

AUDIT & STANDARDS COMMITTEE
Wednesday 15 June 2022 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 1 March 2022

4. Matters Arising

5. Written Questions and Petitions

6. Non Contentious Business

7. Committee Work Plan (Pages 5 - 6)

8. Audit and Standards Committee Annual Report 2021/22 (Pages 7 - 13)

9. Internal Audit Annual Report 2021/22 (Pages 14 - 34)

10. Period 2 Internal Audit Activity Report 2022/23 (Pages 35 - 57)

11. Risk Management Progress Report (Pages 58 - 76)

12. Annual Governance Statement 2021/22 (Pages 77 - 88)

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**

1 March 2022

7.30 - 8.45 pm

PRESENT

Committee Members

Councillor Eddie Johnson (Chair)
Councillor Colleen Morrison (Vice-Chair)
Councillor Simon Carter
Councillor Jean Clark
Councillor Jodi Dunne
Councillor Matthew Saggers
Councillor John Steer
Councillor Chris Vince
Laura Kirman, Independent Person

Officers

Simon Freeman, Deputy to the Chief Executive and Director of Finance
Natalie Hook, Senior Auditor
Sarah Marsh, Internal Audit Manager
Stuart Moseley, Insurance and Risk Manager
Adam Rees, Senior Governance Support Officer

31. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

None.

32. DECLARATIONS OF INTEREST

Councillor Matthew Saggers declared a non-pecuniary interest as a leaseholder in Harlow.

33. MINUTES

RESOLVED that the minutes of the meeting held on 24 November 2021 are agreed as a correct record and signed by the Chair.

34. MATTERS ARISING

Simon Freeman, Director of Finance and Deputy to the Chief Executive, gave an update on the 2018/19 accounts. He said that he was hoping to receive the final technical review from BDO next week. He would speak with the Chair about whether an additional meeting of the Committee would be called or whether the accounts would be considered in the next council year.

35. **WRITTEN QUESTIONS AND PETITIONS**

None.

36. **NON CONTENTIOUS BUSINESS**

None.

37. **COMMITTEE WORK PLAN**

The Committee received its current work plan.

RESOLVED that the work plan is noted.

38. **PERIOD 11 INTERNAL AUDIT ACTIVITY REPORT 2021/22**

The Committee received the internal audit activity report.

RESOLVED that the Committee:

- A** Reviewed the outcomes of the work of the Internal Audit service for the period December 2021 to March 2022.
- B** Approved the carry forward of the following audits from the 2021/22 Internal Audit plan: treasury management, payroll and council housebuilding.

39. **INTERNAL AUDIT STRATEGY AND PLAN 2022/23**

The Committee received a report on the internal audit strategy and plan for 2022/23.

The Committee agreed to add a recommendation recommending that the IT Strategy is reviewed every two years.

RESOLVED that:

- A** The effectiveness and contribution of the Internal Audit Strategy and Plan within the Council's assurance framework be considered.
- B** The Committee approved the Audit Strategy and Plan for 2022/23.
- C** The Committee approved the change in individual report opinions for reports issued as part of the 2022/23 plan and onwards.
- D** It be recommended that the IT Strategy is reviewed every two years.

40. **RISK MANAGEMENT PROGRESS REPORT**

The Committee received the risk management report.

RESOLVED that the Committee noted the Strategic Risks, risk scores and variation against risk appetite as at 31 December 2021.

41. **AUDIT AND STANDARDS COMMITTEE WORK PLAN AND TRAINING PROGRAMME 2022/23**

The Committee received its work plan and training programme for 2022/23.

RESOLVED that the work plan and training programme for 2022/23 be noted.

42. **REFERENCES FROM OTHER COMMITTEES**

None.

43. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

AUDIT & STANDARDS COMMITTEE WORK PLAN 2022-23

June 2022	
○ Audit and Standards Committee Annual Report 2021/22	Sarah Marsh
○ Internal Audit Annual Report 2021/22	Sarah Marsh
○ Period 2 Internal Audit Activity Report 2022/23	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
○ Annual Governance Statement 2021/22	Simon Freeman
July 2022	
○ This meeting is traditionally set aside for presentation of the previous year's Audited Annual Accounts	Simon Freeman
November 2022	
○ Period 8 Internal Audit Activity Report 2022/23	Sarah Marsh
○ Review of Internal Audit Charter	Sarah Marsh
○ Review of Audit & Standards Committee Effectiveness and Terms of Reference	Sarah Marsh
○ Review of Code of Corporate Governance	Sarah Marsh
○ Review of Anti-Fraud and Corruption Strategy	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
March 2023	
○ External Auditor - Audit Plan 2023/24	External Auditor
○ Internal Audit Strategy and Plan 2023/24	Sarah Marsh
○ Period 11 Internal Audit Activity Report 2022/23	Sarah Marsh
○ Audit & Standards Committee Work Plan and Training Programme	Sarah Marsh
○ Risk Management Progress Report	Simon Freeman
Standing Items	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer

AUDIT & STANDARDS COMMITTEE WORK PLAN 2022-23

Unallocated Items	
<ul style="list-style-type: none"> ○ Audited Annual Accounts 2018/19, 2019/20 and 2020/21 ○ 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 ○ Annual Report on the Certification of Grant Claims and Returns (including fees) 	Simon Freeman
Audit Committee Training Plan	Topic
Tuesday 07 June 2022 – starts 7.30pm via Zoom	The role of audit committee and Internal Audit
November 2022 – starts 6.30pm ahead of the Committee meeting	Anti-fraud and corruption
March 2023 – starts 6.30pm ahead of the Committee meeting	Assurance frameworks

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **15 JUNE 2022**

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

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

RECOMMENDED that:

- A** The Annual Report for the Audit and Standards Committee for 2021/22 be agreed and for the report to be referred to the Council for approval.

BACKGROUND

1. The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in this annual report the Committee supports the Council to maintain a high standard of corporate governance.
2. The Annual Report of the Audit and Standards Committee outlines its work and achievements during the year ending 31 March 2022. The Annual Report helps to demonstrate to residents and the Council's other stakeholders the vital role that the Committee fulfils and the contribution that it makes to the Council's overall governance arrangements.
3. It should be noted that Covid-19 did not disrupt the workings or business of the Audit and Standards Committee, who returned to in person meetings in 2021/22.
4. The Audit and Standards Committee role is two-fold:
 - a) Audit - To oversee the Council's internal audit and risk functions; receive and approve external audit reports; scrutinises the Annual Statement of Accounts; make reports and recommendations to the Cabinet, Committees and the Council as a whole on the adequacy of its corporate governance and risk management arrangements and the associated control environment.
 - b) Standards - To deal with a range of matters including issues concerning Councillors' conduct, provide advice and guidance to the Council, the Cabinet and individual Councillors and advise on the application and review of the Constitution.
5. Whilst there is no statutory obligation for a local authority to establish an Audit Committee, they are widely recognised internationally across the public and

private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.

6. The key benefits of an effective Audit Committee are to:
 - a) Increase awareness regarding the effectiveness and continued development of the Council's governance arrangements;
 - b) Provide additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review;
 - c) Reduce the risks of illegal or improper acts;
 - d) Increase public confidence in the objectivity and fairness of financial and other reporting;
 - e) Contribute to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations; and
 - f) Reinforce the importance and independence of internal and external audit and similar review processes.

Assurance Activity 2021/22

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

Internal Audit

8. The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective Internal Audit function which is discharged by the Deputy Chief Executive and Director of Finance as Section 151 Officer. Internal Audit is a key source of independent assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.
9. The Committee considered and agreed reports regarding the Internal Audit Strategy, Internal Audit Charter and Annual Audit Plan 2021/2. It has also monitored progress made by management in implementing audit recommendations and received regular progress reports on the work and performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks

adequately mitigated by management and that there is an effective system of governance, risk management and internal control in place.

Assurance Framework / Annual Governance Statement

10. The Committee's terms of reference include advising on the effectiveness of the Council's internal controls and assurance framework including the production of the Annual Governance Statement.
11. During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. Members are provided with progress made on the issues raised in respect of the Annual Governance Statement and of the annual service assurance process. The Assurance Framework is compiled from various sources of assurance, for instance Directors and other key officers.
12. The Internal Audit Manager provides an annual report and opinion regarding the Council's control, governance and risk management framework. This opinion is considered by the Committee alongside other sources of assurance.
13. The Committee reviewed the Annual Governance Statement (AGS) for 2020/21 which identified governance issues requiring further ongoing improvement or monitoring relating to:
 - a) Ensuring the health and safety of staff, partners and the public in the way it delivers its services (especially with regards to Covid-19)
 - b) New Administration (bringing in new corporate priorities) and new ways of working (agile working)
 - c) Financial Management Code review
 - d) Statement of Accounts (as there have been delays in External Audit completing their work for the 2018/19 and the knock-on effect on subsequent years)
 - e) Risk management and business/service planning
 - f) Corporate approach to project management processes
14. The assurance framework remained unchanged during 2021/22. The Council's Code of Corporate Governance was reviewed by the Committee in November 2021, and no changes were proposed as it remained compliant with the CIPFA/SOLACE framework – Delivering Good Governance in Local Government.
15. The Committee was able to be satisfied that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Internal Audit Manager's annual opinion.

