal work programme for the committee is reviewed annually. Training opportunities (internal and external) are made available to all members, but internal		

## Appendix B: Harlow Audit and Standards Committee self-assessment of good practice

Good Practice Questions		Yes	Partly	No
		training stalled during 2020/21 and part of 2021/22 due to Covid-19. In the past this has included 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 August 2020 Audit and Standards Committee meeting. The exercise has been repeated with the results reported as part of this paper.		
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	The Director of Finance (Section 151 Officer) and the Internal Audit Manager agree that this is the case.		
18	Is adequate secretariat and administrative support to the committee provided?	Yes.		

## Appendix B: Harlow Audit and Standards Committee self-assessment of good practice

Good Practice Questions		Yes	Partly	No
<b>Effectiveness of the committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	The Chair meets periodically with the Internal Audit Manager and Director 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.		
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	The Committee looks at		

## Appendix B: Harlow Audit and Standards Committee self-assessment of good practice

Good Practice Questions		Yes	Partly	No
	adding value to the organisation?	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 C – SUMMARY OF SKILLS AND KNOWLEDGE OF AUDIT AND STANDARDS COMMITTEE MEMBERS**

Number of returns	8	Number of expected returns	9
Area of knowledge	Level of knowledge		
	Confident	Aware	Development appreciated
Council knowledge	4	3	1
Audit Committee role and function	4	4	0
Governance	3	3	2
Internal Audit	2	3	3
Financial management and accounting	4	3	1
External Audit	3	3	2
Risk Management	5	2	1
Anti-fraud and corruption	1	5	2
Values of good governance	3	4	1
<b>Other areas of knowledge</b>	Some of this knowledge is coming through professional backgrounds (for example directorships, trustee on charity boards, managerial roles, education, local government officer, IT, welfare rights, court and tribunal representations, education, banking and finance) as well as being a Councillor (District and County level)		
Qualification or experience of working in this field	Level of skill		
	Skilled	Novice	Nil
Accountancy	4	2	2
Internal Audit	1	5	2
Risk management	2	4	2
Governance and legal	2	3	3
Service knowledge relevant to the functions of the Council	4	2	2
Programme and project management	3	4	1
IT systems and IT governance	1	5	2
<b>Other areas of expertise declared</b>	Youth work, graduate in law, fluent in other languages, producing and scrutinising accounts, equality and employment law		
<b>Other comments</b>	Some familiarisation with the specific Harlow structures and governance arrangements would be welcomed, as well as scrutinising public sector accounts		

**REPORT TO:** **AUDIT & STANDARDS COMMITTEE**

**DATE:** **24 NOVEMBER 2021**

**TITLE:** **EXTERNAL QUALITY ASSURANCE OF INTERNAL AUDIT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

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

**RECOMMENDED that:**

- A** The Committee agrees that Internal Audit complies with the requirements of the Public Sector Internal Audit Standards;
- B** The Committee notes the actions proposed to enhance the Internal Audit service.

**PURPOSE**

1. To present the results of an independent external quality assessment of the Internal Audit shared service against the Public Sector Internal Audit Standards (PSIAS) which is required at least every five years.

**EXECUTIVE SUMMARY**

2. The overall conclusion of the report is that Internal Audit fully conforms to the PSIAS with clients valuing the professional and objective way the service fulfilled their role. Some minor actions have been identified by the external assessor which would enhance service provision but these do not affect the overall level of compliance with the PSIAS.

**BACKGROUND**

**Approach to the External Quality Assessment**

3. Following a procurement exercise Gard Consultancy Services was appointed to undertake the External Quality Assessment (EQA) which took place in July 2021, covered all three councils in the shared service and included the following elements:
  - a) A self-assessment against the PSIAS requirements was completed by the Internal Audit Manager followed by a desk top review by the assessor. This included an evaluation of core information as evidence; such as procedural notes, audit charter, audit plans, example audit file and report, and latest annual reports.
  - b) The assessor met with each of the Internal Audit Manager's line managers (Section 151 Officers) and Audit Committee Chairmen.

- c) A questionnaire was sent to a range of other key stakeholders in advance of the assessment commencing and the results analysed during the review. A summary of the survey results is given in the EQA report.
- d) Production and discussion of draft report with the Internal Audit Manager to highlight matters in relation to the assessment against the PSIAS, which has been shared with the Internal Audit shared service Board prior to being finalised.

### **Summary of the External Quality Assessment (EQA) Review**

4. The overall conclusion from the EQA, as set out in Appendix 1 to the report, is that the Shared Internal Audit Service's self-assessment is accurate and as fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA (Chartered Institute of Public Finance and Accountancy) Local Government Application Note.
5. On an annual basis Internal Audit has assessed its own compliance and reported this annually to the Audit Committee confirming it is compliant with the Standards,
6. The introduction of the shared service has benefited the three Councils and receives positive feedback from both Audit Committee Chairmen as well as Senior Management.
7. The recommendations contained within the EQA report have been used to produce an Improvement Action Plan as detailed in the table below. There are no themes coming out of the recommendations and suggested areas for improvement are all minor in nature.

<b>Area for Improvement</b>	<b>Improvements Required</b>	<b>Agreed action to be taken</b>	<b>Due Date</b>
Internal Audit Charter (low priority)	Cross reference the definitions for senior management and the audit committees in the audit charter to the PSIAS definitions	Expand the wording used in Section 8 of the audit charter. Completed - see Internal Audit Charter review as part of the Internal Audit progress report elsewhere on the agenda	Completed
Independence statement (low priority)	Include a statement of impairments to independence in the annual report	The potential issue of impairment is included in the report where the Internal Audit Charter is presented to audit committee for approval. However, going forward it will also be included in the annual report when it goes to the summer 2022 audit committee	31/07/2022
Conform statement (low priority)	Add 'conforms to the public sector internal audit standards' to audit reports	Recommendation not accepted. This would not add value to individual audit	n/a

<b>Area for Improvement</b>	<b>Improvements Required</b>	<b>Agreed action to be taken</b>	<b>Due Date</b>
		reports. Instead, the conformance statement will continue to be included in the annual Internal Audit strategy and annual report	
Use of conformation statements (advisory)	Introduce confirmation statements for Internal Audit staff to sign on an annual basis to confirm that they have read and understood the Core Principles for the Professional Practices of Internal Auditing, the Code of Ethics for Internal Auditors, and the Seven Principles of Public Life.	The merits of this was considered in conjunction with the Internal Audit team and the Shared Internal Audit Service Board and rejected being quite bureaucratic especially as the Core Principles and Code of Ethics are long documents to digest.	n/a
Data analytics (advisory)	Expand the use of data analytics especially as an effective and efficient way of auditing systems with large volumes of data.	Agreed. Use of data analytics already takes place, however, as there will be a resource implication to expand this a data analytics strategy and cost/benefit analysis will be presented to the Shared Internal Audit Service Board for their approval.	31/01/2022
Add a disclaimer and limitations of use statement to audit reports (advisory)	This issue relates to the inclusion of a disclaimer and limitations of use paragraph in each audit report. Whilst the inclusion of such a statement cannot prevent internal audit reports being forwarded to people that management had not approved, or extracts from the report being taken out of context and used by people with an ulterior agenda, they act as a warning and can help facilitate subsequent disciplinary action should the need arise.	Agreed and will be added to all final reports issued after 31 August 2021.	Completed

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance (includes ICT, and Property and Facilities)**

The cost of the external assessment was a fixed fee and was shared equally by all three councils, met from the Internal Audit budget.

An effective Internal Audit function has a pivotal role in providing assurances on the Council's internal control, governance and risk management arrangements. This EQA review helps demonstrate this.

**Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance**

### **Housing**

None specific.

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

### **Community Wellbeing**

None specific.

**Author: Jane Greer, Director of Communities and Environment**

### **Governance (includes HR)**

The 2016 Public Sector Internal Audit Standards (PSIAS) makes it a mandatory requirement that an internal audit function is externally assessed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Non-compliance with PSIAS could undermine the work of the internal audit function and could lead to scrutiny from external agencies, for example the Ministry of Housing, Communities and Local Government.

**Author: Simon Hill, Director of Governance**

## **Background Paper**

Public Sector Internal Audit Standards (2016)

## **Appendices**

Appendix A – External Quality Assessment Full Report

## **Glossary of Terms/Abbreviations Used**

CIPFA - Chartered Institute of Public Finance and Accountancy

EQA – External Quality Assessment

PSIAS - Public Sector Internal Audit Standards



**External Quality Assessment of Conformance with the Public  
Sector Internal Audit Standards**

**Broxbourne, Harlow and Epping Forest  
Shared Internal Audit Service**

**Final Report - 22<sup>nd</sup> September 2021**

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## **1. Introduction**

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1<sup>st</sup> April 2013 (revised 2016 and 2017). In local government, the way internal audit services operate is more flexible than in other parts of the public sector where there is a large degree of central control. To ensure local authority internal audit services apply the PSIAS in a uniform way, CIPFA has produced the local government application note (LGAN) which provides additional detail for each of the individual standards. The LGAN is mandatory for local authorities.

All public sector internal audit services are required to assess their performance on conforming to the standards and this can be achieved by undertaking periodic self-assessments, or external quality assessments, or a combination of both methods. However, the PSIAS stipulates that an external quality assessment (EQA) by an external reviewer must be undertaken at least once in a five-year period. This can be in the form of a full assessment or the validation of the internal audit service's own self-assessment.

## **2. Background**

- 2.1 The Broxbourne, Harlow and Epping Forest Shared Internal Audit Service is hosted by the Borough of Broxbourne and provides internal audit services to the three local authorities. The Shared Service is managed by the Head of Internal Audit and is made up of three Senior Auditors, one Auditor and two Audit Assistants in addition to the Head of Internal Audit, and they have a contract in place with a third party provider to provide them with specialist IT audit and additional resources as and when required. The Head of Internal Audit is a Chartered Member of the institute of Internal Auditors (IIA)
- 2.2 Managerially, the Shared Service reports to a Management Board made up of the three Section 151 Officers<sup>1</sup> from each of the authorities in the shared arrangement. From an operational perspective, the Shared Service reports directly to the executive teams and the Audit Committees<sup>2</sup> at their respective authorities. These two bodies at each authority fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards. Operationally, the Head of Internal Audit reports directly to the Section 151 Officer at each Authority and has direct access to each authority's Chief Executive Officer, the Chair and full membership of the Audit Committees. Regular reports on the audit plan, progress on delivering the plan and

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<sup>1</sup> The Section 151 Officers are the Director of Finance for the Borough of Broxbourne; the Head of Finance for Harlow Council; and the Strategic Director at Epping Forest District Council.

<sup>2</sup> Audit Committee is a generic term used in the PSIAS and in this report means the Audit and Standards Committees for the Borough of Broxbourne and Harlow Council, and the Audit and Governance Committee for Epping Forest District Council.

the annual opinion and outturn are made to the Audit Committee at the respective authorities.

- 2.3 The Shared Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned. The previous external quality assessment confirmed that the Shared Internal Audit Service conformed to the PSIAS.
- 2.4 The Shared Service has a range of guidance notes for the team to use and utilises standard templates for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports. Supervision of the audit engagements takes place at every stage of the process and is recorded on a check list that accompanies each audit and held on the audit working papers file.

### **3. Validation Process**

- 3.1 The self-assessment validation comprises a combination of a review of the evidence provided by Shared Service; a review of a sample of completed internal audit engagements, chosen by the assessor and covering all three authorities; questionnaires that were sent to and completed by a range of stakeholders from each authority; and virtual interviews using MS Teams with the three Section 151 Officers and Chairmen of the Audit Committees. The questionnaire and interviews focussed on determining the strengths and weaknesses of the Shared Service and assessed the Service against the four broad themes of purpose and positioning within the organisation(s); their structure and resources; audit execution; and impact on the respective organisations.
- 3.2 The Shared Service provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the:
  - self-assessment against the standards and the CIPFA Local Government Application Note;
  - documentary evidence used to support the self-assessment;
  - the audit charters for each authority;
  - the annual reports and opinions for each authority;
  - the audit plans and strategies for each authority;
  - a range of documents and records relating to the Shared Service's employees;
  - progress and other reports to the respective Audit Committees.

All of the above documents were examined during this EQA.

- 3.3 The validation process was carried out from the 5<sup>th</sup> to the 16<sup>th</sup> July 2021, and involved interviews with the Head of Internal Audit, the three Section 151 Officers, and the three Chairs of the Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way the Shared Internal Audit Service fulfilled their role.

- 3.4 A questionnaire was sent to a range of other key stakeholders in advance of the assessment commencing and the results analysed during the review. A summary of the survey results is shown at appendix A of the report.
- 3.5 The assessor also carried out an end-to-end review of a sample of six completed audits, covering all three authorities, to confirm his understanding of the audit process used by the Shared Service.