Anti-Fraud and Corruption

16. Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud including the work of the Corporate Fraud Group.
17. The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI), the work of the Housing Fraud Officer and continuation of fraud and assurance work regarding Covid-19 business grants started in 2020/21.
18. The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.
19. Based on the work to date, coupled with no major incidences of fraud and corruption being highlighted by management or Internal Audit, the Committee concludes that there is a sound anti-fraud framework in place. The Council's Anti-Fraud and Corruption Strategy was reviewed and approved by the Committee in November 2021.

Risk Management

20. The Committee receives and discusses reports relating to risk management. Work continues to refine monitoring and reporting mechanisms to ensure there is adequate scrutiny and challenge of risk across the Council and aligning this with the service planning process.
21. Committee members are regularly presented with the corporate strategic risk register, risk appetites and their respective thresholds and asked their views on these, which are fed back into the risk management process.

Statement of Accounts and External Auditors

22. Since 2018 the Audit and Standards Committee has delegated authority to each year approve the Annual Governance Statement and the Annual Statement of Accounts. In addition, the Chair of the Audit and Standards Committee, rather than the Leader of the Council, has the authority to sign both of these key documents off.
23. The Committee has been kept abreast during the year on outstanding issues regarding the 2018/19 Accounts, seeking explanations for the delay from both the External Auditors (BDO) and the Council's Section 151 Officer.
24. The Committee has noted the knock on affect the delay with the 2018/19 Accounts has had on subsequent year's Accounts which is dependent on External Audit undertaking their work, being mindful this is a national issue and not Harlow centric.

Committee Working Arrangements

25. The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities and risks.
26. The Committee met three times in 2021/22. The Committee considered items which are presented annually, such as the annual governance statement, and audit plans; as well as a number of other items including a review of the Audit and Standards Committee's terms of reference. The agreed work programme enables the Committee to provide an independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.
27. Training sessions or briefings are held before most Committee meetings, but these were paused in 2020/21 due to the pandemic. These recommenced in 2021/22 and topics included information governance, the role of Audit Committee and Internal Audit.
28. In November 2021 the Committee undertook its own effectiveness review and reviewed its Terms of Reference with the assistance of the Internal Audit Manager. The results concluded its Terms of Reference were still fit for purpose and the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee.
29. Members of the Committee have a wide range of both experience and professional knowledge. The Committee has the benefit of being well supported by Council Officers. This included the Director of Finance, who is also the Section 151 Officer, the Council's Monitoring Officer, the Council's Insurance and Risk Manager and the Internal Audit Manager as well as the Council's External Auditors.
30. Following a recruitment process and approval by full Council an independent person has been appointed to the Committee, with their first meeting being at the November 2021 Audit and Standards Committee meeting.
31. No major breakdowns in internal control, governance and risk management that have led to a significant loss in one form or another have been recorded or reported. Nor has any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk.
32. The purpose, strategy and work programme of the Committee helps mitigate against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:
 - a) An effective risk management framework and internal control environment including audit;

- b) The effectiveness of financial and non-financial performance (to the extent that it affects exposure to risk and poor internal control); and
- c) The compilation and consideration of the Annual Governance Statement.

Conclusion

- 33. Through its work, the Committee's main outcome is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.
- 34. The Committee has added value through its activity and in particular:
 - a) it has continued to increase the importance placed upon governance issues, particularly risk management, anti-fraud and corruption and the assurances sought that key risks are being mitigated; and
 - b) it has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.
- 35. The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability and the delivery of Audit and a robust assurance framework. The Committee has received and challenged reports from management and audit.
- 36. The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is in the additional assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

IMPLICATIONS

Strategic Growth and Regeneration

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

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

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

Housing

As outlined in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

None specific

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

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

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

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

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

None

Background Papers

Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)

Glossary of terms/abbreviations used

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

NFI – National Fraud Initiative

SOLACE – The Society of Local Authority Chief Executives

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **15 JUNE 2022**

TITLE: **INTERNAL AUDIT ANNUAL REPORT
2021/22**

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

RECOMMENDED that:

- A** The Audit and Standards Committee note the Internal Audit Annual report and the Internal Audit Manager's opinion and is considered in conjunction with the Annual Governance Statement 2021/22.

BACKGROUND

1. This document summarises the results of internal audit work during 2021/22 and, as required by the Accounts and Audit (England) Regulations 2015, gives the Internal Audit Manager's overall opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes.
2. In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is a reasonable assurance there are no major weaknesses in the Council's risk management, control and governance processes.
3. In assessing the level of assurance to be given, the Internal Audit Manager has taken into account:
 - a) All reviews completed during the year.
 - b) Any follow up actions taken in respect of audits from previous periods.
 - c) High priority recommendations not accepted by management or acted upon and any associated risks (there were none).
 - d) The effect of any significant changes in the Council's objectives, activities or systems (the main change being a new Corporate Strategy during the year).
 - e) Matters arising from previous reports to the Audit and Standards Committee.
 - f) Whether any limitations have been placed on the scope of Internal Audit (there have not been any).

- g) The extent to which resources constraints may impinge upon the Internal Audit Manager's ability to meet the full audit needs of the Council.
 - h) What proportion of the Council's audit need has been covered to date; and
 - i) The results of work performed by other assurance providers including the work of the External Auditors.
4. The Internal Audit Manager is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Council's risk management, control and governance processes to be drawn.

Based upon the results of work undertaken during the year, it is the Internal Audit Manager's overall opinion that the Council has in place adequate and effective governance, risk management arrangements and control processes. Where there have been significant issues these have been accepted by Management and promptly corrected.

- 5. The rest of this report outlines the work undertaken by Internal Audit during the 2021/22 year and covering the period 1 April 2021 to 31 March 2022.
- 6. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of these arrangements.
- 7. Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
 - a) the opinion;
 - b) a summary of the work that supports the opinion; and
 - c) a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

8. The primary role of Internal Audit is to provide assurance to the Council (Senior Management Board, Assistant Directors and the Audit and Standards Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Internal Audit Work During 2021/22

9. The 2021/22 Internal Audit Plan was presented to and agreed by the Audit and Standards Committee in March 2021. The plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:
 - a) Knowledge and experience accumulated in Internal Audit, including the results of previous reviews
 - b) A review of audit themes against the Corporate risk register and Council priorities
 - c) The work of other assurance providers both internally and externally
 - d) The external environment including economic climate, government initiatives such as welfare reform and changes in funding
 - e) Harmonisation of themes with the Borough of Broxbourne Council and Epping Forest District Council to enable benchmarking and sharing of good practice.
10. At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:
 - a) 'Substantial' assurance – Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.
 - b) 'Moderate' assurance - Basically sound control, with areas of weakness, which put system/service objectives at risk. (Any high priority recommendations will prevent this level of assessment).

- c) ‘Limited’ assurance – There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.
- d) ‘No’ assurance – There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

Summary of Assurance Work

11. A total of eight audit reports were issued as part of the 2021/22 Plan, seven being assurance reviews and one being a formal follow up audit. The moderate and limited assurance reports tend to relate to a specific area rather than represent a breakdown of controls across the Council. The table below provides a comparison between the 2021/22 and previous four financial years:

Table One: Assurance Report Comparison

Assurance rating	2021/22	2020/21	2019/20	2018/19	2017/18
Substantial	2	2	4	6	2
Moderate	3	5	6	4	6
Limited	2	2	1	2	0
No	0	0	0	0	0
TOTAL	7	9	11	12	8

12. Appendix A sets out work carried out by Internal Audit during the year in narrative form and compares this to the plan agreed by Audit and Standards Committee in March 2021. This summary includes individual audit reviews, investigations, consultancy and advice and other internal audit engagement activities with the Council.
13. Appendix B lists the individual audit reports issued as part of the 2021/22 Plan with their assurance rating and number of recommendations made by risk priority.

Tracker process

14. Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories are linked to risk and, in order of priority, are rated ‘high’, ‘medium’ and ‘low’.
15. Reports on progress of the management implementation of agreed recommendations are actively monitored by the Senior Management Board. The Audit and Standards Committee receives a report of all overdue recommendations plus any fundamental recommendations

from final reports issued, regardless whether they are overdue or not.

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

Other Sources of Assurance

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

- a) *Special investigations:* Internal Audit investigates any allegations of fraud and suspected irregularity. There are separate arrangements for reporting, investigating and dealing with benefits fraud. A record is maintained of all reported and alleged fraud and theft with a summary reported annually to the Audit and Standards Committee. For 2020/21 there were no significant (estimated at more than £10,000) investigations by Internal Audit into suspected fraud.
- b) *Advice:* Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit sitting on key business groups which in 2021/22 included:

Corporate Governance Group

Information Governance Group

Project Governance Working Group (new for 2021/22)

Internal Audit has also provided advice regarding implementation of the new HR/payroll system (iTrent), undertaken assurance and fraud work around business grants and helped the Council move forward with their service planning and risk management processes and information governance arrangements.