#### **4. Opinion**

**It is our opinion that Shared Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

The table below shows the Shared Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

<b>Standard / Area Assessed</b>	<b>Level of Conformance</b>
Mission Statement	<b>Fully Conforms</b>
Core principles	<b>Fully Conforms</b>
Code of ethics	<b>Fully Conforms</b>
Attribute standard 1000	<b>Fully Conforms</b>
Attribute standard 1100	<b>Fully Conforms</b>
Attribute standard 1200	<b>Fully Conforms</b>
Attribute standard 1300	<b>Fully Conforms</b>
Performance standard 2000	<b>Fully Conforms</b>
Performance standard 2100	<b>Fully Conforms</b>
Performance standard 2200	<b>Fully Conforms</b>
Performance standard 2300	<b>Fully Conforms</b>
Performance standard 2400	<b>Fully Conforms</b>
Performance standard 2500	<b>Fully Conforms</b>
Performance standard 2600	<b>Fully Conforms</b>

## **5. Areas of full conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

### **5.1 Mission Statement and Definition of Internal Audit**

The mission statement and definition of internal audit from the PSIAS are included in the audit charters.

### **5.2 Core Principles for the Professional Practice of Internal Auditing**

*The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.*

The clear indication from this EQA is that the Core Principles are embedded in the audit methodologies used by the Shared Service and they are a competent and professional internal audit service that conforms to all ten elements of the Core Principles. Many internal audit services are now requiring their employees to confirm on an annual basis that they have read and understood the Core Principles, along with the Code of Ethics and the Seven Principles of Public Life. Such a confirmation statement is now becoming best practice in the public sector and as such we suggest that the Head of Internal Audit considers introducing one for the Shared Service. We have included such a suggestion in the action plan.

### **5.3 Code of Ethics**

*The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.*

The clear indication from this EQA is that the Shared Service conforms to the Code of Ethics and this is part of their overarching culture and underpins the way the Shared Service operates. We have made one suggestion relating to the Code of Ethics which is referred to above under the Core Principles.

### **5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility**

*The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.*

The Shared Internal Audit Service produces a separate audit charter for each authority. We reviewed these documents and the processes used to present them to

the various Audit Committees for approval. We found the audit charters covered the main elements of attribute standard 1000 and the LGAN and as such are fit for purpose. There is one minor issue that the Head of Internal Audit should consider addressing in the next review of the audit charters and this is set out in the action plan.

#### 5.5 **Attribute Standard 1100 – Independence and Objectivity**

*Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.*

The need for independence and objectivity is understood by the Head of Internal Audit and forms an integral part of the Shared Service's culture and working practices. The Head of Internal Audit reports in her own name and directly to senior management and the Audit Committees at the respective authorities. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity. The Head of Internal Audit does not have direct responsibility for any other operational services at any of the local authorities served by the Shared Service. The independence of the Head of Internal Audit and the Shared Internal Audit Service as a whole is set out in the audit charters.

We have reviewed the current audit charters, the Shared Service's methodologies and standard documentation, a sample of completed audit files, and have examined the Service's reporting lines and positioning within the three authorities they serve. We are satisfied that the Shared Internal Audit Service conforms with attribute standard 1100 and the LGAN. We have identified one minor issue of good practice for the Head of Internal Audit to consider regarding strengthening the transparency of the Shared Service's independence and objectivity and we have set this out in the action plan.

#### 5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

*Attribute standard 1200 requires the Internal Audit Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.*

It is evident from this EQA that the Shared Internal Audit Service has a professional and competent workforce, with the Head of Internal Audit holding the full chartered IIA qualification.

There is one member of the Shared Service's team who is familiar with using specialist data analytics software (the IDEA application) while the remainder of the team tend to analyse data by using the functionality available in generic products such as MS Excel. The service currently holds one licence for IDEA and are considering making greater use of this tool during their audits.

The Service does not have any qualified specialist IT auditors as part of its establishment but instead has a contract in place with a third-party supplier to provide these resources as and when required.

It is evident from this review that the Shared Service's employees perform their duties with due professional care. We are satisfied that the Shared Internal Audit Service complies with attribute standard 1200 and the LGAN. We have made one advisory

suggestion in the action plan for the Head of Internal Audit to consider regarding the potential expansion in the use of the specialist data analytics software application.

## 5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

*This standard requires the Head of Internal Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*

The Shared Internal Audit Service has an effective quality assurance process in place that ensures engagements are performed to a high standard within the available resources. This is supported by assessments of the Shared Service's compliance with the standards through periodic self-assessment and the quinquennial external quality assessment. We have examined these processes during the EQA and are satisfied that the Shared Internal Audit Service conforms to attribute standard 1300 and the LGAN.

## 5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

*The remit of this standard is wide and requires the Head of Internal Audit to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Head of Audit must produce an audit plan for each client, and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Head of Internal Audit must ensure that Shared Internal Audit Services' resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.*

*The standard also requires the Head of Internal Audit to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.*

*Last, but by no means least, the standard requires the Head of Internal Audit to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committees.*

The Shared Internal Audit Service has methodologies in place that meet the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration their client's risks, objectives, and risk management and governance frameworks; other relevant and reliable sources of assurance; any key issues identified by service managers; their own risk and audit needs assessments; and the resources that are available to undertake the audits. From this information, they produce risk-based audit plans that are designed to enhance the authorities' risk management and governance frameworks and control

processes; and provide them with objective and relevant assurance. These audit plans are reviewed and approved by senior management and the Audit Committees at each authority.

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of the Shared Service, is regularly reported to the Audit Committees of the respective authorities, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is the Shared Internal Audit Service is managed effectively and conforms to standard 2000 and the LGAN.

#### 5.9 **Performance Standard 2100 – Nature of Work**

*Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation’s risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.*

This is the approach adopted by the Shared Internal Audit Service and is set out in their working methodologies. During this EQA, we selected a sample of completed audit engagements for each authority and examined them to see if they conformed to standard 2100 and the Shared Service’s own methodologies. We found that the sample audits complied with both.

Internal audit’s credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. On the whole, the Shared Service’s clients value the work they do in this area and often turn to them for advice and guidance when faced with emerging risks or are developing or changing systems. The survey results have indicated that managers would like to see more of this aspect of the service and as such the quinquennial may wish to consider how best to achieve this with the resources available whilst still delivering an effective programme of assurance audits.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to performance standard 2100 and the LGAN.

#### 5.10 **Performance Standard 2200 – Engagement Planning**

*Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.*

The Shared Service has a comprehensive set of standard documents in place that are underpinned by sound audit methodologies that ensure that audit engagements are planned effectively. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and the Service’s own audit practices, and therefore we conclude that the Shared Internal Audit Service conforms to performance standard 2200 and the LGAN.

### **5.11 Performance Standard 2300 – Performing the Engagement**

*Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.*

During this EQA, we selected a sample of completed audit engagements from each authority and examined them to see if they conformed to the standards. We found that they all conformed to the standards and therefore we conclude that the Shared Internal Audit Service conforms to performance standard 2300 and the LGAN.

### **5.12 Performance Standard 2400 – Communicating Results**

*This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committees and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.*

The audit procedures and methodologies in place within the Shared Service cover the communication of results and meet the requirements of the PSIAS. We selected a sample of completed audit engagements from each authority and examined them to see if they conformed to the standards. We found that they all conformed to the standards although we have included two minor enhancements to the audit reports in the action plan. The first relates to the use of the statement ‘conforms to the public sector internal audit standards’. As the work of the Shared Service conforms to the standards this statement can be added to the audit reports.

The second issue relates to the inclusion of a disclaimer and limitations of use paragraph in each audit report. Whilst the inclusion of such a statement cannot prevent internal audit reports being forwarded to people that management had not approved, or extracts from the report being taken out of context and used by people with an ulterior agenda, they act as a warning and can help facilitate subsequent disciplinary action

We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2400 and the LGAN.

### **5.13 Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at all of the authorities served by the Shared Service, the objective of which is to monitor management’s progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees. From this EQA, it is evident that the Shared Internal Audit Service conforms to performance standard 2500 and the LGAN.

**5.14 Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the respective authority. If such a scenario was to arise, the Head of Internal Audit would raise the matter with the relevant Section 151 Officer and if necessary, through to the Chief Executive and the Audit Committee. Situations of this kind are expected to be rare, consequently, we did not see any evidence of these during this EQA. From this external quality assessment, it is evident that the Shared Service conforms to performance standard 2600 and the LGAN.

**6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

**7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

## 8. Action Plan

1. Cross reference the definitions for senior management and the audit committees in the audit charters to the PSIAS definitions (Low priority)	
Rationale	Agreed Action
Section 8 of the audit charters refer to the respective authorities' corporate management teams and their audit committees. Whilst it is fairly clear that these two bodies fulfil the roles of 'senior management' and the 'board', as required by the standards, it is good practice to specifically state this in the audit charter as it remove any element of doubt for the reader. This could be achieved by expanding the wording used in section 8 of the charters, or by the addition of foot notes for section 8.	Agreed and will be implemented in this year's (2021/22) annual review of the Charter, which will go to the November audit committee for Broxbourne and Harlow, and the January meeting for Epping Forest
Action Responsibility	<b>Head of Internal Audit</b>
Deadline	<b>31/01/2022</b>

6

2. Included a statement of impairments to independence in the annual report (Low priority)	
Rationale	Agreed Action
The audit charters underpin the work of internal audit and section 6 in the audit charters correctly sets out the independence and objectivity of the Shared Internal Audit Service. Generally, audit charters are forward looking, whereas the Head of Audit's annual report and opinion looks back at the work of internal audit in the year just finished. It is therefore good practice to include a statement in the annual report to confirm that there have not been any impairments to the independence and objectivity of the Service, or if there have, to set these out and the action taken. At present a statement is not included where there have not been any impairments. We suggest that consideration is given to including such a statement in the annual report.	The potential issue of impairment is included in the report where the Charter is presented to audit committee for approval. However, going forward it will also be included in the annual report when it goes to the June/July 2022 audit committees.
Action Responsibility	<b>Head of Internal Audit</b>
Deadline	<b>31/07/2022</b>

3. Add 'conforms to the public sector internal audit standards' to audit reports (Low priority)	
Rationale	Agreed Action
As the work of the Shared Internal Audit Service conforms to the standards, the use of the statement 'conforms to the public sector internal audit standards' can be added to the individual audit reports.	This would not add value to individual audit reports. Instead, the conformance statement will continue to be included in the annual Internal Audit strategy and annual report
Action Responsibility	n/a
Deadline	n/a

4. Use of conformation statements (Advisory)	
Rationale	Agreed Action
Many internal audit services operating in the public sector have introduced confirmation statements for their staff to sign on an annual basis to confirm that they have read and understood the Core Principles for the Professional Practices of Internal Auditing, the Code of Ethics for Internal Auditors, and the Seven Principles of Public Life. These confirmation statements are starting to be regarded as best practice and as such the Head of Internal Audit may wish to consider introducing one or adding a statement to the existing annual declaration of interest returns completed by the team members.	The merits of this will be considered in conjunction with the Internal Audit team and the Shared Internal Audit Service Board being quite bureaucratic especially as the Core Principles and Code of Ethics are long documents to digest.  Completed – The Board agreed at their 9/9/21 meeting to disregard this advisory note.
Action Responsibility	Head of Internal Audit
Deadline	31/08/2021

<b>5. Expand the use of data analytics (Advisory)</b>	
Rationale	Agreed Action
The Shared Internal Audit Service occasionally uses computer assisted audit techniques when carrying out internal audits and users the IDEA application for this purpose. The Head of Internal Audit has indicated that the Service is considering expanding the use of IDEA as an effective and efficient way of auditing systems with large volumes of data. We welcome this approach and suggest that to enhance the capabilities of IDEA, consideration is given to obtaining an additional product called SmartAnalyser; an 'add-on tool' for IDEA that contains a set of pre-written test scripts for the majority of the core financial and HR process found in any organisation.	I am in agreement that the Service could make better use of data analytics. However, as there will be a resource implication a data analytics strategy and cost/benefit analysis will be presented to the Shared Internal Audit Service Board for their approval.
Action Responsibility	<b>Head of Internal Audit</b>
Deadline	<b>31/1/2022</b>

<b>6. Add a disclaimer and limitations of use statement to audit reports (Advisory)</b>	
Rationale	Agreed Action
This issue relates to the inclusion of a disclaimer and limitations of use paragraph in each audit report. Whilst the inclusion of such a statement cannot prevent internal audit reports being forwarded to people that management had not approved, or extracts from the report being taken out of context and used by people with an ulterior agenda, they act as a warning and can help facilitate subsequent disciplinary action should the need arise.	Agreed and will be added to all final reports issued after 31 August 2021.
Action Responsibility	<b>Head of Internal Audit</b>
Deadline	<b>31/08/2021</b>

## 9. Definitions

<b>Fully Conforms</b>	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements of the standards in all material respects with only minimal departures and minor issues to resolve.
<b>Partially Conforms</b>	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
<b>Does Not Conform</b>	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
<b>High priority</b>	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
<b>Medium priority</b>	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
<b>Low priority</b>	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
<b>Advisory</b>	These are issues identified during the course of the EQA that do not adversely impact on the internal audit service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Head of Internal Audit, the Audit Assistant, and members of the Shared Internal Audit Service in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to the Chairs of Audit Committees and the Section 151 Officers at the three authorities that made themselves available for interview during the EQA process and also to the officers that completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

22<sup>nd</sup> September 2021

This report has been prepared by Gard Consultancy Services Ltd at the request of the Broxbourne, Harlow and Epping Forest Shared Internal Audit Service's Head of Internal Audit, the terms for the preparation and scope of the report have been agreed with her. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards, or all the improvements that may be required.