In addition, Internal Audit raises awareness of control issues throughout the Council, helps in the review of key governance documents and co-ordinates the production and analysis of service assurance statements which feeds into the Annual Governance Statement.

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

Internal Audit continues to be an active member of the Corporate Fraud Group, sharing good practice seen elsewhere and helping to deliver anti-fraud initiatives which supports the Council's anti-fraud and corruption strategy which was approved at the November 2021

Audit and Standards Committee.

Effectiveness

18. In line with good practice, the Internal Audit service should on an annual basis ensure it is compliant with the 2017 Public Sector Internal Audit Standards (PSIAS), notifying the Audit and Standards Committee of any areas of non-compliance.
19. In the summer 2021 the Internal Audit function underwent an External Quality Assessment (EQA), which, in line with the PSIAS, must be conducted every five years by a qualified, independent assessor from outside the Council. The EQA, which covered all three councils in the shared service, confirmed the Internal Audit service conforms to the Public Sector Internal Audit Standards and the results communicated to the November 2021 Audit and Standards Committee. This report confirms there have been no impairments to the independence and objectivity of the Internal Audit service during the year.
20. Performance indicators are in place to monitor service performance and reported at each Audit and Standards Committee with a summary for the year presented below with a comparison with last years' results. The amount of time to obtain management responses has been brought to Senior Management Board's attention:

Table Two: Performance Indicator Summary

Aspect of Service	Performance Indicator	Target	Year End 2021/22	Year End 2020/21
Audit Plan	<ul style="list-style-type: none">• Achievement of the annual Plan	<ul style="list-style-type: none">• Sufficient internal audit work in order that the Internal Audit Manager can give their annual opinion.	<ul style="list-style-type: none">• Achieved	<ul style="list-style-type: none">• Achieved
Internal Audit processes	<ul style="list-style-type: none">• Issue of draft report after closing meeting	<ul style="list-style-type: none">• Within 10 working days	<ul style="list-style-type: none">• 9 days	<ul style="list-style-type: none">• 6 days
	<ul style="list-style-type: none">• Issue of final report after agreement with client to draft	<ul style="list-style-type: none">• Within 5 working days	<ul style="list-style-type: none">• 5 days	<ul style="list-style-type: none">• 2 days

Effective management engagement	<ul style="list-style-type: none"> Management responses within 10 working days of draft report 	<ul style="list-style-type: none"> 10 working days 	<ul style="list-style-type: none"> 19 days ** 	<ul style="list-style-type: none"> 18 days
	<ul style="list-style-type: none"> Implementation of agreed audit recommendations 	<ul style="list-style-type: none"> Within agreed timescales 	<ul style="list-style-type: none"> Largely met (as reported via the tracker) 	<ul style="list-style-type: none"> Largely met (as reported via the tracker)
Continuous Professional Development (CPD)	<ul style="list-style-type: none"> Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities 	<ul style="list-style-type: none"> 40 hours of CPD activity per auditor 	<ul style="list-style-type: none"> Target for 2021/22 achieved 	<ul style="list-style-type: none"> Target for 2020/21 achieved

** The majority of reports took longer to finalise than anticipated due to a mixture of the Council's senior management restructure, resulting in new areas of responsibility for some Assistant Directors, and the complexity of issues to resolve (for example facilities management).

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

IMPLICATIONS

Strategic Growth and Regeneration

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

The results of this report and the Internal Audit Manager's overall opinion provide sources of assurance for the Annual Governance Statement.

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

Housing

As outlined in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

None specific.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

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

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix A – Internal Audit 2021/22 completed work plan

Appendix B – Audit Report Monitoring 2021/22

Background Papers

None

Glossary of terms/abbreviations used

EQA – External Quality Assessment

PSIAS - Public Sector Internal Audit Standards

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
Corporate Framework				
Governance & Probity The corporate priorities are underpinned by the following principles: being the community leader, sound resource, management and equalities and fairness	The Council's governance framework underpins everything it does; therefore, robust arrangements are key in managing this risk CR08- Equality and Diversity	HTS (Housing and Regeneration) Limited – governance)	The company's Articles of Association and Scheme of Delegation are fit for purpose. Monitoring and oversight processes are still being established as there has been limited activity to date. There is not currently a Council representative on the HTS (Housing and Regeneration) Board which would provide independent challenge from the Council's perspective. And HTS (Housing and Regeneration) does not feature on the Council's Shareholders Sub Committee as a standing agenda item. In addition, risk management monitoring and reporting needs to be strengthened.	HTS (housing and Regeneration) Ltd governance – moderate assurance
Fraud Proactive fraud work	CR01 (Financial resilience) - any loss through fraud is a drain on resources which, in turn, reduces the amounts available for service delivery.	Member of the Corporate Fraud Group. Oversee the delivery of the Council's anti-fraud and corruption action plan. Potential for fraud considered in all audits. Co-ordinate National Fraud Initiative data matching process.	Member of the Corporate Fraud Group, which meets quarterly. This group oversees the Council's action plan that co-ordinates the Council's approach and activities that complements the Council's anti-fraud and corruption strategy, which was updated in November 2021. Internal Audit co-ordinated 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. Internal Audit, in conjunction with the Corporate Fraud Manager at Epping Forest, have been assisting the Revenue and Benefits Manager in identifying and targeting potential fraudulent	Completed for 2021/22

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
			Covid-19 business grant claims.	
Assurance Framework incl. Risk Management and support to Audit Committee	Risk in achieving corporate priorities as these are underpinned by the following principles : being the community leader, sound resource, management and equalities and fairness	Co-ordination of year-end assurance reporting, including the Annual Governance Statement. Member of the Corporate Governance Group. Assistance provided to Director of Finance and the Insurance and Risk Manager in enhancing and embedding the Council's risk management framework. Support and training to the Audit Committee.	Internal Audit drove the annual review each service undertakes regarding the effectiveness of its governance, risk management and internal control arrangements. Findings and key themes/common issues were reported to the Corporate Governance Group and fed into the Annual Governance Statement process. Internal Audit continues to provide advice and good practice as the Council continues to develop its risk management framework. Internal Audit co-ordinated the process for seeking applications as an Independent Member of the Audit and Standards Committee. Interviews took place via Zoom in August 2021 by three members of the Committee, supported by the Director of Finance and the Internal Audit Manager. An appointment was made and the independent person attended the November and March Committee meetings, and the training beforehand.	Completed for 2021/22
Information Management and Governance - Data protection and security. Data sets, owners and protocols. Governance and data sharing.	Breach of data protection and other legislation related risks which could lead to significant fines and reputational damage.	Continue to assist the Council's Data Protection Officer (DPO) by providing assurance in targeted areas, assisting in the review of data breach management arrangements and actively supporting	Internal Audit continues to assist in implementing the Information Governance Group's action plan and meets periodically with the Council's DPO to discuss progress. In particular, Internal Audit has worked with the DPO to review the Freedom of Information and Environmental Information Regulations processes and associated policies to ensure a more efficient and joined up framework across the Council. An	Completed for 2021/22

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
Training and awareness		IGG's action plan. Member of the Corporate Information Governance Group (IGG).	online form has been introduced to ensure requests are dealt with by the right person at the right time.	
Performance Management: Data integrity & quality (collection, collation, analysis and validation). Use of performance targets	Risk of non-achievement of corporate priorities and lack of transparency.	The suitability and integrity of Performance Indicators (PIs) is considered within operational audits. In addition, during 2021/22 time has been set aside for Internal Audit to assist Policy and Performance in their review of the performance management framework.	No concerns identified regarding performance indicators examined in other audits including parks and landscapes and development management Performance management framework: During 2021/22 time was set aside for Internal Audit to assist Policy and Performance in their review of the Council's Performance Management framework. Following a change of administration, resources were diverted to support the development of a new Corporate Strategy which provided the strategic platform for capturing, reporting, and managing the Council's future performance. The review will continue as part of the enhancement to the Council's performance reporting system (InPhase).	Completed for 2021/22
Value for Money (VfM) - Guiding principle of the Council	VfM helps the Council manage its corporate risk CR01 on financial resilience	Value for money and use of benchmarking is considered in all audits. Facility management – see later on	Areas for improvement in terms of the 3Es (Effectiveness, Efficiency and Economy) identified in a number of audits including facility management, HTS (Harlow Trading Services) Best Value Review, development management and waste contract management. In addition, Internal Audit receives regularly reviews Purchasing Card usage reports. Value for money was considered in the Facilities Management audit, where more was required to	Completed for 2021/22 Facilities Management – limited assurance