The report was prepared solely for the use and benefit of the Broxbourne, Harlow and Epping Forest Shared Internal Audit Service, its management board, the local authorities that are part of the Shared Internal Audit Service, and to the fullest extent permitted by law, Gard Consultancy Services Ltd accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

## Summary of Survey Results

As part of the EQA process, we used a questionnaire to obtain the views of the key stakeholders from the three authorities. A total of twenty-four questionnaires were returned (six from Broxbourne; eight from Harlow; and ten from Epping Forest). The results of these questionnaires are summarised in the table below

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
<b>1</b>	The internal audit service is seen as a key strategic partner throughout the organisation.	<b>71</b>	<b>17</b>	<b>4</b>	<b>8</b>
<b>2</b>	Senior managers understand and fully support the work of internal audit.	<b>67</b>	<b>25</b>	<b>4</b>	<b>4</b>
<b>3</b>	Internal audit is valued throughout the organisation.	<b>46</b>	<b>42</b>	<b>4</b>	<b>8</b>
<b>4</b>	The internal audit service is delivered with professionalism at all times.	<b>96</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>5</b>	The internal audit service responds quickly to changes within the organisation.	<b>54</b>	<b>38</b>	<b>4</b>	<b>4</b>
<b>6</b>	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	<b>50</b>	<b>21</b>	<b>0</b>	<b>29</b>
<b>7</b>	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	<b>75</b>	<b>25</b>	<b>0</b>	<b>0</b>
<b>8</b>	The internal audit service's recommendations consider the wider impact on the organisation	<b>71</b>	<b>21</b>	<b>4</b>	<b>4</b>
<b>9</b>	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	<b>71</b>	<b>21</b>	<b>4</b>	<b>4</b>
<b>10</b>	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit	<b>88</b>	<b>8</b>	<b>0</b>	<b>4</b>

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
	service				
<b>11</b>	The internal audit service includes consideration of all risk areas in its work programme.	<b>84</b>	<b>8</b>	<b>8</b>	<b>0</b>
<b>12</b>	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	<b>88</b>	<b>12</b>	<b>0</b>	<b>0</b>
<b>13</b>	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	<b>63</b>	<b>29</b>	<b>4</b>	<b>4</b>
<b>14</b>	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	<b>75</b>	<b>21</b>	<b>4</b>	<b>0</b>
<b>15</b>	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	<b>71</b>	<b>17</b>	<b>12</b>	<b>0</b>
<b>16</b>	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	<b>77</b>	<b>25</b>	<b>0</b>	<b>8</b>
<b>17</b>	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	<b>67</b>	<b>33</b>	<b>0</b>	<b>0</b>
<b>18</b>	Internal audit activity promotes appropriate ethics and values within the organisation	<b>79</b>	<b>13</b>	<b>0</b>	<b>8</b>

\* this refers to the questions where the respondent either felt the question did not apply to them, or they did not have sufficient knowledge to answer the question, or they merely left the question blank

Below are some comments extracted from completed surveys that management may wish to consider:

- The work of Internal Audit at Epping Forest is greatly valued. I have been impressed by the pragmatism and support shown during the pandemic. I view the service as a critical friend and an important source of challenge as I develop the Council's financial systems over the medium-term.
- I believe the internal audit team do a very good job. Some of my Partially agrees are due to the fact I've not seen these things demonstrated in my area, although I believe they are happening in other areas.
- As a new member of third tier with a wide remit I would like to take this opportunity to thank colleagues in internal audit for supporting me in matters. I have found the reports that I have been involved in to be fair and business like, and realistic in requirements helping me to shape service delivery.
- Internal audit work closely with line managers to review operations and then report their findings. Internal Audit is a key function for the Authority and works hard at trying to support change in the Authority for the better and improve the work/processes procedures that are being undertaken.

Internal Audit are a key service as they hold the organisation to account, more detail on audits that occur across the organisation should be reported more widely to the third tier as this can be limited in some respects. This is good and necessary especially when there is resistance to embrace with/move with the times in some areas.

- Sarah and her team have been particularly helpful to me in my role of Monitoring Officer. Their assistance to shape their programme around services and processes to aid governance has been very much welcomed. They have additionally been instrumental in supporting the DPO and MO in data protection and assurance matters through their support for the Information Governance Group. This year they have also assisted with audits related to our equalities duties which Harlow have struggled to implement effective processes for.
- I welcome the support and work of Internal Audit as they have enabled change in the culture and behaviour of the Council. Without these audits many of the Council's systems, processes and procedures would still be in the dark ages and silos. The Council has also benefitted from the shared service arrangement through the sharing of good and poor practices; and the lessons learnt. Keep up the great work.

**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **24 NOVEMBER 2021**

**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 July to November 2021 and identifies any issues for further consideration.
- B** The Committee approves the revised Internal Audit Charter.
- C** The Committee approves the revised Anti-Fraud and Corruption Strategy.

**BACKGROUND**

**Progress Against Audit Plan**

1. Work continues on the 2021/22 Audit Plan and timings have been agreed with the Senior Management Board (SMB) to ensure a steady flow of audits throughout the year. Appendix A sets out the current status with the Audit Plan.

**Internal Audit Reports**

2. Two reports have been issued since the Committee received its last update in June 2021, and a number are close to being finalised:
  - a) Commercial Rents - Follow up

This audit was a follow up of the 2019/20 commercial rents audit which was given moderate assurance. At that time processes needed formalising in terms of rent deposits, rent reviews, reconciliations, formal reporting and management information.

Despite Covid-19 and staffing resources the majority of the 12 recommendations made (eight medium and four low priorities) have been completed. The outstanding recommendations relate to the need for internal policy/guidance documents, the review of management fees for service charges and to ensure third party contracts are GDPR (General Data Protection Regulations) compliant. The remaining issues are minor in nature and good progress is being made on these as can be seen on the recommendation tracker.

b) HTS Best Value Review – Substantial assurance

The Best Value Review of the HTS (Property and Environment) contract was completed between February and October 2019 to determine the contract provides value for money and meets the needs of the Council.

This audit reviewed joint working arrangements between the Council and HTS and confirmed the adequacy of mechanisms to ensure the recommendations arising from the Best Value Review are implemented with buy-in by all parties.

The Best Value Review action plan includes 45 short, medium and long term recommendations (18 are complete), assigned to lead officers with a target implementation date for each recommendation. The action plan is monitored by joint working groups attended by Officers and Members of Harlow Council and Directors of Harlow Trading Services Property and Environment Ltd (HTS), however, the frequency of meetings are not always formalised, which has resulted in sporadic meetings.

The audit identified that a joint meeting group between the Council's Senior Management Board and HTS Directors has not met since March 2021 and the next meeting has not been scheduled. Monitoring and oversight processes could be strengthened if meetings are scheduled in advance to maintain regular communication and ensure continuous progress for delivery of the action plan.

Progress of the Best Value Review action plan is updated with the oversight of the Head of Governance and the Operations Manager. The audit was able to verify completion of all recommendations from retained evidence.

### **Ongoing Audit Work**

3. Internal Audit continues to provide advice and guidance in a number of areas as detailed below:

- a) Facilitated the review of the Finance Directorate service plans and risks. Internal Audit and the Insurance and Risk Manager met with each Third Tier Manager to identify their service risks and update the corporate risk register. The revised format works well and has since been rolled out to other Directorates being Communities and Environment, Governance and Corporate Support, Housing, and Regeneration and Planning. Internal Audit also took part in discussions for the development of the new corporate strategy.
- b) Is in the process of setting up a capital projects working group (Chaired by the Director of Finance) which aims to implement a project governance framework for all projects across the Council in response to the recommendations of the recent Capital Projects audit.
- c) Supports the Data Protection Officer with information governance matters including the Council's response to Freedom of Information Requests and Subject Access Requests. An online form has been introduced to ensure requests are dealt with by the right person at the right time.

- d) Reviewed the Council's approach for managing disabled facilities grants on behalf of Essex County Council (for reporting back to central government), providing assurance that grant funds are used appropriately.
- e) Co-ordinating the introduction of an online fraud reporting form, to enable anonymous reporting via the Council's website of suspected fraud to assist the Council's approach for prevention and detection of fraud.
- f) Continues overseeing the project plan for implementation of the new HR system, facilitating discussions between key departments to ensure there is a holistic approach to the project.
- g) Co-ordinated the review of results of the National Fraud Initiative (NFI) data matching exercise, in liaison with Licensing, Housing, Revenues and Benefits and Payroll. The Council Tax and Electoral Register data will be submitted for the single persons discount data match in January 2022.
- h) Co-ordinated the process for appointing a new Independent Member of the Audit and Standards Committee which was approved at Full Council 16 September 2021.
- i) Completed the annual skills and knowledge analysis to identify training needs for Members of the Audit and Standards Committee.

### **Fraud Update**

- a) Revenues and Benefits continue to undertake investigation of the Vigilant matches for single resident discounts. The total to date since data matching began in 2018 equates to £192,000, with £36,000 for 2020/21 and £23K for 2021/22 to date (end of September 2021)
- b) The post of housing tenancy fraud officer is currently vacant and the Council is currently considering its options on how to provide this service going forward.

### **Recommendation Tracker**

4. 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.
5. Four of the recommendations have been greyed out and will be removed from future trackers as detailed below (and have not been included in the figures in the table):
  - a) Two recommendations relating to responsive housing repairs audit will be removed once Internal Audit has received evidence of completion.
  - b) The two high level recommendations relating to parks and landscapes have been closed down. Since the original audit Internal Audit has met

regularly with HTS, the Council's environmental officers and insurance to ensure good progress is being made with the recommendations especially with regards to trees. Routine inspections are now in place and there is a longer term project to undertake a town wide tree survey to inform the Council's tree strategy which is commencing in the New Year and could take up to three years to complete. As the survey progresses, the Council's approach for managing trees and grounds maintenance will transition from reactive to proactive. Internal Audit will continue to monitor progress.

- The current tracker, as set out in Appendix B to the report, contains 15 recommendations which have passed their due date. A comparison with previous periods is outlined in the table below:

**Table 1 – Tracker Comparison**

Recommendation Priority	Number (as at November 2021)	Number (June 2021)	Number (March 2021)	Number (November 2020)	Number (August 2020)
High - not yet due	0	2	3	0	0
High - passed due date	0	2	3	2	2
Medium - passed due date	14	16	12	12	15
Low - passed due date	1	0	2	1	2
<b>TOTAL</b>	<b>15</b>	<b>20</b>	<b>20</b>	<b>15</b>	<b>19</b>

### **Internal Audit Charter**

- The Internal Audit Charter sets out the common practices of Internal Audit and requires an annual review in accordance with the Public Sector Internal Audit Standards (PSIAS). This was last undertaken in November 2020.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2018 edition states that an Audit Committee (the Committee) should have a role in reviewing and approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function.
- A review of the current Internal Audit charter, as set out in Appendix C to the report, by the Internal Audit Manager confirms it remains up-to-date and fit for purpose. This was also confirmed as part of the recent External Quality Assessment (EQA) reported elsewhere in the agenda. Section 8 of the Charter has been updated to ensure there is an explicit link to the roles of 'senior management' and the 'board' as defined in the PSIAS to those groups discharging those duties at Harlow (SMB and the Audit and Standards Committee respectively) as suggested by the EQA. These changes are

**underlined in bold** for easy identification. In addition, references to the Head of Finance have been changed to Director of Finance in light of recent changes.

## Policy Review

10. The following three policies have been reviewed by the Officer Corporate Governance Group (CGG):

- a) **Anti-Fraud and Corruption Strategy:** The Council's Corporate Fraud Group meets quarterly, overseeing implementation of the Council's Anti-Fraud and Corruption Strategy and associated action plan. The Group has undertaken its annual review of the strategy, as set out in Appendix D to the report, which has been ratified by CGG. Minor changes are proposed which have been **underlined in bold** and references to Heads of Service have been changed to Director following the recent restructure.
- b) **Code of Local Governance:** The Code is a statement of the systems by which it directs and controls the exercise of its functions and how it relates to the local community. It is intended to provide confidence in the activities of the Council and how it goes about its business; focus the minds of those involved in decision making and ensures that those decisions are made in a proper and transparent way. The Code also seeks to ensure that the Council actively engages with local stakeholders, assist the constant improvement in service delivery and the minimisation of associated risks.