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
			evidence this.	
Joint Working, Shared Services, Outsourcing, subsidiary companies and significant Partnerships	On corporate risk register: CR06 - Lack of resources and capacity, Council and key partners.	The theme here is to ensure joint arrangements are working in the best interests for the Council with appropriate governance and monitoring arrangements in place.	Carried forward from the 2020/21 Plan the HTS (Harlow Trading Services) Best Value Review found there was good monitoring of the action plan by joint working groups attended by Officers, Council Members of Harlow Council and Directors of HTS, however, the frequency of meetings are not always formalised, which has resulted in sporadic meetings. 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.	HTS Best value Review: Substantial assurance
Projects Business case, project methodology, governance arrangements, contract management and viability	Poor project management increases the risk of projects not being delivered on time, to budget or does not meet the needs of the Council	Time set aside each year to examine a sample of projects. This will include for 2021/22 ensuring lessons learnt from the recent HR system implementation project are built into the Council's approach to project management and ensuring there is a joined up approach regarding the Council's house building programme.	Project Governance: During 2021/22 Internal Audit set up a capital projects working group (Chaired by the Director of Finance) with the aim to implement a project governance framework for all projects across the Council in response to the recommendations of last year's Capital Projects audit. As detailed further on, a formal implementation review of the new HR and payroll system (iTrent) was not undertaken. Instead, Internal Audit facilitated officer meetings to ensure the continued success of the iTrent roll out. And the Council housebuilding audit has been deferred to 2022/23.	Completed for 2021/22
Contingency	Annual	Will take into account	No special investigations were undertaken by	Completed for

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
	provision for responsive work, special investigations and/or key/emerging risk areas	themes/issues coming out of the Annual Governance Statement.	<p>Internal Audit during 2021/22.</p> <p>The majority of contingency time was spent on Covid-19 business grant work. In particular providing assurances to a raft of Department for Business, Energy and Industrial Strategy (BEIS) initiatives including Small Business grants, Retail, Hospitality & Leisure Grants and Local Discretionary Grants.</p> <p>In addition, Internal Audit 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. Also, Internal Audit has been co-ordinating discussions between key departments to ensure the Council has systems and processes in place to meet the DWP (Department for Works and Pensions requirement to implement Baseline Personnel Security Standard (BPSS) identity checks for all employees obtaining access to DWP data.</p>	2021/22
Themed/cross cutting audits				
Income Streams Sound resource management is one of the corporate plan principles	To ensure financial resilience the Council needs to protect and maximise its income streams (CR01)	Covid-19 has had a detrimental effect on the Council's income streams; hopefully 2021/22 will see recovery in most areas therefore no specific audit work is planned unless something comes up during the year	No formal work undertaken during 2021/22.	No assurance work undertaken in this area
Procurement	Risks include	Adherence to the	The officer Corporate Governance Group, of	Completed for

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
Themed audits could include- compliance, VfM, fraud, goods and services. End to end processes (need, selection, appointment, contract management & exit strategies)	non-compliance with legislation, fraud, not achieving value for money, poor service delivery.	Council's procurement strategy. Not a specific audit in itself, instead in 2021/22 Internal Audit will ensure in relevant audits that officers are adhering to the Council's procurement strategy.	which Internal Audit is a member, receive regular updates on procurement activity across the Council	2021/22
Health & Safety (H&S)	Risk of compromising the health and safety of individuals and non-compliance with H&S legislation leading to fines or imprisonment.	Overview of Housing H&S related inspections: gas, fire safety, electrical legionella, asbestos and lifts	Audit currently in progress	Audit currently in progress and will be reported as part of the 2022/23 Plan
Business Continuity Planning (BCP) and climate emergency response	CR11 Business resilience	Business Continuity (BC) planning	During 2021/22 Internal Audit retained oversight of the Council's Covid-19 recovery arrangements	Completed for 2021/22

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
Key Financial Controls (KFC) Four-year rolling programme of full system and key control audits (unless significant change in process/system or poor audit outcome)	CR01 (Financial resilience)	Housing Benefits Payroll	<p>Housing Benefit and Local Council Tax Support (LCTS): There are robust controls over the assessment and award of Housing Benefit and LCTS and there is a clear management trail of action taken on all claims. Discretionary Housing Payments and backdated benefits are assessed fairly in line with Council policy and benefit regulations and processed accurately. Overpaid Housing Benefit is identified promptly and appropriate recovery action taken. There are adequate procedures in place to ensure that irrecoverable debts are properly approved and written off. Civica (benefits) is reconciled monthly to the general ledger system. Reconciliations of Civica (benefits) to Civica (council tax) and Orchard (housing rents) by the Finance team are being brought up to date to ensure any differences are promptly identified and corrected as these are currently five months behind.</p> <p>Payroll: Internal Audit has continued overseeing the project plan for the implementation of the new HR/Payroll system. Phase 2 of the project includes third party payments and expenses. Internal audit has facilitated regular discussions between key departments to ensure there is a holistic approach to the project.</p>	Housing Benefit and Local Council Tax Support – substantial assurance
IT Audits: IT Governance, IT Regulation, Security/Privacy, Business Systems, DRP/BCP, Network,	Risks around data and asset security and loss of service. Opportunity for IT to be an enabler for	Cyber security	Several good practice areas were noted including a data breach policy and the Council network being protected by a vendor support and fully patched WatchGuard firewall appliance. Weaknesses found included a lack of a process to regularly review and disable unused or inactive Active Directory accounts, renew the Council's	Cyber Security – moderate assurance

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
Emerging Technologies e.g. mobile devices, IT Applications and Projects	delivering the Council's priorities		Public Services Network (PSN) Code of Connection (CoCo) and reintroduce staff training and awareness.	
Operational/service audits				
Housing: Housing Management Property Services Housing Needs and Options Sheltered Housing Area Housing Home Ownership	CR03 - Lack of Suitable Housing Mix CR04 - Lack of adequate Council housing CR09 - Provision of repairs, maintenance, landscape and Streetscene services	Overview of H&S related inspections: gas, fire safety, electrical legionella, asbestos and lifts. HTS Annual Service Charge	Overview of housing H&S related inspections (see H&S above): Audit is in progress and builds on audits undertaken in recent years on gas safety and asbestos to give a holistic view on this is being managed for the Council's housing properties. HTS Annual Service Charge: Audit is in progress and is examining the £5.8M committed to HTS for various works including roofing, carpentry and decorating. It also takes into account the outcomes of the recent HTS Best Value Review.	Housing H&S related inspections and HTS Annual Service Charge audits will be reported as part of the 2022/23 Plan
Community Wellbeing: Community Safety Community, Leisure and Culture, including the museum and Pets Corner Youth & Citizenship Emergency	CR05 & CR10 - Inability to fulfil Community Wellbeing and Community Leadership roles CR07 - Ability to support children and family aspirations	Council house building programme	Council housebuilding: Delivery of the house building programme has been reported to the Scrutiny Committee. Planned audit days have been used instead to help the Council develop its project and programme governance framework. Internal Audit is also providing advice and guidance to the Regeneration team, regarding the claims process for the Community Renewal Fund (CRF), a six-month project funded by government. Funding of around £466k has been received from Essex County Council to support the local economy to be in a better position, to bid	Council housing building audit forms part of the 2022/23 Plan

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
planning Regeneration incl Enterprise Zone	CR02 - The Harlow Offer CR06 - Lack of Resources and Capacity, Council and key partners		and support local businesses in the town.	
Environment and Planning: Operations and, energy planning Planning & Building Control Environmental Health Licensing Streetscene Health and Safety	CR06 - Lack of Resources and Capacity, Council and key partners CR09- Provision of repairs, maintenance, landscape and Streetscene services	Development Management Waste – contract management	<p>Development Management: There is a robust process for processing planning applications and the vast majority (currently 98%) are determined within statutory time scales; the remaining taking marginally longer due to being more complex. Planning application fees are applied as specified in the Council's approved fees and charges and income received is verified to the bank and the planning system, Uniform. More frequent reconciliation of planning fee income between Uniform and the general ledger should be undertaken to ensure income is fully and accurately accounted for.</p> <p>Waste (contract management): The impact of Covid-19 on the waste and recycling contract resulted in over four months of disruption to bin collections. The contractor was unable to collect food and green waste and normal refuse collections were delayed, leading to a significant increase in the number of complaints. At the time of the audit the contractor has implemented changes to improve efficiencies, and normal service has resumed. There are clear roles and responsibilities for contract management processes for the Council and Veolia, however, the key decisions are not formally documented as</p>	Development Management – moderate assurance Waste (contract management) – limited assurance