The Code was reviewed last year in light of the Covid-19 pandemic as it was important to maintain robust governance arrangements especially as the work of the Council was carried out in a more virtual environment. Only minor changes were proposed and accepted. This year's review confirms the Code is still up to date and fit for purpose and no changes are required. A copy of the Code can be found on the Council's public website under Your Council and Policies, Plans and Strategies.

- c) **Policy in relation to the Regulation of Investigatory Powers Act (RIPA) 2000.** This has been reviewed in light of current best practice and observations made during the IPCO (Investigatory Powers Commissioners Office) inspection in June of this year, which confirmed the Council's policy is compliant. Delegations to officers have also been updated in light of staff changes. The policy will be published within the next four weeks, and training is being commissioned.

## Progress Against the Annual Governance Statement (AGS)

11. The Corporate Governance Group (made up of the Director of Finance, Director of Governance, Legal Services Manager, Insurance and Risk Manager, Relationship and Commissioning Manager and the Internal Audit Manager)

continues to monitor the actions set out in the AGS on a regular basis, being a standing agenda item and reporting this upwards to SMB. The table below sets out the current position against the action plan:

**Table 2 – Action Plan**

Key improvement/ review area	Action to be taken in 2021/22	Progress as at November 2021
Ensuring the health and safety of staff, partners and the public in the way it delivers its services	As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country's recovery from Covid-19, especially where the Council is delivering its services.	The majority of staff continue to work from home (and are actively encouraged to do so). Safe working practices continues to be a priority for the Council especially for those coming into the office and staff working across the town.
New Administration  New ways of working	As a result of coronavirus staff have been encouraged to work in a more agile (remote) way. How this works in practice longer term will form part of the current accommodation review, drawing on feedback from the coronavirus working groups and kept under review by SMB.  In addition, SMB will work with the new Administration, and keep staff informed, of any changes in corporate priorities, ensuring governance arrangements remain robust.	A staff engagement survey on the future ways of working went live on 30 September 2021. All staff including casual and agency staff were invited to complete the survey. The survey is being carried out on Harlow's behalf by the East of England Local Government Association (EELGA). The results will inform the Council's future plans, aligning to the Council's requirements for service delivery.  Work continues on the new Corporate Strategy with the aim to have this in place before the end of 2021/22.
Financial Management Code review	2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards	This will be progressed once the Accountancy restructure has been completed. The aim is to complete this before the end of 2021/22.

Key improvement/ review area	Action to be taken in 2021/22	Progress as at November 2021
	<p>of financial management.</p> <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these.</p>	
Statement of Accounts	<p>Due to both technical and resource issues (due to Covid-19) there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This may impact on the approval of the final accounts for 2020/21; the date of publication (which is also the target date for the completion of the external audit) is 30 September 2021.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate the risk of future delays for subsequent years production and approval of the Council's Statement of Accounts.</p>	The Council continues to work with its advisor and External Auditors to resolve the current issues.
<b>Common theme from the Service Assurance Statements were:</b>		
Risk management and business/service planning	Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22	A new service plan cum risk register has been trailed across the Council. This will be further refined once the Senior Management consultation has been concluded.
Project management processes – corporate approach	This will be progressed in 2021/22 by members of the Corporate Governance Group	A project governance working group is being set up with key officers from across the Council meeting in November to move this forward. The working group will be reporting into CCG.

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance (Includes ICT, and Property and Facilities)**

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, Deputy to the Chief Executive and Director of Finance**

### **Housing**

None specific.

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

### **Community Wellbeing**

None specific.

**Author: Jane Greer, Director of Communities and Environment**

### **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, Director of Governance and Corporate Support**

## **Background Papers**

Internal Audit Plan and Internal Audit monitoring reports

## **Appendices**

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker

Appendix C – Internal Audit Charter

Appendix D – Anti-Fraud and Corruption Strategy

## **Glossary of terms/abbreviations used**

AGS – Annual Governance Statement

CIPFA - Chartered Institute of Public Finance and Accountancy

CGG- Corporate Governance Group

EELGA - East of England Local Government Association

IPOC - Investigatory Powers Commissioners Office

NFI – National Fraud Initiative  
PSIAS - Public Sector Internal Audit Standards  
RIPA - Regulation of Investigatory Powers Act  
SMB- Senior Management Board

**Appendix A - Audit Plan Monitoring 2021/22**  
**November 2021**

	Risk Area	Plan Days	Status	Fieldwork started	Report issued to Management	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
<b>Completion of 2020/21 plan</b>									
HTS (Harlow Trading Services) Best Value Review progress	Corporate	12	In progress	■	■	■			
<b>Quarter 1 &amp; 2 2021/22</b>									
Commercial rents follow up	Finance	3	Completed	■	■	■	n/a	No new recommendations	
Cyber security	Finance	10	In progress	■	■				
Planning and building control (c/f from 2020/21) - Development Management	Planning and Environment	12	In progress	■					
Facility Management	Finance	15	In progress	■					
Key Financial Controls - Housing Benefits	Finance	15	In progress	■					
Waste - contract management	Planning and Environment	10	Scoping						
HTS (Harlow Trading Services) Group governance	Housing	12	Scoping						
<b>Quarter 3&amp;4 2021/22</b>									
Housing overview - H&S inspections	Housing	15							
Key Financial Controls - Treasury Management (c/f from 2020/21)	Finance	10							
Housing - HTS and annual service charge	Housing	20							
Key Financial Controls - Payroll	Governance	15							
Post implementation review of the new HR system	Governance	10							
Projects - Council housebuilding	Housing	15							
Business continuity follow up	Finance	10							
<b>Not a specific audit</b>									
Advice and guidance for Information Governance Group and Data Protection Officer	Governance	4	On-going						
Advice and guidance for the new HR system project	Governance	3	In progress	■					
Service/business planning and risk management	Finance	8	In progress	■					
Business grants - Post assurance verification checks	Finance		Completed	■	■	■	n/a	0 0 0	
<b>Totals</b>		<b>199</b>		<b>9</b>	<b>3</b>	<b>3</b>		<b>0 0 0</b>	
c/f carried forward									
H&S Health and Safety									

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
<b>Complaints 2018/19 May 2019</b>	1	Implement a mechanism whereby actions from the lessons learnt questionnaire are followed up. This could be achieved by SMB receiving a follow up action report.	Medium	A quarterly report is sent to SMB in regards to this.	Customer and Media Services Manager/ Head of Governance	30/06/19	31/03/20 31/12/20 01/10/24 31/01/22	<b>Oct 19/Feb 20:</b> This has been happening since in a basic format since June 2019. A report is scheduled to go to SMB prior to 31 March 2020. This will outline a request to move to a two stage process and work on a sustainable mechanism to learn from complaints.  <b>May 20/July 20/Oct 20:</b> Report delayed due to Corona pandemic.	Overdue
<b>Complaints 2018/19 May 2019</b>  84	2	Consider moving to a two stage complaints process by presenting a paper to SMB (Senior Management Board) on this	Medium	This has been considered previously and will be raised again.	Customer and Media Services Manager/Head of Governance	30/06/19	31/03/20 31/12/20 01/10/24 31/01/22	<b>Feb/May 21:</b> Not been progressed due to continued work being undertaken on Corona pandemic. A full review of the complaints process is in progress.  <b>Oct 21:</b> Report went to SMB on 5 October 2021 with draft policy which included moving to a two stage process. Final version to go on 26/10/21 with view to be fully adopted in Jan 2022 following management restructure.	Overdue
<b>Responsive Housing Repairs 2018/19 August 2019</b>	2(b)	Post inspections completed on more complex housing repairs should be formally documented and retained.	Medium	Agreed. Customer Satisfaction Surveys are currently sent out to tenants on a sample basis. The sample size will be increased to ensure that the quality of repairs works is completed to a satisfactory standard.	HTS Operations Director and the Council's Housing Operations Manager	30/09/19	31/01/20 30/04/20 30/09/20 31/01/24 30/10/24 01/04/22	<b>Oct 19:</b> HTS carries out a 100% post inspection regime on all housing voids it completes There are ongoing discussions with HDC over who should be carrying out more detailed Post Inspections on completed Housing Repairs.  <b>Feb / May / July 20:</b> It has been agreed that HTS will carry out post inspections on repairs from 1 <sup>st</sup> April 2020. These will be recorded	Overdue

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
85				Post inspections completed on complex repairs works will be formally documented and retained				<p>formally.</p> <p><b>Oct 20:</b> HTS (P&amp;E) Ltd continue to establish recovery. This is included in their implementation plan from learning the lessons from Covid 19. This will be monitored through the shared operations group.</p> <p><b>Feb / May 21:</b> HTS (P&amp;E) Ltd continue to establish recovery aligned to recent Govt. restrictions. A phased approach to internal inspections has recommenced and will be included in the HTS (P&amp;E) repairs recovery plans which is expected to be published in June 2021.</p> <p><b>Oct 21:</b> HTS continue to deal with the backlog of works and the issue of post inspection of works is now discussed at the Joint Operations meetings with HTS Directors – Further feedback on progress with post inspections is due in November 21</p>	
<b>Responsive Housing Repairs 2018/19 August 2019</b>	3a	All repairs job priority time changes should be recorded, authorised and the reasons why they were changed documented. This information should be shared with the Council when KPI data is submitted.	Medium	Agreed. The constraints of the Callsys system makes it difficult provide an audit trail of job priority time changes. The Council's Housing Asset and Business Systems Manager and the HTS Commercial Director	Council's Housing Asset and Business Systems Manager and the HTS Commercial Director	30/04/20	30/09/20 31/01/24 30/10/21	<p><b>May/July 20:</b> HTS re-established the repairs service on 22<sup>nd</sup> June 2020. A response will not be forwarded from Housing whilst establishing recovery under the current Coronavirus situation.</p> <p><b>Oct 20:</b> HTS (P&amp;E) Ltd continue to establish recovery and aligned to recent Govt. restrictions (Tier 2 for Essex).</p>	Complete

# Internal Audit Recommendation Tracker (All)

Last Updated: 02 November 2021

## 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
86	3b	The reasons behind the housing repairs job priority times are allocated should be investigated to ensure that the appropriate timescales are given.		Commercial Director will investigate if there approach to record job priority time changes.			30/09/20 31/01/24 30/10/24 01/12/21	<p><b>Feb 21:</b> HTS P&amp;E are continuing to establish their response/recovery processes and are undertaking emergency plus repairs activities. Service quality is being monitored through Joint Operational meetings and Housing Portfolio meetings.</p> <p><b>May 21:</b> HTS P&amp;E are establishing their repairs recovery plan to deal with the back log from the Covid 19 pandemic. This will be published in June 2021 as part of the wider Council strategic recovery map.</p> <p><b>Oct 21:</b> HTS have now developed a report that tracks changes in Callsys. The report identifies the original priority and target date and revised priority and target date and records who made the change and when. These reports will be run from September 2021 and will review by HDC on a monthly basis.</p> <p><i>Internal Audit comment – this recommendation will be closed when the first report is presented to the Annual Service Charge meeting with HTS in November</i></p>	
	3c	Repairs operatives working hours should be extended to increase efficiency and flexibility of the housing repairs					30/09/20 31/03/24 01/04/22	<p><b>May/ Oct 20:</b> HTS has introduced this for heating repair staff and currently in negotiations with the other operatives.</p> <p><b>Feb 21:</b> Delayed due to the pandemic and restricted working</p>	Overdue

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
18		service.						practices, HC have requested a timetable for implementation to align with resuming full service delivery.  <b>May 21:</b> An implementation timetable will be published at the Shareholder Sub Committee meeting in September 2021 as part of the Repairs Customer Access Plans.  <b>Oct 21:</b> HTS advise that they are currently in negotiations with the unions to extend the working day. A single trade pilot is currently being undertaken.	
<b>Harlow Playhouse overspends 2018/19 March 2020</b>	1	Produce a report to SMB and Councillors to consider the direction of travel for the playhouse. To include consideration of the importance of the relationship with the Arts Council.	Medium	Business Plan has been produced and the process of getting the plan adopted has been included in the corporate plan as an objective of the coming municipal year.	Head of Governance	31/12/20	31/03/22	  <b>Feb 21:</b> As a result of Covid-19, the 2020/21 milestones have moved to 2021/22 in line with the revised Governance business plan.  <b>May 21:</b> The Playhouse budget outturn will not be overspent for 20/21. As a result of Covid-19 the Playhouse has been shut most of the last year. Funding of £500k has been secured from the Arts Council as part of the Covid-19 culture recovery fund. The business plan has been delayed and is included in the Governance Service plan for 21/22.  <b>Oct 21:</b> All reports from external consultants have now been submitted, a review with Legal Services will take place at the end	Overdue