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
			minutes of weekly senior contract management meetings are not taken and monthly performance reports have not been requested of by the contractor.	
Governance: Corporate & Governance Support Legal Services Electoral Services Human Resources Procurement & Relationship Policy & Performance Customer & Media Services Playhouse	Risk of corporate priorities not being met should these service areas fail to deliver.	Service/business planning and risk management Payroll	<p>As a pilot Internal Audit facilitated the review of the Finance Directorate service plans and risks using a new format. Following this Internal Audit and the Insurance and Risk Manager met with each Third Tier Manager to identify their service risks and updated the corporate risk register. The revised format was rolled out to the other Directorates. Internal Audit also took part in discussions for the development of the new corporate strategy.</p> <p>Payroll: Planned audit days have been used to assist payroll and finance in ensuring the new payroll and HR system (iTrent) is working as intended.</p>	Completed for 2021/22.
Finance: Revenues & Benefits (covered under KFC audits) ICT (covered elsewhere in the plan) Accountancy (see also KFC audits) Insurance Internal Audit Properties,	CR01 (Financial resilience)	Facility management	<p>See earlier for IT and key financial control audits</p> <p>Facility Management: HTS provide a range of facility management services to the Council. The contract commenced July 2018 for three years. The contract in 2021 expired before it was formally extended. The documented review of HTS performance is undated and the conclusions in the document are not supported due to the absence of documented detailed findings. Stock condition surveys were undertaken in 2016, this then informed the updating of the long term maintenance plans, however the initial five year work programme has slipped and will not now be</p>	Facility management – limited assurance

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
facilities & projects Properties & estates			completed until 2025/26. The full future implication on subsequent years maintenance works costs has not been determined and the associated impact going forward on the capital programmes and the medium term financial plan is therefore unknown. The Council has a Non Housing Asset Strategy dated 2018 and needs updating to reflect fundamental changes in future property needs of the Council for office space following the pandemic new way of working, and also to determine those commercial properties which may need to be disposed of or repurposed to achieve acceptable future financial returns.	
Follow Up Audits Review of progress against recommendations on the tracker	Tracker process ensures risks identified in audits have been managed to an acceptable level	Includes specific follow up work especially where Limited assurance previously given. Includes maintaining the recommendation tracker, which is reported at each Audit and Standards Committee.	Implementation of all recommendations continues to be scrutinised as part of the tracker process. Recommendations made in previous reports are routinely followed up when the audit is next undertaken, for example housing benefits. 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 several processes needed formalizing. 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. These remaining issues are minor in nature. Internal Audit, with Insurance, has continued to meet with both Council and HTS Officers	Completed for 2021/22

Audit Area and Context	Corporate Risks	Proposed Scope	Year End Position 2021/22	Status/Assurance
			regarding the 2019/20 limited assurance arboriculture recommendations to ensure adequate progress is being made.	

Appendix B - Audit Plan Monitoring 2021/22

Year End 2021/22

	Risk Area	Plan Days	Status	Report issued to	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
HTS (Harlow Trading Services) Best Value Review progress	Corporate	12	Final report	■ ■ Fieldwork started	Substantial	0	1	0
Key Financial Controls - Housing Benefits	Finance	15	Final report	■ ■	Substantial	0	1	0
Cyber security	IT	10	Final report	■ ■	Moderate	3	8	0
HTS (Harlow Trading Services) Housing and Regeneration governance	Housing	12	Final report	■ ■	Moderate	0	4	0
Development Management	Planning	12	Final report	■ ■	Moderate	0	2	0
Facility Management	Finance	15	Final report	■ ■	Limited	0	6	5
Waste Contract Management	Environment	10	Final report	■ ■	Limited	3	3	1
Commercial rents follow up	Finance	3	Final report	■ ■	n/a	0	0	0
Housing overview - H&S inspections	Housing	15	In progress					
Housing - HTS and annual service charge	Housing	15	In progress					
Deferred - Approved by the Committee 01 March 2022.								
Key Financial Controls - Treasury Management	Finance	10	Deferred					
Key Financial Controls - Payroll	Governance	15	Deferred					
Council housebuilding	Housing	15	Deferred					
Not a specific audit								
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	On-going					
Post implementation review of the new HR system	Governance	10	On-going					
Service/business planning and risk management	Finance	8	On-going					
Business grants - post assurance verification checks	Finance	0	On-going					
Business continuity follow up	Governance	10	Completed					
Totals		194		8 8 7		6 25 6		

REPORT TO: AUDIT AND STANDARDS COMMITTEE
DATE: 15 JUNE 2022
TITLE: INTERNAL AUDIT ACTIVITY REPORT
LEAD OFFICER: SARAH MARSH, INTERNAL AUDIT MANAGER
(01279) 446884

RECOMMENDED that the Committee:

- A Reviews the outcomes of the work of the Internal Audit service for the period April 2022 to June 2022 and identifies any issues for further consideration.

BACKGROUND

1. As per their Terms of Reference, one of the roles of the Audit and Standards Committee is to oversee the Council's internal audit function. This report details the work of Internal Audit and any governance, risk management or control environment issues the Committee needs to be made aware of.

Progress Against Audit Plan

2. The audit plan for 2021/22 is almost complete and sufficient work has been undertaken to enable the Internal Audit Manager to give their annual report and assurance opinion which is reported elsewhere in the agenda.
3. Work has commenced on the 2022/23 Audit Plan and Appendix A sets out the current status.

Internal Audit Reports

4. Three reports have been issued since the Committee received its last update in March 2022:
 - a) HTS (Housing and Regeneration) Ltd Governance – Moderate assurance

HTS (Housing and Regeneration) Ltd was established for the delivery of housing and regeneration projects in June 2018 and is a wholly owned subsidiary of HTS Group Ltd, Harlow Council's Local Authority Trading Company. The governance arrangements include Articles of Association and a Scheme of Delegation, and these were found to be fit for purpose.

Monitoring and oversight processes are still being established as there has been limited activity to date. There is not currently a Council representative on the HTS (Housing and Regeneration) Board which would provide independent challenge from the Council's perspective.

There is a clear and documented process for the HTS (Housing and Regeneration) Board which under company structure, reports to the HTS Group Board. The HTS Group Board in turn reports to the Council's Shareholders Sub Committee. Key decisions for HTS (Housing and Regeneration) (as per the scheme of delegation) are the responsibility of the Council's Shareholder Sub Committee being the shareholder of HTS Group and its subsidiaries. The agenda for the Council's Shareholder Sub Committee does not include HTS (Housing and Regeneration) as a standing item which is required to ensure regular monitoring and oversight by the Shareholder.

The HTS (Housing and Regeneration) risk register should be reviewed periodically by HTS and risks should be owned by HTS, instead of the Council's Directors as per the current March 2020 risk register. Whilst risks have been identified, a risk management process should be implemented to ensure risks are identified and managed.

In 2018, when HTS (Housing and Regeneration) was established, a pilot exercise was agreed by Cabinet to purchase five properties for rental at affordable, market or social rent to generate income. The Council took legal advice and has provided a loan to HTS (Housing and Regeneration) and an agreement is in place for repayment at a fixed interest rate. All five properties have been let, and loan repayments are received from HTS. Lessons have been learned in terms of the resources required to renovate and manage the property lettings as they are administered by HTS. The revised business plan (presented to Shareholder Sub Committee on 23 March 2022) included strategic options for the future of (Housing and Regeneration).

b) Waste Contract Management – Limited assurance

The impact of Covid-19 on the waste and recycling contract resulted in over four months of disruption to bin collections. The contractor (Veolia) was unable to collect food and green waste and normal refuse collections were delayed, leading to a significant increase in the number of complaints from residents. At the time of the audit, the contractor has implemented changes to improve efficiencies, therefore the number of complaints has decreased, and normal service has resumed.

The contract specification states that Veolia should provide monthly performance reports to the Council for discussion at contract management meetings, however, these are not being provided. Due to the lack of performance reporting the Council is reliant on its regular contract meetings and the number of complaints to monitor performance.

There are clear roles and responsibilities for contract management processes for the Council and Veolia, and the monthly operational contract management meetings have continued throughout since the start of the contract, and minutes have been provided to show that issues are being addressed. In response to the Pandemic, in March 2020, an additional weekly meeting was established between senior Council Officers managing the contract and the Veolia Contract Manager and General Manager. These meetings are continuing but on a monthly basis and should be minuted to ensure there is no discrepancy in outcomes.

Contract payments are paid to Veolia monthly, including core charges and variable ‘property uplift’ charges for new homes being built. The property uplift charges are not validated prior to payment for accuracy, the payment is made with a caveat that the figures are unvalidated, and that adjustment will be made if validation identifies any discrepancy. Work has commenced on the validation to ensure correct charges are being paid.

Contract risks are not identified and managed by the Council in line with the Council’s risk management framework. A Council owned risk register should be created for monitoring and to ensure appropriate action is taken to minimise the risks to the Council’s legal duty to collect household waste. Risk assessments are completed by Veolia and these were found to be fit for purpose.