# Internal Audit Recommendation Tracker (All)

Last Updated: 02 November 2021

## 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
								of October ready for draft to SMB by end of November.	
<b>Business Continuity 2019/20 May 2020</b>  88	3	The recovery detail, both in the corporate plan and in the service area plans define the IT systems individually and specifically and a prioritised list for recovery for them developed.	Medium	Changes will be made as part of review process of the COVID 19 BC scenario and applications of plans and processes during this time.	Operations Manager/Senior ICT Manager	31/03/21	31/03/22	<b>May 21:</b> Team level Covid specific BC Plans were carried out in September 2020 and have been reviewed in March 2021; IT systems have been considered as part of these. Once plans for future ways of working are finalised new BC assessments will need to be carried out accordingly and this recommendation will be incorporated.  <b>Oct 21:</b> Work is underway on Future Ways of Working assessment and corporate structure review and new BC assessments will follow this; in the absence of specifically listed and prioritised systems these will be recovered in order of service delivery priorities as per the corporate BC plan.	Overdue
<b>Business Continuity 2019/20 May 2020</b>	5	Training for key staff and plan holders should be undertaken. This includes more desk-top training, but also full scenario training.	Medium	Training will be most useful if it occurs after completion of Good Practice Action below	Operations Manager	31/07/21	31/03/2022	<b>Oct 21:</b> An Essex Resilience Forum Working Group has been set up to service Business Continuity across Membership of the Forum and will look to provide training required.	Overdue
<b>Corporate Health and Safety</b>	2	A common and consistent H&S Training Matrix be	Medium	A training matrix will be incorporated into the forthcoming	Environment & Licensing Manager and	30/09/21	30/06/22	<b>Oct 21:</b> Development with HTS of a comprehensive Health and Safety	Overdue

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
<b>2019/20 May 2020</b>	86	<p>adopted and used across the Council. Human Resources should be consulted as part of the process to ensure a consistent approach.</p> <p>Responsibility should be given to Heads of Service to ensure their completed training matrices are submitted to the Council's Health and Safety Officer on a quarterly basis for review and ensure compliance.</p>		<p>health and safety management system. A proposal will be made to SMB regarding oversight of return of completed matrices</p>	Head of Environment & Planning			<p>management system has been paused throughout the COVID-19 emergency as corporate Health and safety resources have been Substantially diverted to responding to continually changing COVID-19 risks. It is proposed to re-examine the viability of this work as the impact of the COVID-19 emergency fully abates</p>	
<b>Harlow Gilston Garden Town 2019/20 July 2020</b>	1	To clarify the accountability and extent of any liability of each partner in the HGGT a signed overarching agreement between the councils should be prepared. This will include a data sharing agreement.	Medium	<p>(1) Work is now well underway on the next steps to establish Combined Delivery Service following Board decision on 10 Feb 2020.</p> <p>(2) Legal work is underway to clarify arrangements and delegations for the CDS. Link to HIG delivery and governance</p>	HGGT Director HGGT Project Manager HGGT Programme Manager	<p>(1) 31/03/21</p> <p>(2) 30/09/21</p>	31/03/22	<p>(1) Political and corporate agreement to proposals by 31 March 2021. Shadow structures then up and running</p> <p>(2) Formal decision making will need to follow the local election period – 30 September 2021</p> <p><b>Feb 21:</b> HGGT legal advisors, Weightmans, have been instructed to develop a data sharing protocol for the HGGT. The most appropriate agreement is currently being evaluated.</p> <p><b>Oct 21:</b> An HGGT Governance Review Task and Finish Group has</p>	Overdue

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
06								<p>been established. A series of meetings with HGGT Partner Leaders and Chief Executives, and the Task &amp; Finish Group have been set up to take forward the formalisation of governance arrangements for HGGT.</p> <p>The Task and Finish Group agreed for further work to be undertaken towards the establishment of a Joint Committee. The Leaders of the HGGT Partner Councils are keen for this work to take place at pace and are seeking to have formalised arrangements in place by March 2022.</p>	
<b>Commercial Rents 2019/20</b>	1b	Create a commercial property policy, which covers; how rent is set the types of lettings operated, the content of leases, renting, rent free periods, rent deposits, maintenance, voids, and collection of income. (This list is not exhaustive).	Medium	Agreed	Property and Facilities Manager in conjunction with the Head of Finance.	31/03/21	31/01/22	<p>The Property and Facilities Team have been utilising a number of checklists to guide the processes related to:</p> <ul style="list-style-type: none"> <li>• The grant of new leases;</li> <li>• Progressing of assignment requests;</li> <li>• Managing lease surrenders and expiries; and</li> <li>• Management of vacant properties</li> </ul> <p>An overarching policy/guidance document has been drafted to provide guidance for Officers and a framework under which they are to operate. A copy of the draft policy has been given to Internal Audit while waiting for Director of</p>	Overdue

# Internal Audit Recommendation Tracker (All)

Last Updated: 02 November 2021

## 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
								Finance sign off.	
<b>Commercial Rents 2019/20 September 2020 (Re-issued October 2020)</b>	6	Review management fees for all service charges. Ensure they are appropriate. Consider any RICS requirements when setting management fees. Finance can be asked to help in calculating management fees.	Medium	Agreed.	Property and Facilities Manager.	31/03/21	30/06/22	<b>Oct 21:</b> This is in progress. The Property and Facilities Manager has discussed the level of management fees with the Senior Services Accountant and will amend those where considered necessary as part of the year end (31 March 2022) service charge account reconciliation.	Overdue
<b>Commercial Rents 2019/20 September 2020 (Re-issued October 2020)</b>	12	The Property & Facilities Manager to ensure that third parties, i.e. letting agents, solicitors etc., have provided appropriate GDPR compliant contracts and the departmental ROPA is up to date. Advice from Legal Services can be sought.	Low	Agreed.	Property and Facilities Manager	31/03/21	31/12/21	<b>Oct 21:</b> This is work in progress. The Operations Manager is working with the Data Protection Officer to ensure commercial leases are included in the RoPA	Overdue
<b>Parks and landscapes 2019/20 October 2020</b>	1.1	Routine inspections should be implemented and documented to demonstrate the Council has a process for managing trees.	High	The council will assist HTS to produce a robust maintenance strategy for the trees. A wider Tree and Landscape Strategy Document is also required for the Harlow area. This will include more than	Environment and Licensing Manager Senior Landscape Officer	31/03/21	30/09/21	<b>Feb 21:</b> HTS has engaged a leading Arboricultural consultancy to carry out routine tree inspections, incorporating robust condition, value, and risk assessments. Inspection outcomes are now comprehensively documented and retained in an interactive database to which HTS has access and from which data	In progress – to be removed from tracker as this is a long term project, which

# Internal Audit Recommendation Tracker (All)

Last Updated: 02 November 2021

## 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
92				tree maintenance, but ideally would influence a maintenance strategy.  However, due to not yet having that document the production of a tree maintenance programme should go ahead regardless. Any adjustments that may be required based on a wider strategy can be incorporated at a later date. However if we work closely with HTS (including Tim Moya associates) the programme should be suitable for the most part.				may be downloaded for transfer to the Council's GIS system. This will form the foundation of the tree management strategy the need for which is identified at 1.2  <b>May 21:</b> HTS continues to employ an external contractor to reinforce the existing team structure to undertake routine inspections. A monthly update is provided by HTS for outstanding tree inspections.  <b>Oct 21:</b> Progress has been made since the original audit which enables the Council to move towards a proactive routine inspection process. The Council has approved HTS's proposal to undertake a tree survey to assess the condition of trees in the district, and is estimated to take up to three years. Additional funding for 2022/23 has been agreed to cover the cost of remedial works arising from the survey. As the survey progresses, the Council's approach for managing trees and grounds maintenance will transition from reactive to proactive, as detailed information regarding tree stock to determine the Council's approach becomes available	Internal Audit will follow up separately
	1.2	The Council will work with HTS to ensure a tree maintenance strategy is agreed and implemented, in				31/03/22		<b>Feb 21:</b> In working with HTS to develop a tree strategy for Harlow, it has become evident that improved baseline data is required in order to properly assess the	In progress – to be removed from

# Internal Audit Recommendation Tracker (All)

Last Updated: 02 November 2021

## 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
93		<p>accordance with the contract specification.</p> <p>The tree maintenance strategy should ensure:</p> <ul style="list-style-type: none"> <li>a) Tree surveys are completed to provide a complete record of the type and condition of the Council's tree stock</li> <li>b) Risk assessments are undertaken to identify and manage risks to public safety</li> <li>c) Remedial work is identified and managed in order of risk.</li> </ul>						<p>implications of potential policy options. A town-wide condition survey led by HTS will allow the issues costs and values to be quantified so that the cost and effect of options can be reasonably estimated. This will delay adoption of formal policy, but will provide a robust basis for informed policy making. It is anticipated that a budget cost for the most pragmatic approach to this work will be arrived at by 31/03/2021, and subject to the identification of resources, that work will commence in the course of 2021/22.</p> <p><b>May 21:</b> HTS has drafted a proposal for the use of an external provider to conduct a risk based town wide survey of the age and condition of all trees. The Council is also looking at options for a real time database to record tree information.</p> <p><b>Oct 21:</b> As above. The Council has accepted HTS's proposal. A townwide survey is expected to commence early in 2022. The tree maintenance strategy will evolve once the survey is underway to determine the Council's risk based approach to managing trees.</p>	tracker as this is a long term project, which Internal Audit will follow up separately
<b>Equality Act and Impact</b>	3	To drive equality improvements and	Medium	<del>(a) Head of Governance to be</del>	Head of Governance/	<del>(a) Completed</del>		<b>May 21:</b> (c) This has not been progressed as quickly as needed	Overdue

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
<b>Assessments 2020/21</b> <b>February 2021</b>	94	ensure buy-in from managers across the Council, there should be an 'equality champion' at Senior Management Board. Key messages from the Equality Working Group (EWG) should be reported to the Third Tier Managers meeting to be filtered down to staff.		<p><del>Equality Champion' at Senior Management Board (SMB).</del></p> <p><del>(b) An EWG Group has been established.</del></p> <p>(c) The Chair of EWG to develop key messages for the Third Tier Managers and their Teams.</p> <p>(d) The EWG will be expanded to include participants from the protected characteristics to work on the Action Plan and build on the other work required to meet the PSED.</p>	Corporate and Democratic Services Manager	<p>(b) Completed</p> <p>(c) 28/02/21</p> <p>(d) May 2021 onwards</p>	<p>(c) 31/05/24 31/12/21</p> <p>(d) 31/05/24 31/12/21</p>	<p>due to continued work being undertaken on Corona pandemic and the Elections. This will now fall in line with (d) and will be underway by late May 2021</p> <p><b>Oct 21:</b> The EWG has met on occasions to ensure the documents were agreed and ready to be presented at Cabinet.</p> <p>However the EWG has not had the opportunity to meet over the summer due to seasonal issues which have impacted Officers workloads.</p> <p>The dates for both ( c ) and ( d ) have been amended to Dec 21 to reflect this</p>	
<b>Equality Act and Impact Assessments 2020/21</b> <b>February 2021</b>	5	To comply with the Public Sector Equality Duty (PSED) the Council should publish annually its equality objectives and the progress made towards achieving them. This could be achieved through the publication of an Equalities Annual Report.	Medium	An interim report is being compiled for publication in April 2021.	Head of Governance/ Corporate and Democratic Services Manager	30/04/21	<p>30/06/24 31/12/21</p>	<p><b>May 21:</b> This is currently being developed and should be ready for publication soon.</p> <p><b>Oct 21:</b> The report has been compiled and is awaiting approval and to be finalised by the Communications Team. This will be completed by Dec 21</p>	Overdue

# Internal Audit Recommendation Tracker (All)

## Appendix B

Last Updated: 02 November 2021

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
<b>Accounts Payable</b> <b>2020/21</b> <b>July 2021</b>	2.1	Officers should be reminded to raise purchase orders at the time of ordering goods/services, and in advance of receiving the invoice so that goods received can be checked against the order without delay.	Medium	Budget monitoring meetings are held between Accountancy and Service Managers monthly. In response to this recommendation exception reports from Accounts Payable will be provided to Accountancy by the Systems Team Leader. The issue of late payment of invoices and not raising purchase orders in advance will be included as part of that discussion. Instances of non compliance will be escalated to the relevant Head of Service and the Head of Finance and Property  Exception reporting will be in place by the end of July 2021. This budget monitoring part of the process (1.3) will be introduced as part of the proposed restructure of the	Systems Team Leader and the Principal Finance Manager	31/07/21	31/03/22	<b>Oct 21:</b> Monthly Agresso reports are being used to highlight purchase orders raised after the date goods/services are provided. Monthly budget monitoring meetings between Accountancy and Third Tier Managers have not been reinstated whilst the Finance team is undergoing a restructure.	Overdue

**Internal Audit Recommendation Tracker (All)**

Last Updated: 02 November 2021

**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
				finance department and be embedded by the end of this financial year.					

## **Harlow Council Internal Audit Charter**

**November 2021**

## **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 **is** consistent with the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing) 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 and 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 and Standards Committee, via this Charter, as part of their oversight role, being the Committee charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
- 3.4 The Internal Audit Manager reports functionally to the Director 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.
- 3.5 Internal Audit's primary role is to assist the Council's senior management team, particularly the Director of Finance, the Monitoring Officer, the Chief Executive and Councillors in the effective discharge of their responsibilities. To this end, Internal Audit provides them with analysis, appraisals, recommendations, advice and information to enable effective control over the activities reviewed, including the Council's financial affairs.
- 3.6 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.
- 3.7 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
- 4.2 The provision of assurance services is the primary aim for Internal Audit, requiring the Internal Audit Manager to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control. Consultancy services are advisory in nature and are usually performed at the request of the Chief Executive or Service Directors, with the aim of improving governance, risk management and control and contributing to the overall opinion. The majority of Internal Audit's work is assurance rather than consultancy based.

## **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 judgement. 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 Director 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 and Standards Committee, the Chief Executive and the Chair of the Audit

and Standards Committee. The Director of Finance will advise the Audit and 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 and Standards Committee, including between meetings as appropriate. Outside of formal senior management meetings and meetings of the Audit and Standards Committee, the Internal Audit Manager will have direct access to the Chief Executive and to the Chair of the Audit and Standards Committee.

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

### **Audit and Standards Committee**

The Audit and 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 and 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 and 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 Director of Finance who approves all decisions regarding the performance evaluation, appointment, or removal of the Internal Audit Manager, in consultation with the Senior Management Board and the Internal Audit shared service Board, ensuring feedback is sought from the Chair of the Audit Committee.
- 8.4 The day to day operational management of the Internal Audit function lies with the Internal Audit Manager, who is accountable through the Director of Finance to the Audit and 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 Service Directors and Senior Management Board with regard to risks, concerns etc. and take account of any issues raised by them.
- 8.6 **The term ‘board’ and ‘senior management’ is used in the Public Sector Internal Audit Standards. For Harlow these roles are held by the Audit and Standards Committee and SMB respectively.**

## **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 Director 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 and Standards Committee and senior management. Internal Audit examines and evaluates, on a risk focused 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 Director 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 Internal 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 and risk management 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 Service Directors and the Senior Management Board and where appropriate to the Audit and 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 and Standards Committee on the results.
- 11.6 Internal Audit will report to the Audit and Standards Committee, in accordance with the agreed arrangements, on the overall adequacy of the internal control system, governance and risk management arrangements 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

Board and to the Audit and 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 and Corruption Strategy.
  - Maintaining a Fraud Response Plan.
  - Financial Regulations requiring all incidents of suspected or detected fraud to be notified to Director 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 Director 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 and 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 Council's 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 Director of Finance, Monitoring Officer, Chief Executive 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, Service Directors 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 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 2021

(Date of next review: November 2022)

## **HARLOW COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY**

**Responsible Officer: S151 Officer (Deputy Chief Executive and Director of Finance)**

**Date: November 2021**

**Next review date: November 2022**

### **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 **2020-21 Corporate Plan/Strategy** 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 Fighting Fraud and Corruption Locally Strategy 2020 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 where fraud and corruption are unacceptable and that is measurable
- **Capability** - assessing the full range of fraud risks and ensuring that the range of anti-fraud measures deployed is
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance
- **Competence** – having the right skills and standards commensurate with the full range of counter fraud and corruption activity
- **Communications** – raising awareness internally and externally, 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.

Both can be encompassed by the term “economic crime”, which refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others.

### 4. Strategic response

The principles of the Council’s Anti-Fraud and Corruption Strategy are focussed on the following four pillars of activity (as taken from the 2020 Fighting Fraud and Corruption Locally Strategy): govern, acknowledge, prevent and pursue. These are supported by one further pillar; protect.

Govern	Acknowledge	Prevent	Pursue
Having a holistic approach to tackling fraud is part of good governance	Acknowledge and understanding fraud and corruption risks	Preventing and detecting more fraud and corruption	Being stronger in punishing fraud and corruption/recovering losses
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Assessing and understanding fraud and corruption risks Committing the right support and resources to tackling fraud and corruption Maintaining and demonstrating a robust anti-fraud and corruption response Communicating the risks to those	Making better use of information and technology Enhancing fraud and corruption controls and processes Developing a more effective anti-fraud and corruption culture Communicating its activities and processes	Prioritising fraud recovery and the use of civil sanctions Developing capability and capacity to punish corruption and fraudsters Collaborating across geographical and sectoral boundaries Learning lessons and closing the gaps

	charged with Governance		
Govern	Acknowledge	Prevent	Pursue
<b>Some specific examples for Harlow Council</b>			
<ul style="list-style-type: none"> <li>Corporate Fraud Group that reports into the Corporate Governance Group and SMB</li> <li>Fraud included in the Audit Committee's Terms of Reference</li> </ul>	<ul style="list-style-type: none"> <li>Risk management process</li> <li>Fraud /corruption proofing policy and processes</li> <li>Fraud and corruption awareness</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblowing policy</li> <li>Strong internal control culture</li> <li>Staff and supplier vetting</li> <li>Participation in the National Fraud Initiative and the pan-Essex Council tax matching campaign</li> <li>Staff and Member Code of Conduct and Declarations of Interest</li> <li>Information security and IT policies</li> </ul>	<ul style="list-style-type: none"> <li>Fraud response plan</li> <li>Enforcement powers, application of sanctions and prosecutions</li> <li>Collaboration and joint prosecutions with other Authority fraud teams</li> </ul>
<b>Protect</b>			
<p>Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.</p> <ul style="list-style-type: none"> <li>Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.</li> <li>For Harlow this will also cover protecting public funds, protecting the Council from fraud and cybercrime and also protecting itself from future frauds.</li> </ul>			

## 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 to help achieve this. Fraud and corruption risks are 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 Fighting Fraud and Corruption Locally Strategy 2020, 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
- *Right To Buy fraud*: Fraudulent applications under the right to buy/acquire
- *Procurement*: Tendering issues, split contracts, double invoicing
- *Payroll*: False employees, overtime claims, expenses
- *Council Tax*: Discounts and exemptions, council tax support
- *Business Rates*: Fraudulent applications for exemptions and reliefs, unlisted properties and rates avoidance
- *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
- *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
- *Commission of Services*: including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion

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, Members and residents
- 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 four pillars of the Council's Anti-Fraud and Corruption Strategy, which will be supported by a rolling action plan.

Principle	Approach	Expected Outcome
Govern by having a holistic approach to tackling fraud	Oversight through the quarterly Corporate Fraud Group meetings  Performance monitored by the Corporate Governance Group and Audit and Standards Committee	Delivery of the Council's Anti-Fraud and Corruption Plan that tackles both internal and external fraud
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	Increased reporting of cases  Increased awareness of anti-fraud and corruption process and procedures throughout the Council

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

## 7. Responsibility for implementing this Strategy

<b>Responsibility</b>	<b>Role</b>
Chief Executive	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)

<b>Responsibility</b>	<b>Role</b>
	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	Develop, review and maintain the Anti-Fraud and Corruption Framework through the Corporate Fraud Group.
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: <ul style="list-style-type: none"> <li>• Prevent theft, fraud and corruption thereby safeguarding the Council's assets and interests</li> <li>• Promote employee awareness</li> <li>• Assess the risk of fraud and corruption and take appropriate action</li> <li>• Take prompt action in line with the Fraud Response Plan where they suspect or are alerted to possible theft, fraud or corruption</li> </ul>
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.

<b>Responsibility</b>	<b>Role</b>
Internal Audit	<p>Providing assurance on the effectiveness of systems and procedures to prevent and detect fraud and corruption (by undertaking audits).</p> <p>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.</p>

## 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 and Procedure (located on the Council's Kaonet) <https://www.harlow.gov.uk/sites/default/files/documents/Whistleblowing%20policy%20and%20procedure.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 Kaonet) <https://www.harlow.gov.uk/sites/default/files/documents/Anti-money%20laundering%20and%20terrorism%20financing%20policy%20and%20procedure.pdf>
- Employee and Member Codes of Conduct (located on the Council's website and published as part of the Constitution)
- Financial Regulations (located on the Council's Kaonet and published as part of the Constitution)
- Contract Standing Orders (located on the Council's Kaonet and published as part of the Constitution)

## 9. Policy Reporting, Review and Monitoring Performance

This Strategy can only be varied with the collective agreement of the Chief Executive, the Section 151 Officer and the Monitoring Officer.

The Director of Finance, as Section 151 Officer, will develop through the Corporate Fraud Group a rolling Anti-Fraud Action Plan to support the Strategy.

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 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 to:

- 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). The Policy makes 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 Director 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**

The 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 to determine their favoured course of action. Staff who do not have access to the Kaonet should contact the Internal Audit Manager or their Director. 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 the 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, **the Council's Section 151 Officer** 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 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 Policy and procedure. The procedures for dealing with suspected money laundering are different from other problems – see the Anti-Money Laundering and Terrorism Financing Strategy 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 Director of Finance (as Section 151 Officer) and the Internal Audit Manager** who decide at what point to inform the Monitoring Officer and the Chief Executive.

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 Director 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 Director 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 Director 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 Director of Finance will inform Human Resources and the relevant Director 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 Director of Finance or Monitoring Officer will inform the Police. Crime numbers should be obtained and provided to Internal Audit and 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 Director of Finance will instigate a formal investigation, in consultation with Internal Audit and the relevant Director, to be undertaken by the appointed Investigating Officer. In the absence of the Director of Finance, their responsibilities are transferred to the Monitoring Officer or Chief Executive.

Consideration will be given by the Director 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 Director of Finance, in consultation with Human Resources and the relevant Director of Service, 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 Director of Finance promptly. If the investigation extends more than two or three days then the Director 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 Director 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 Director 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 Director of Finance. The final report will also be issued to the Chief Executive, the Monitoring Officer **and the Internal Audit Manager** and if appropriate to the relevant Director, 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 Director of Service must remedy the control weaknesses identified during the course of the investigation. Internal Audit will provide advice and support on effective controls.

Internal Audit will record all the investigations and the 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.

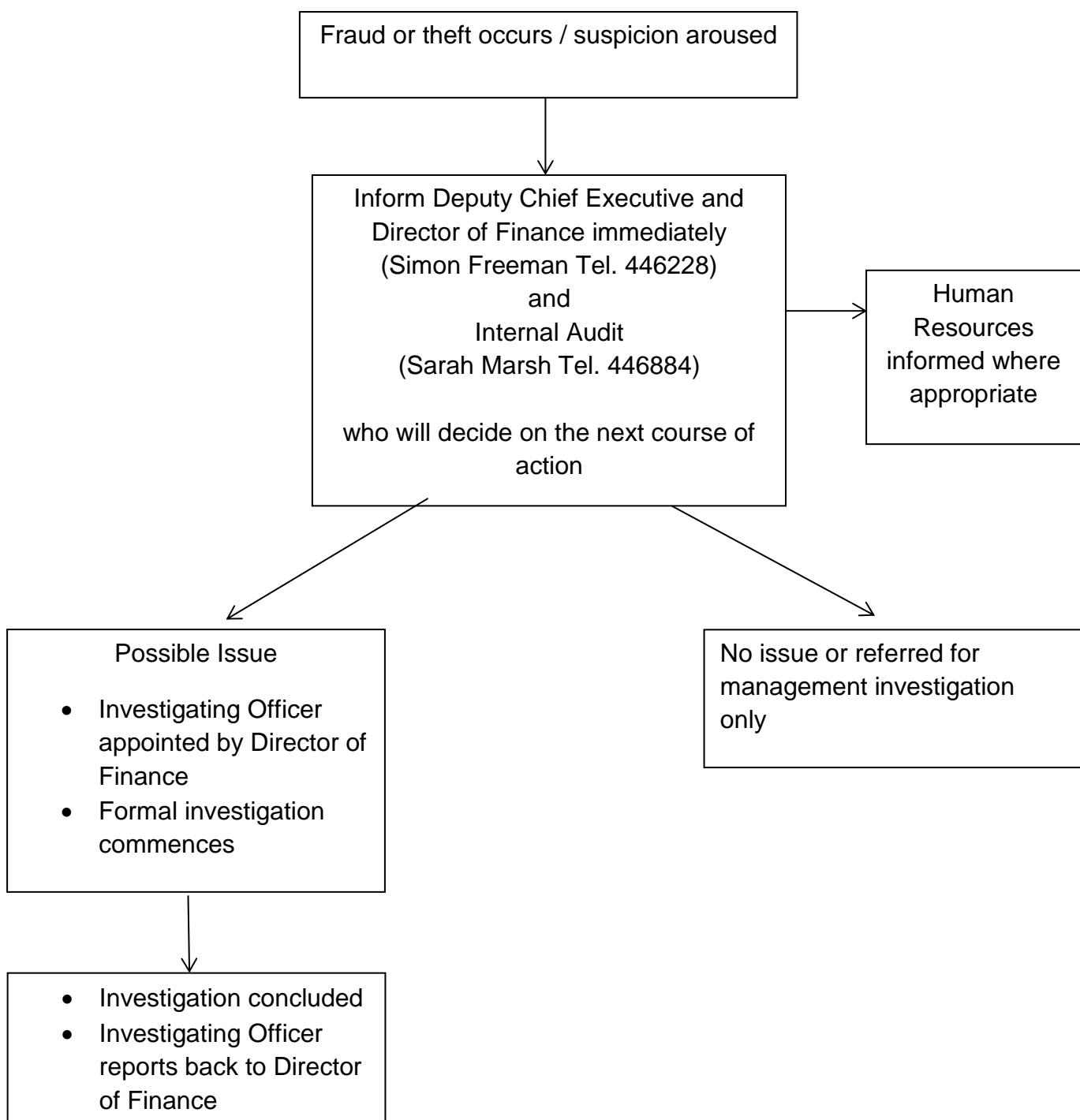
The Communications Team should be informed (it is useful to have a protocol regarding publicity of frauds) so that publicity can be managed effectively.