There were two contract variations regarding green waste collections and enhanced recycling services with the supporting documentation provided for the audit. However, to minimise the risk of future disputes the variation notices need to be formally accepted and authorised by the Council and Veolia as is required by the terms of the contract. At the time of drafting this report discussions are already in progress.

c) Facilities Management – Limited assurance

HTS provide a range of facility management services to the Council. On 23 August 2018 a contract was signed by Harlow District Council and HTS (Property and Environmental Services) Limited to deliver mechanical and electrical planned and reactive maintenance. The contract commenced on the 1 July 2018 and was for three years. On the 5 July 2021 the contract was extended and the letter confirming this states: “This twelve month contract is awarded strictly on condition of the continued adherence to the terms and conditions of the (now expired) August 2018 contract”.

The contract had expired before it was formally extended. The documented review of HTS performance is undated and while it shows the items to be reviewed, the evidence to be assessed and the methodology there are no

detailed findings recorded. Therefore, the conclusions in the document are not supported due to the absence of documented detailed findings.

Stock condition surveys were undertaken in 2016, this then informed the updating of the long term maintenance plans, however, the initial five year work programme has slipped and will not now be completed until 2025/26. The full future implication on subsequent years maintenance works costs has not been determined and the associated impact going forward on the capital programmes and the medium term financial plan is therefore unknown.

The Council has a Non Housing Asset Strategy dated 2018, however it needs to be updated to reflect fundamental changes in future property needs of the Council for office space following the pandemic new ways of working, and also to determine those commercial properties which may need to be disposed of or repurposed to achieve acceptable future financial returns.

The Non Housing Asset Strategy update needs to define clear financial and operational performance measures with regular reporting on progress to enhance governance facilities management performance.

There are a number of contracts which are relet annually, better value for money may be achieved if these works were let in packages on a longer term basis. It would also reduce management time in obtaining quotes and tenders every year.

Governance can also be enhanced with an annual review of the cost of facilities management services and how the costs of each major site compares to other comparator buildings on a cost per square of similar basis, including environmental impacts and emissions.

Ongoing Audit Work

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

- a) Completed the annual service assurance exercise consulting with Directors and Assistant Directors as part of the annual governance process, to provide assurance to the Council and its stakeholders that good governance arrangements are in place. The results of which have been fed into the Annual Governance Statement.
- b) Facilitated meetings of the project governance working group (chaired by the Director of Finance) which is in the process of implementing a corporate project governance framework for all projects across the Council in response to the recommendations of the recent Capital Projects audit.

- c) Co-ordinated discussions between key departments to ensure the Council has systems and processes in place to meet the DWP (Department for Works and Pensions) April 2022 requirement to implement Baseline Personnel Security Standard (BPSS) identity checks for all employees obtaining access to DWP data.
- d) Continued to provide assistance with the post payment assurance verification for Covid-19 grants as required by the Department for Business, Energy and Industrial Strategy (BEIS). This work has confirmed the Council has implemented due diligence processes to provide assurance that claimants met the eligibility criteria, minimising the risk of fraud/error. To date no errors have been found.
- e) Supported the Data Protection Officer and the officer Information Governance Group with information governance matters, including ensuring compliance around Registers of Processing Activities, Freedom of Information and Subject Access requests.
- f) Coordinated the introduction of an online fraud reporting form, to enable anonymous reporting via the Council's website of suspected fraud to enhance the Council's approach for prevention and detection of fraud.
- g) Continues overseeing the project for ongoing implementation of the new HR and payroll system, facilitating discussions between key departments to ensure there is a holistic approach to the project.
- h) Providing advice and guidance to the Regeneration team, regarding the claims process for the Community Renewal Fund (CRF). Around £466k has been received from Essex County Council to support the local economy to be in a better position, to bid and support local businesses in the town.

Anti-Fraud Update

6. Revenues and Benefits continue to undertake investigation of the Vigilant matches for single resident council tax discounts. The total savings since data matching began in 2018 amounts to 31 March 2022 are £264,882. Total savings in 2021/22 were £29,587. Additionally, the service is working with Epping Forest District Council's Corporate Fraud Team in looking at a potential grant fraud, which may also be a rates avoidance case.
7. The Council is currently considering its options for a tenancy fraud service going forward. In the interim, following Portfolio Holder approval, the Corporate Fraud Team at Epping Forest District Council are commencing fraud checks relating to all Right To Buys.

Recommendation Tracker

8. 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.
9. The current tracker, as set out in Appendix B to the report, contains 21 recommendations which have passed their due date and three high priority recommendations (not yet overdue) from the waste contract management audit.
10. A comparison with previous periods is outlined in the table below. Internal Audit continues to work with the Wider Leadership Team to initially ensure agreed implementation dates are realistic and then to ensure the Council is not exposed to unacceptable risk where the implementation date has had to be revised:

Table One – Recommendation Tracker

Recommendation Priority	Number (June 2022)	Number (March 2022)	Number (November 2021)	Number (June 2021)	Number (March 2021)
High - not yet due	3	0	0	2	3
High - passed due date	0	0	0	2	3
Medium - passed due date	19	16	14	16	12
Low - passed due date	2	1	1	0	2
TOTAL	24	17	15	20	20

IMPLICATIONS

Strategic Growth and Regeneration

None specific

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

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

Communities and Environment

None specific

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

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 Services

Appendices

Appendix A – Audit Plan Monitoring 2022-23

Appendix B – Audit Recommendation Tracker

Glossary of terms/abbreviations used

BPSS - Baseline Personnel Security Standard

BEIS - Department for Business, Energy and Industrial Strategy (BEIS)

DWP - Department for Works and Pensions

Appendix A - Audit Plan Monitoring 2022/23 June 2022		Risk Area	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
Completion of 2021/22 work plan		Housing	12	In progress	■						
Annual Service Charge (ASC) audit 21/22		Housing	15	In progress	■						
Housing Health and Safety 21/22											
2022/23 Audit Plan											
Pets Corner			12	Scoping							
Houses of Multiple Occupancy (HMO's)		Housing	12	Scoping							
Service Charge Major Works Replacement		Housing	12								
Corporate Performance indicators (underperformance)		Governance and Corporate Support	12								
Value For Money (VFM) analytics - expenses		Finance	20								
Projects - Council housebuilding		Housing	12								
Climate Change Strategy and Action Plan		Communities and Environment	12								
KFC - Payroll		Finance	15								
KFC - Treasury Management		Finance	10								
IT Strategy		Governance and Corporate Support	8								
Planned Maintenance and Major Works		Housing	20								
Not a specific audit											
Information Governance Group and action plan		Governance	20	On-going	■						
Project Management		Governance	8	On-going	■						
Risk management and service/business planning		Finance	8	On-going	■						
Business grants - Post assurance verification checks		Finance	5	On-going	■						
Totals			189		2						
Key											
KFC - Key Financial Control											

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Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
Responsive Housing Repairs 2018/19 August 2019 43	2(b)	Post inspections completed on more complex housing repairs should be formally documented and retained.	Medium	<p>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.</p> <p>Post inspections completed on complex repairs works will be formally documented and retained</p>	HTS Operations Director and the Council's Assistant Director Housing and Property	30/09/19	31/01/20 30/04/20 30/09/20 31/01/24 30/10/21 01/04/22 30/06/22	Oct 19: 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. Feb 20/May 20/July 20: A response will not be forwarded from HTS whilst they establish recovery under the current Coronavirus situation. Oct 20: HTS (P&E) Ltd continue to establish recovery and aligned to recent Govt. restrictions. This activity is included in their implementation plan from learning the lessons from Covid 19. This will be monitored through the shared operations group. Feb 21/May 21/Oct 21: 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 – Feb 22: HTS confirmed they will be recommencing Post inspections from the beginning of April 2022. May 22: Inspections have only recommenced this month the	Overdue

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								earliest we will have reports is June 2022.	
Business Continuity 2019/20 May 2020	5	Training for key staff and plan holders should be undertaken. This includes more desktop training, but also full scenario training.	Medium	Training will be most useful if it occurs after completion of Good Practice Action below	Assistant Director Corporate Services	31/07/21	31/03/22 31/07/22 31/12/22	Oct 21: Feb 22: The Essex resilience Forum Working group for Business Continuity will provide training and testing programme across Essex to ensure all authorities working at same level; which goes over and above the original recommendation for local level training. May 22: The Essex Resilience Forum Working group for Business Continuity is working on business impact assessment best practice across the county, testing regimes will follow once this is in place for all authorities.	Overdue
Corporate Health and Safety 2019/20 May 2020	2	A common and consistent H&S Training Matrix be adopted and used across the Council. Human Resources should be consulted as part of the process to ensure a consistent approach. Responsibility should be given to Heads of Service to ensure their completed training matrices are submitted to the	Medium	A training matrix will be incorporated into the forthcoming health and safety management system. A proposal will be made to SMB regarding oversight of return of completed matrices	Assistant Director Environment	30/09/21	30/06/22 30/09/22	Oct 21: Development with HTS of a comprehensive Health and Safety 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 Feb 22: The amount of additional work from Covid 19 appears to be abating. This will give the Health	Overdue