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**  
**Deputy Chief Executive and Director of Finance (Section 151 Officer)**  
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**Alternative Contacts**

- Internal Audit Manager, Sarah Marsh 01279 44 6884 (mobile 07973 733332) [sarah.marsh@harlow.gov.uk](mailto:sarah.marsh@harlow.gov.uk)
- Director of Governance and Corporate Support(Monitoring Officer), Simon Hill 01279 44 6099 [simon.hill@harlow.gov.uk](mailto:simon.hill@harlow.gov.uk)
- Chief Executive, Brian Keane 01279 44 6000 [brian.keane@harlow.gov.uk](mailto:brian.keane@harlow.gov.uk)

**Outline of Fraud Response Process**

**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **24 NOVEMBER 2021**

**TITLE:** **RISK MANAGEMENT REPORT**

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

**RECOMMENDED that:**

- A** The Committee notes the Strategic Risks, risk scores and variation against risk appetite as at 30 September 2021.

**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 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.
3. The Senior Management Board regularly review Strategic Risks to ensure they are satisfactorily aligned with the Corporate Priorities and Principles.

**ISSUES/PROPOSAL**

**Strategic Risks Update as at 30 September 2021**

4. Appendix 1 details the council's Strategic Risk Register as at 30 September 2021.
5. Appendix 2 compares the council's strategic risks with the agreed risk appetite threshold for linked council priorities and principles.
6. Review of risk appetites and their respective thresholds is an iterative process. Therefore, while the thresholds facilitate monitoring of risks in a more structured way, it is also important to recognise that the limits and triggers require calibrating as well. Therefore, a review of risks against risk appetite should not only consider whether the risk has adequate controls but should also consider whether the threshold for the risk appetite definition has been set at the correct level.

7. Furthermore, risks which exceed the risk appetite threshold may not necessarily be poorly controlled but may be subject to factors outside the council's control.
8. Additional commentary is merited for the following Strategic Risks:
  - a) CR01 – Financial Resilience: There are strong financial controls and monitoring but the current risk scoring reflects the concerns around the ongoing Covid epidemic, Government fiscal policy and the possible future requirement to call upon council reserves. The council has approved a three year MTFP which reflects that there are projected budget gaps over the period 2021/22 to 2023/24.
  - b) CR06 - Lack of Resources and Capacity, Council and key partners: While HTS repairs and maintenance were reinstated following issues presented by Covid-19 along with the landscapes programme, the waste contract is still subject to ongoing challenges and the structure is being reviewed with Veolia.
  - c) CR08 – Equality and Diversity: the current risk score shows that, whilst likelihood of the risk materializing remains in line with risk appetite threshold, it is perceived that impact from the risk materializing would be more severe. This reflects the possible increased level of complaints and possible reputational damage should such risks materialize.
  - d) CR11 – Business Resilience: The Council has applied itself well to address both strategic and operational issues throughout the Covid 19 pandemic to ensure continuity of services and continues to keep this strategic risk under control.

## **Next Steps**

9. As part of finalization of the new Corporate Strategy, the Senior Management Board will be required to undertake a review of the strategic risks to ensure they reflect the Council's priorities from 2022/2023 onwards.
10. Risk Appetite will also be reviewed as part of the corporate risk process.
11. In conjunction with the proposed new council structure and performance management process, the Risk Strategy will be updated to reflect roles, responsibilities and procedures.
12. Whilst a Risk Maturity Assessment was originally planned in 4<sup>th</sup> Quarter 2021/2022, this will now need to be delayed to allow for rollout and embedding of the new council structure.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

None specific

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance (Includes ICT, and Property and Facilities)**

None specific

**Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance**

### **Housing**

None specific

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

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific

**Author: Jane Greer, Director of Communities and Environment**

### **Governance (Includes HR)**

Risk Management is an important part of the council's overall governance

Arrangements, therefore the Audit and Standards Committee should consider the adequacy of overall arrangements on a regular basis.

**Author: Simon Hill, Director of Governance and Corporate Support**

## **Appendices**

Appendix 1 – Strategic Risks as at 30 September 2021

Appendix 2 – Strategic Risks scores versus Risk Appetite thresholds

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Inherent Risk Score			Controls already in place		Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)		Target Date
							Risk Owner	Likelihood	Impact	Score			Likelihood	Impact	Score	Likelihood	Impact	Score		
Corporate Priorities	More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	If the town lacks sufficient housing and also does not provide a suitable housing mix, it will not attract or retain residents	The town requires a suitable housing mix to attract new and retain existing residents for an evolving and sustainable community. Supply must be balanced with demand and housing need, taking into account National Housing and Planning policy. As part of that mix, housing for local people that is genuinely affordable remains a high priority for the Council.	Lack of funding to build new homes. Lack of available land. Low land values. Lack of Local Plan (or non-approval due to failure to demonstrate Duty to Cooperate). Reluctance of housing developers to build out approved schemes will limit the supply of affordable housing as a proportion of private developments. Government policy in relation to social housing may limit the supply of affordable housing.	Lack of Local Plan could create lack of local control or direction. Lack of suitable housing may lead to people moving out of area. Inability to generate sufficient affordable housing. Impact on right population mix.	Andrew Bramidge	Likely (4)	Major (4)	21	Local Plan Examination took place March/April 2019 and the inspector's initial report was received in December 2019, proposing his modifications of the Plan with adoption expected summer 2020. Due to the Covid 19 pandemic the consultation period on the modifications to the Local Plan was extended to the end of May. Following this, the Planning Inspectorate asked all local authorities to provide more evidence on household projections and this work took place during July and August. The Inspector's draft final report was received in October and the Local Plan was formally adopted at the Council meeting on 10 December 2020.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Scrutiny Committee at their March 2021 meeting approved a report on the Council's House Building Programme which was ratified by Cabinet at their March 2021 meeting. An action plan is being developed which will go back to Scrutiny autumn 2021. There may be additional monies for the Council if bids for central govt monies are successful, including the Housing Investment Fund and Levelling Up fund. Currently, housing delivery targets are being met with the build out of Newhall, Gilden Park and Ram Gorse.		
		CR04 - Lack of adequate Council housing	If the Council does not provide adequate Council Housing it will not be able to fulfil housing needs.	Investment in the existing Council Housing stock is required to fulfil housing needs, maintain Decent Homes standards and improve housing conditions and Housing Options for tenants.	Lack of investment in Council Housing stock. Changes in government policy in relation to housing finance affects ability of the Council to maintain Decent Homes Standards.		Andrew Murray	Moderate (3)	Moderate (3)	13	House repurchase scheme (45) adding additional Council housing stock approved by Cabinet in September 2020 was completed by 31 March 2021. Programmes of buying properties through 141 receipts. Response to Covid-19 Pandemic continues with recovery Plans being reviewed and aligned to council priorities and governance. Bad debt provision reviewed as income recovery is monitored.	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Scrutiny Committee at their March 2021 meeting approved a report on the Council's House Building Programme which was ratified by Cabinet at their March 2021 meeting. An action plan is being developed which will go back to Scrutiny autumn 2021		
		CR09 - Provision of repairs, maintenance landscape and streetscene services	If HTS (Property and Environment) Limited is unable to provide its contracted services, then Harlow Council may be unable to comply with its obligations with regards those services	Repairs, maintenance, landscape and streetscene services are currently contracted to HTS (Property and Environment) Limited. If HTS becomes unviable or finds itself unable to provide its contracted services, Harlow Council will need to arrange alternative provision of those contracted services to meet its obligation to residents	Capacity of HTS management to manage contractual obligations within agreed budget. Non-compliance with outsourced statutory obligations. Unsatisfactory delivery of contracted services. Capacity of HDC management to adequately monitor HTS performance.	Significant reputational, contractual and compliance implications if HTS are unable to comply with contracted obligations. Additional costs, fines or penalties from inadequate or unsatisfactory service provision. Financial impact if HDC are required to take management of HTS due to lack of capacity of HTS management. Procurement of new contractor(s) required if HTS became unsustainable as a business.	Andrew Murray	Unlikely (2)	Major (4)	14	Covid-19 recovery plan approved by Member working group September 2020. Updated risk register with Covid-19 implications mitigated in October 2020. Updated Business Continuity Plan reviewed October 2020. Services Agreement 2017/18. Contract wording and specifications confirm contractor requirements. Monthly performance reviews involving Portfolio holders and three year Best Value review. HTS have regular reviews of Efficiency Plan and Risk Register. HTS risk register reviewed quarterly at SMB/HTS quarterly meetings. There are regular Governance Audits to ensure effectiveness and value for money. Last Audit March 2019 with outcome of Substantial Assurance. Response to Covid 19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and lock down arrangements continuing.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Business Continuity Plans required relating to provision of the contracted services.		
Regeneration and a thriving economy	CR02 - The Harlow Offer	If the Harlow Offer is poor, then the town will fail to attract new or retain current businesses	A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination. The Harlow Offer is key to retaining and attracting new investment in	The macro economic impact on the retail sector is very uncertain. Low land values hinder investment. The retail sector has been significantly affected by Covid 19, and is unlikely to return to the position prior to the outbreak.	Delays or failure to deliver regeneration. Damaged reputation and perception towards the town. Potential loss of jobs and employment. Reduction in amount of income to the Council.	Jane Greer	Moderate (3)	Major (4)	18	Town centre improvements. Housing mix. Enterprise Zone delivery lead. Economic Development Strategy. Discover Harlow Campaign. Bid for Future High Street Fund funding submitted in July 2020. Town Investment Plan submitted 30/1/20. Government grants may support some businesses	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Continued work with ECC to deliver road and transport infrastructure improvements. Develop forward plan for improving transport infrastructure in Harlow. Take forward EZ skills plan to support development of a skilled workforce. Town Centre public realm improvements.			
Wellbeing and social inclusion	CR05 - Inability to fulfill Community Wellbeing role	If the Council is unable to fulfil its community wellbeing role, then partnering and strategic opportunities may be lost, impacting the future of discretionary services	Discretionary services are dependent upon the Council's community leadership role which relies to some extent on co-production and co-operation of other agencies and organisations	Health and wellbeing of the community could be affected due to inability to bring together partners and agencies to deliver adequate services. Discretionary services budget likely to be restricted or removed.	Residents unable to access adequate services. Frustration of community cohesion. Perception of Harlow Offer could deteriorate.	Jane Greer	Moderate (3)	Moderate (3)	13	Safer Harlow Partnership, Regeneration Strategy	Moderate (3)	Moderate (3)	13	Unlikely (2)	Moderate (3)	9	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Health and Wellbeing Strategy will now be delivered by 2022/23			
A Clean and green environment	CR06 - Lack of Resources and Capacity, Council and key partners	If the resources and capacity of the Council and key partners are diminished, the Community 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	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed	Environmental services actions delayed, recycling rates stagnate or diminish. Resources diverted to reactive rather than proactive actions e.g. increase fly tipping. Reduced resident satisfaction.	Andrew Bramidge	Moderate (3)	Major (4)	18	Essex Waste Management Plan, Waste Collection Contract, Street Scene 'contract' with HTS, Landscapes 'contract' with HTS (however due to Covid 19 much of the landscape programme was frozen part of 2020/2021). Town Park regeneration project. NEPP. New Landscape Officer post recruited in January 2020.	Moderate (3)	Major (4)	18	Unlikely (2)	Moderate (3)	9	Review the service specification with HTS and review the structure of the waste contract with Veolia. Budget review process.	Mar-22		
	CR09 - Provision of repairs, maintenance landscape and streetscene services	If HTS (Property and Environment) Limited is unable to provide its contracted services, then Harlow Council may be unable to comply with its obligations with regards those services	Repairs, maintenance, landscape and streetscene services are currently contracted to HTS (Property and Environment) Limited. If HTS becomes unviable or finds itself unable to provide its contracted services, Harlow Council will need to arrange alternative provision of those contracted services to meet its obligation to residents	Capacity of HTS management to manage contractual obligations within agreed budget. Non-compliance with outsourced statutory obligations. Unsatisfactory delivery of contracted services. Capacity of HDC management to adequately monitor HTS performance.	Significant reputational, contractual and compliance implications if HTS are unable to comply with contracted obligations. Additional costs, fines or penalties from inadequate or unsatisfactory service provision. Financial impact if HDC are required to take management of HTS due to lack of capacity of HTS management. Procurement of new contractor(s) required if HTS became unsustainable as a business.	Andrew Murray	Unlikely (2)	Major (4)	14	Covid-19 recovery plan approved by Member working group September 2020. Updated risk register with Covid-19 implications mitigated in October 2020. Updated Business Continuity Plan reviewed October 2020. Services Agreement 2017/18. Contract wording and specifications confirm contractor requirements. Monthly performance reviews involving Portfolio holders and three year Best Value review. HTS have regular reviews of Efficiency Plan and Risk Register. HTS risk register reviewed quarterly at SMB/HTS quarterly meetings. There are regular Governance Audits to ensure effectiveness and value for money. Last Audit March 2019 with outcome of Substantial Assurance. Response to Covid 19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and lock down arrangements continuing.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Business Continuity Plans required relating to provision of the contracted services.			
Successful children and young people	CR07 - Ability to support children and family aspirations	If we are unable to support children and young people's (and their families) aspirations, this will adversely impact the skills and educational attainment of school	Engagement of young people (and their families) and opportunities for all in education employment and the community will provide opportunities to raise aspirations and the current skill	Lack of leisure opportunities for children; youth services; health services; clubs e.g. scouts. Low levels of 'school readiness'.	Lack of educational attainment and aspirations leading to restriction in future employment opportunities for school leavers.	Jane Greer	Moderate (3)	Moderate (3)	13	Signposting for residents (often through ECC), Partner agencies (statutory, voluntary, schools), promotion of and support to UTC, ARU and college. Youth Council, Harlow School Readiness project and other similar initiatives. Ensure council activities are available "virtually".	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9	Support creation and development of apprenticeships for young people. Engage with a range of partners to support families with complex needs. The Harlow School Readiness project has been extended across town			
Corporate Principles	Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	If the Council is unable to fulfil its community leadership role, then partnering and strategic opportunities may be lost	The Council should take a leading role in promoting Harlow as a great place to live and work, and to champion the need for new infrastructure to enable Harlow to	Lack of lobbying, promotion and funding. Lack of buy-in from stakeholders and partners	Stagnation, lack of town development and growth, lack of identity and recognition	Brian Keane	Likely (4)	Major (4)	21	Climate Emergency measures, lobbying for new infrastructure e.g. hospital, road network. Town Centre Improvements and funding Town Centre Award	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Continue to lobby and liaise with stakeholders		
Sound Resource Management	CR01 - Financial Resilience	If a sustainable budget is not secured, then the Council will lack financial resilience	The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk. In addition uncertainty exists in respect of the Government's plans for local government funding reform and business rates retention	Options for increasing revenue to enable the Council to compensate to reduced Government Funding are becoming extremely limited. Given the budget reductions already made further budget savings will be extremely challenging if services are to be protected. Pressures are now evident not only in the General Fund but also the Housing Revenue Account as a result of Government policy on rents.	The impact of any further significant budget cuts to enable a balanced budget to be delivered could have a major impact on delivery of the Council's corporate objectives. Over the period of the MTFS there could be an impact on Council's ability to meet statutory responsibilities and community aspirations in respect of discretionary services.	Simon Freeman	Likely (4)	Major (4)	21	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 small projected budget gaps over the period 2021/22 to 2023/24. Ongoing uncertainty stems from both the proposals regarding the new Government funding distribution methodology and the actual level of resources to be distributed through that mechanism. In addition, the impacts from Covid-19 are still unclear and could impact on baseline funding.	Moderate (3)	Major (4)	18	Moderate (3)	Moderate (3)	13	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.			
Equalities and Fairness	CR08 - Equality and Diversity	If the Council does not promote Equalities and Fairness, Then residents and employees may not enjoy an environment that is free from discrimination, harassment, victimisation and bullying	The aims of equality and diversity are to ensure that everyone has access to the same opportunities and the same, fair treatment. The Council is committed to improving the outcomes for all and preventing any form of discrimination and works to meets all its legal duties under the Equality Act 2010 regarding equality	Decision making not open, transparent or fair. Lack of recognition of diversity of Harlow Reputation	Discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.	Brian Keane	Almost Certain (5)	Major (4)	23	Corporate Equalities Policy. Safeguarding Policies and Training. Equality training for all Officers and Councillors. Partnership working with the Health and Wellbeing Board. Procurement Strategy reflects values of 'Fairness and Equality'. Men's Shed project. 'time credit' scheme in conjunction with Essex County. Promotion of volunteering amongst Harlow's residents.	Moderate (3)	Major (4)	18	Moderate (3)	Major (4)	18	Implement the Corporate Equalities Action Plan. Publication of information relating to people who share protected characteristic who are employees and people affected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.	Annual review 31/03/21		