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6		Council's Health and Safety Officer on a quarterly basis for review and ensure compliance.						and Safety Team the opportunity to focus on completing the recommendation by the revised implementation date. May 22: The training matrix was agreed by 28 April 2022 Safety Committee meeting. The intention is for managers and team leaders to review monitor and assess their teams' roles and risk assessments to determine what training is required for which team members and arrange this through HR/internally as necessary. The matrix would record this in a straightforward way that could be passed to HR on a quarterly basis so that Council-wide safety training could be monitored by Safety Committee as required.	
Harlow Gilston Garden Town 2019/20 July 2020	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	(1) Work is now well underway on the next steps to establish Combined Delivery Service following Board decision on 10 Feb 2020. (2) Legal work is underway to clarify arrangements and delegations for the CDS. Link to HIG delivery and governance	HGGT Director HGGT Project Manager HGGT Programme Manager	(1) 31/03/21 (2) 30/09/21	31/03/22 30/09/22	(1) Political and corporate agreement to proposals by 31 March 2021 Shadow structures then up and running (2) Formal decision making will need to follow the local election period – 30 September 2021 Feb 21: HGGT legal advisors, Weightmans, have been instructed to develop a data sharing protocol for the HGGT. Oct 21: An HGGT Governance Review Task and Finish Group	Overdue

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46								<p>has been established. A series of meetings with HGGT Partner Leaders and Chief Executives, and the Task & Finish Group have been set up to take forward the formalisation of governance arrangements for HGGT.</p> <p>Feb 22: Work is ongoing but given the scale and complexity, the timescales have been pushed back and now looking for formal approval of the new governance arrangements in the summer 2022 and operation of the new Joint Committee to commence in September 2022.</p> <p>May 22: Initial proposals for formalised governance arrangements will be taken to the Board in Summer 2022, with final proposals to be agreed in September 2022, with implementation to follow.</p>	
Commercial Rents 2019/20 September 2020 (Re-issued October 2020)	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	Medium	Agreed	Property and Facilities Manager in conjunction with the Assistant Director Housing and Property.	31/01/21	31/01/22 30/06/22	<p>Oct 21: 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"> • The grant of new leases; • Progressing of assignment requests; • Managing lease surrenders and expiries; and • Management of vacant properties 	Overdue

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		income. (This list is not exhaustive).						An overarching policy/guidance document has been drafted to provide guidance for Officers and a framework under which they are to operate. Feb 22: A full commercial lettings policy has been prepared; Member scrutiny and adoption are to be progressed. May 22: A full commercial lettings policy has been prepared. Member scrutiny and adoption are to be progressed after Purdah.	
Commercial Rents 2019/20 September 2020 (Re-issued October 2020)	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/ Assistant Director Housing and Property.	31/03/21	01/06/22	Oct 21: 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. Feb 22 This will be completed following the year-end service charge account reconciliations. May 22: Management charges will be reviewed and fixed as part of the year-end service charge reconciliation exercise. The target date to complete that exercise is 01 June 2022.	Overdue
Equality Act and Impact Assessments 2020/21	3	To drive equality improvements and ensure buy-in from managers across the	Medium	(a) Head of Governance to be Equality Champion at Senior	Assistant Director Governance,	(a) Completed (b)		May 21/Oct 21: The EWG has meet on occasions to ensure the documents were agreed and ready to be presented at Cabinet.	Overdue

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February 2021		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>Management Board (SMB).</p> <p>(b) An EWG Group has been established.</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>	HR and Legal / Corporate and Democratic Services Manager	<p>Completed</p> <p>(c) 28/02/21</p>	<p>(c) 31/05/24 31/12/24 30/06/22</p> <p>(d) May 2021 onwards</p>	<p>However, the EWG has not had the opportunity to meet over the summer due to Officers workloads. The dates for both (c) and (d) have been amended to Dec 21 to reflect this</p> <p>Feb 22/May 22: The Service Manager leading on the EWG has not been able to arrange these meetings. This has now been taken to the Senior Management Board Meeting and the Wider Leadership Team to discuss a way forward.</p>	

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Equality Act and Impact Assessments 2020/21 February 2021 6	6	The process for assessing and recording the equalities impacts of policies (using an Equality Impact Assessment or other agreed methodology) should be clearly communicated as part of tailored training for staff and Members.	Medium	Provide a range of equality and diversity training and development to support staff deliver the Council's equality and diversity commitments.	Assistant Director Governance, HR and Legal / Corporate and Democratic Services Manager	31/12/21	30/04/22 30/09/22	May 22: Training on report writing and adding in the E&D section has been completed, the next session on E&D training for the whole Council has been sourced with a follow up session on filling in EIA's and is now awaiting the funding to be cleared to begin the training. This will be completed across the Council by end September 2022 However, the process for completing and filling in the initial impact assessment and the EIA has been completed and the recording structure is also in place. At present this is available on the Kaonet but will be widened to the internet once suitable quality checks on the information has been completed.	Overdue
Equality Act and Impact Assessments 2020/21 February 2021	7	A review of document accessibility should be carried out as and the information regarding how to access these should be prominently publicised on the Council's website.	Low	Agreed as per the recommendation	Assistant Director Governance, HR and Legal / Customer and Media Services Manager	31/03/22	30/06/22	May 22: This has been delayed and will be looked at shortly, new date 30/06/22	Overdue
Equality Act and Impact Assessments 2020/21 February 2021	8	A process for reviewing complaints should be developed which can then address any	Low	Agreed as per the recommendation	Assistant Director Governance, HR and Legal /	31/03/22	30/06/22	May 22: This has been delayed and will be looked at shortly, new date 30/06/22	Overdue

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		equalities issues arising.			Customer and Media Services Manager				
Accounts Payable 2020/21 July 2021	1.1	Invoices which exceed the KPI target of payment within 30 days of the invoice should be monitored and officers should be reminded of the requirement to process invoices for payment promptly.	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.	Systems Team Leader	31/03/22	31/07/22	May 22: This was previously a manual process. System driven reports have now been written to identify invoices that are delayed and those being paid on time. The reports will be used as part of the monthly monitoring review between services and Finance to ensure invoices are paid promptly.	Overdue
Accounts Payable 2020/21 July 2021	1.2	Management information for raising purchase orders and late payment of invoices will be provided to Accountancy (the Senior Service Accountant) on a monthly basis to highlight instances of poor practice/non compliance and used to challenge officers. The report should include: Officers who do not raise Purchase Orders (POs) in	Medium	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.	Systems Team Leader	31/03/22	01/09/22	May 22: The current priority is to achieve sign off of the 2018/19 accounts and complete the restructure of the Finance team and associated recruitment. Once this has been achieved management information reports will be produced for discussion with officers where improvements are required.	Overdue

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		advance of the invoice Officers who do not include sufficient detail on the PO Invoices paid after 30 days (and there is not a valid reason)		This budget monitoring part of the process (1.3) will be introduced as part of the proposed restructure of the finance department and be embedded by the end of this financial year.					
Accounts Payable 2020/21 July 2021	1.3	Instances of non compliance will be reported to Service Managers as part of the budget monitoring process. This process will be introduced as part of the proposed restructure of the finance department and be embedded by the end of this financial year.	Medium		Principal Finance Manager	31/03/22	01/09/22	May 22: As above. The current priority is to achieve sign off of the 2018/19 accounts and complete the restructure of the Finance team. Following that, management information reports will be produced for discussion with officers where improvements are required. It is anticipated the this will be introduced as part of the budget monitoring process in July 2022.	Overdue
Accounts Payable 2020/21 July 2021	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		Systems Team Leader and the Principal Finance Manager	31/07/21		Oct 21: 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. May 22: Monthly budget monitoring meetings between Accountancy and service managers/budget holders will recommence after the year end	Overdue

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								close down has been completed which will be July 2022 at the latest	
IT Disaster Recovery 2020/21 August 2021	2	Disaster Recovery plans should be supported by comprehensive and up to date technical recovery procedures.	Medium	Accepted.	Senior ICT Manager	31/12/21	31/03/22 31/10/22	Feb 22: As above, the IT Disaster recovery plan is being reviewed and updated. May 22: The disaster recovery technical procedures are 70% complete but are having to be updated to incorporate changes to the integration requirements due to the ongoing Office365 implementation	Overdue
IT Disaster Recovery 2020/21 August 2021	4	IT Disaster Recovery plans and procedures should be subject to annual rehearsal. Disaster Recovery and Business Continuity Plans should be updated to reflect the results of all recovery tests.	Medium	Accepted. A further IT DR test will be commissioned once work has been completed on the migration to Microsoft 365.	Senior ICT Manager	31/03/22	31/03/23	Feb 22: Migration is ongoing. IT DR test will be completed following successful migration to Microsoft 365. May 22: On completion of the migration to Office 365 each major application will be tested based on the application/server priority list based on the Corporate Business Continuity Plan. A plan will be established to manage all tests and results for both networked systems and cloud based systems including Office 365. A maintenance upgrade of the Civic Centre generator has been completed and tested successfully.	Overdue