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Likelihood	Impact	Score	Controls already in place	Likelihood	Impact	Score	Likelihood	Impact	Score	Additional actions to mitigate risk (4Ts)	Target Date
	Resilience and recovery	CR11 - Business Resilience	If the Council does not have adequate Business Continuity arrangements, then it may struggle to recover from disasters or emergencies	Having a comprehensive Business Continuity Plan ensures the Council is prepared for emergencies or business disruption events, facilitates protection of essential assets, minimises potential for loss of life or property and integrates multiple plans and procedures, thereby helping key stakeholders to make informed decisions and ensure timely recovery.	Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms); <b>Biological</b> (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases); <b>Accidental Cause</b> (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill release, equipment failure/transporation incident, unavailability of key employees); <b>Intentional Cause</b> (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud/strike or labour dispute, suspicious package, terrorism, vandalism/sabotage); <b>Technological</b> (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure, utility interruption, disruption or failure)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Almost Certain (5)	Major (4)	23	Emergency Planning, Business Continuity Plans including Disaster Recovery, Insurance Policies including Terrorism, Property maintenance plans, Engineering Inspection Contract, Statutory Testing of equipment, heating systems, electrical, Fire Risk Assessments, Cyber Security	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	BCP Training/communication/Testing	Weekly Review during Covid-19 Recovery phase
		CR11a - Business Resilience: meteorological events	If the Council does not have adequate Business Continuity arrangements in respect of adverse weather, then it may suffer business interruption or disruption when such an event occurs	Natural weather events cannot be controlled. Therefore, the council should be prepared through Business Continuity Planning and adequate risk management for adverse weather conditions which could affect property, disrupt council operations or necessitate council's assistance to local response where required.	Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Moderate (3)	Minor (2)	8	Winter weather plans	Moderate (3)	Minor (2)	8	Moderate (3)	Minor (2)	8		
		CR11b - Business Resilience: biological events	If the Council does not have adequate Business Continuity arrangements in respect of illnesses and disease, then it may suffer business interruption or disruption when such an event occurs	The council should be prepared for biological risks such as food-borne illnesses and infectious/communicable diseases/pandemics to minimise disruption to council operations and coordinate local response where required.	Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases)	Employees and residents could become ill; Civic and commercial buildings may need to be shut, have restricted access or be repurposed. Health and Safety regulations, policies, actions, rules or guidelines. Operations may be affected; Statutory Duties may be more difficult to fulfil; Supply Chains may be affected, Reputation may be damaged.	Brian Keane	Almost Certain (5)	Major (4)	23	Covid-19 Response and Internal Recovery Group Cross party COVID-19 Recovery Working group Risk Assessments, working from home guidance Environmental Health operations (foodborne illnesses, such as salmonella or E. Coli, can usually be minimised by correct food processing and handling techniques)	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Continue to monitor Covid-19 situation and Government direction Develop Covid-19 response and recovery plans for generic epidemic/pandemic event	Weekly Review during Covid-19 Recovery phase
		CR11c - Business Resilience: accidental cause	If the Council does not have adequate Business Continuity arrangements in respect of accidental events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Accidental Human-Caused events can be avoided or mitigated through adequate risk management and adherence to standards plus adequate business continuity arrangements.	Accidental Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill release, equipment failure/transporation incident, unavailability of key employees)	People (Employees, Residents) may be locked out of buildings. People could be injured; Property could be damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Environment could suffer; Supply Chains might be disrupted. Reputation could suffer.	Brian Keane	Unlikely (2)	Catastrophic (5)	19	Property maintenance plans Electrical and Gas statutory inspections Engineering Inspection Contract Insurance Policies Emergency Planning Fire Safety Plans	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9		
		CR11d - Business Resilience: intentional cause	If the Council does not have adequate Business Continuity arrangements in respect of intentional or malicious events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Intentional Human-Caused events can be difficult to predict and minimize but business continuity arrangements may minimise disruption or interruption to operations if such an event occurs.	Intentional Cause (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud/strike or labour dispute, suspicious package, terrorism, vandalism/sabotage)	People (Employees, Residents) may be locked out of buildings or locked in. Employees could be attacked/killed or be unable to work; Operations could be damaged. Operations could be restricted; Statutory Duties may be more difficult to achieve; Supply Chains might be disrupted. Data breach could occur, Reputation could suffer.	Brian Keane	Rare (1)	Moderate (3)	6	Emergency Planning Disaster Recovery Plans Terrorism Insurance	Rare (1)	Moderate (3)	6	Rare (1)	Moderate (3)	6		
		CR11e - Business Resilience: technological events	If the Council does not have adequate Business Continuity arrangements in respect of the technology it uses, then it may suffer business interruption or disruption when such an event occurs	Technological risks to business are increasingly common due to a growing reliance on technology. The council should ensure it has necessary prevention measures in place and effective plans to minimise disruption or interruption to operations	Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)	Employees may be unable to connect to systems, Council may be unable to provide online services, Residents may be unable to access website, contact the council or make payments to the council; Operations may be affected; Reputation may	Brian Keane	Moderate (3)	Moderate (3)	13	Disaster Recovery plans IT Maintenance and security testing (preventative measures) Back-up generator and testing Computer insurance	Unlikely (2)	Minor (2)	5	Unlikely (2)	Minor (2)	5	Further IT systems improvements to increase resilience Continue to maintain and upgrade existing software and hardware.	

Objective	Risk Name	Residual Risk Score			Risk Appetite Definition for Objective	Risk Appetite Reporting Threshold	Difference between residual risk score and threshold	Additional actions to mitigate risk (4Ts)
		Likelihood	Impact	Score				
More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	Unlikely (2)	Major (4)	14	Open	13	1	Direct delivery of council housing. Delivery of Harlow and Gilston Garden Town will spur the development of a wider housing offer.
	CR04 - Lack of adequate Council housing	Moderate (3)	Moderate (3)	13	Open	13	0	Proposed implementation of LDP. Approved action Plan from regular Landlord Survey. Implement any proposed changes to HTS Property & Environment/group Board structure and Housing and Regeneration Strategy. Continuation of planning and modelling of HRA business plan. A five year council house building programme was approved by Cabinet in December 2018. Bad debt provision reviewed as income recovery is monitored.
	CR09 - Provision of repairs, maintenance landscape and streetscene services	Unlikely (2)	Major (4)	14	Open	13	1	Business Continuity Plans required relating to provision of the contracted services.
Regeneration and a thriving economy	CR02 - The Harlow Offer	Moderate (3)	Moderate (3)	13	Hungry	16	-3	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.
Wellbeing and social inclusion	CR05 - Inability to fulfill Community Leadership role	Moderate (3)	Moderate (3)	13	Moderate	8	5	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Health and Wellbeing Strategy will now be delivered by Autumn 2022
A Clean and green environment	CR06 - Lack of Resources and Capacity, Council and key partners	Moderate (3)	Major (4)	18	Moderate	8	10	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). Work with HTS to re-implement landscape programme frozen by Covid-19 restrictions.
	CR09 - Provision of repairs, maintenance landscape and streetscene services	Unlikely (2)	Major (4)	14	Moderate	8	6	Business Continuity Plans required relating to provision of the contracted services.
Successful children and young people	CR07 - Ability to support children and family aspirations	Unlikely (2)	Moderate (3)	9	Cautious	5	4	Support creation and development of apprenticeships for young people, Engage with a range of partners to support families with complex needs, The Harlow School Readiness project has been extended across town
Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	Unlikely (2)	Major (4)	14	Open	13	1	Continue to lobby and liaise with stakeholders
Sound Resource Management	CR01 - Financial Resilience	Moderate (3)	Major (4)	18	Cautious	5	13	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.
Equalities and Fairness	CR08 - Equality and Diversity	Moderate (3)	Major (4)	18	Moderate	8	10	Implement the Corporate Equalities Action Plan Publication of information relating to people who share protected characteristic who are employees and people affected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.
Resilience and	CR11 - Business	Moderate (3)	Moderate (3)	13	Open	13	0	BCP Training/communication/Testing
	CR11a - Business Resilience: meteorological events	Moderate (3)	Minor (2)	8				
	CR11b - Business Resilience: biological events	Moderate (3)	Moderate (3)	13				
	CR11c - Business Resilience: accidental cause	Unlikely (2)	Moderate (3)	9				
	CR11d - Business Resilience: intentional cause	Rare (1)	Moderate (3)	6				
	CR11e - Business Resilience: technological events	Unlikely (2)	Minor (2)	5				