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Provision of IT Services to HTS 2020/21 August 2021 63	5	HTS Disaster Recovery arrangements should be subject annual testing. The results of all tests should be reported to both HTS and Head of Finance (being responsible for IT). The HTS Disaster Recovery plan should be updated to capture all recommended improvements following each annual test.	Medium	Accepted. Testing of HTS Disaster Recovery (DR) arrangements will be built in to the scheduled DR test at Harlow Council.	Senior ICT Manager	31/03/22	31/10/22	May 22: This is under discussion with HTS to ensure the DR plan adequately support their requirements. It is proposed a phased testing will take place up to October 2022. A plan for phased testing will be put in place based on the HTS Management Team priorities.	Overdue
Provision of IT Services to HTS 2020/21 August 2021	6	The HTS network domain should be subject to annual external penetration testing. All reported vulnerabilities should be tracked through to resolution.	Medium	Accepted. Penetration of the Harlow Council's network will be arranged later in 2021/22. The scope of the penetration testing will cover both the Harlow and HTS network domains.	Senior ICT Manager	31/03/22	31/07/22	May 22: A purchase order has been raised with supplier to carry out the annual external penetration testing which is booked in for July 2022.	Overdue
Cyber Security 2021/22 January 2022	10	A new information security staff training module should be produced and published on the Intranet.	Medium	Agreed and Accepted	Senior ICT Manager	31/05/22	30/06/22	May 22: This has been delayed to due to ICT resources being committed to the migration to Office 365 across the Council.	Overdue

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Housing Benefit and Local Council Tax Support 2021/22 February 2022	1	Reconciliations between the benefits system (Civica) and housing rents (Orchard) and Council Tax (Civica) systems should be brought up to date before year end and thereafter carried out regularly (i.e. monthly).	Medium	Agreed.	Principal Finance Manager	30/04/22	30/06/22	May 22: The reconciliation process has started but due to changes in staff there will be delays in completing the reconciliations.	Overdue
Development Management 2021/22 March 2022	2	The Assistant Director Planning and Building Control should address the following (including tailored training as required): <ul style="list-style-type: none"> • update and complete the Planning & Building Control Record of Processing Activities (RoPA) • produce a Privacy Notice and publish on the Council's website • ensure a process is in place for evidencing the disposal of data from all systems 	Medium	The Privacy Notice has been published. The RoPA and retention schedule will be updated and completed in conjunction with the Data Protection Officer.	Assistant Director Planning and Building Control	30/04/22	31/07/22	May 22: Advice has been sought from the Data Protection Officer and a privacy notice has been adopted. The ROPA is being progressed by the Data Protection Officer and the Development Manager. The disposal of documents is underway and we are working on a process plan.	Overdue

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		<p>in line with the Development Management retention schedule</p> <p>Advice should be sought from the Council's Data Protection Officer</p>							
Waste Contract Management 2021/22 26 May 2022	1	<p>Contract management processes to be formalised including the documenting of meeting outcomes and key decisions. The Council should request monthly performance reports from Veolia to provide an opportunity to:</p> <ul style="list-style-type: none"> • highlight good performance • raise concerns and • to challenge the contractor in the event of poor performance. 	High	<p>The meeting between senior contract management staff and Veolia were established to enhance communication in response to the Covid 19 pandemic, and were not intended to be part of the contract management structure.</p> <p>Veolia has produced weekly performance reports which will form the basis of the discussion on performance at the scheduled monthly contract meetings.</p>	Assistant Director Environment	31/08/22			In progress

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Waste Contract Management 2021/22 May 2022 56	2	The variable charges including the property uplift should be reconciled monthly to ensure the Council pays for services received. Documentation should be retained to demonstrate accuracy checks are completed.	High	Payment of the property uplift invoices has been made to avoid unnecessary delay in payments, but with a caveat that the figures are unvalidated and a reconciliation may be required. The reconciliation process has now started and once completed validation checks will take place every time the uplift threshold (50 additional properties) has been reached.	Assistant Director Environment	31/10/22			In progress
Waste Contract Management 2021/22 May 2022	3	The Council continues to work with Veolia to resolve the disputed rectification and default notices, ensuring that documentation is retained to evidence the process. In the event that penalty payments (for services not received by the Council) are not accepted by Veolia, supporting evidence should be	High	This is Work in Progress	Assistant Director Environment	30/06/23			In progress

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		retained to demonstrate the contract negotiations process.							

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **15 JUNE 2022**

TITLE: **RISK MANAGEMENT REPORT**

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

RECOMMENDED that:

- A** The Committee notes the Strategic Risks and scores as at 31 March 2022.
- B** The Committee notes developments to align the strategic risk register with the Corporate Strategy from 1 April 2022.

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. In addition, the Council's Risk Management Strategy requires the Committee to 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 objectives.

ISSUES/PROPOSALS

Strategic Risks Update as at 31 March 2022

4. Appendix 1 details the council's strategic risks as aligned to the Corporate Plan up to 31 March 2022.
5. Appendix 2 shows the risk matrix upon which risk scoring is devised.
6. As requested by the Audit and Standards Committee, the risk register is now presented in a new layout to facilitate easier reading and printing. Risks are now presented in a 'page per risk' format in place of the previous EXCEL spreadsheet view.
7. It should be noted that risks which exceed the risk appetite threshold for the impacted strategic objective may not necessarily be poorly controlled but may be subject to factors outside the council's control.

Strategic Risk Review

8. The Senior Management Board are currently undertaking a comprehensive review of strategic risks to ensure they reflect the Council's corporate vision and objectives from 2022/2023 onwards in line with the new Corporate Strategy.
9. As part of the corporate risk process, the Senior management Board will also review risk appetite.
10. The corporate Risk Strategy is also currently being reviewed and will be updated to reflect roles, responsibilities and procedures resulting from the recent council re-structure.

IMPLICATIONS

Strategic Growth and Regeneration

None specific

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

None specific

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

Housing

As outlined in the report

Author: Andrew Murray, Director of Housing

Communities and Environment

As contained within the appendices

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

In terms of the Governance and Corporate Support Directorate, currently risks fall below the reporting thresholds. Work is being undertaken to reflect the changing nature of the priorities of the Council laid out in the Corporate Strategy within our revised strategic risks including emerging strategy.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix 1 – Strategic Risks as at 31 March 2022

Appendix 2 – Risk Rating Matrix

Risk Name		CR01 - Financial Resilience	
Risk Owner	Simon Freeman	Review Date	31 March 2022
Impacted Objective		Sound Resource Management	
Risk Appetite Definition and Threshold		Cautious: 5	
Risk		If a sustainable budget is not secured, then the Council will lack financial resilience	
Background		The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk. In addition uncertainty exists in respect of the Government's plans for local government funding reform and business rates retention	
Risk Likelihood		Options for increasing revenue to enable the Council to compensate for 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.	
Risk Impact		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.	
Controls in Place		Additional Actions to mitigate risk (4T's)	
Development of the Council's MTFS and the detailed planning of future budgets is now undertaken early in the financial year and is an ongoing 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.		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. The draft 2022/23 financial settlement is aligned with previous assumptions and the variations related to Covid are manageable within the specific funding earmarked for this purpose.	
Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Likely (4)	Major (4)	Moderate (3)	Major (4)
21		18	

Risk Name	CR02 - The Harlow Offer
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Risk Owner	Jane Greer	Review Date	31 March 2022
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Impacted Objective	Regeneration and a thriving economy
Risk Appetite Definition and Threshold	Hungry: 16

Risk	If the Harlow Offer is poor, then the town will fail to attract new or retain current businesses
Background	A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination. The Harlow Offer is key to retaining and attracting new investment in to the town

Risk Likelihood	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.
Risk Impact	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.

Controls in Place	Additional Actions to mitigate risk (4T's)
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	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.

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Major (4)	Moderate (3)	Moderate (3)
18		13	

Risk Name		CR03 - Lack of suitable housing numbers and mix of housing	
Risk Owner	Andrew Bramidge	Review Date	31 March 2022
Impacted Objective		More and better housing	
Risk Appetite Definition and Threshold		Open: 13	
Risk		If the town lacks sufficient housing and also does not provide a suitable housing mix, it will not attract or retain residents	
Background		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 policies. As part of that mix, housing for local people that is genuinely affordable remains a high priority for the Council.	
Risk Likelihood		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.	
Risk Impact		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.	
Controls in Place		Additional Actions to mitigate risk (4T's)	
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.		The Council adopted a new Housebuilding Strategy in March 2022 which sets out a plan to deliver over 300 new houses on Council land. Alongside this, the Council is actively engaging in dialogue with landowners in and around the town centre which could see 600 – 1,000 new houses come forward through windfall sites. The Council is therefore confident of being able to meet its housing targets. The new Corporate Strategy is also realigning priorities, which will result in a revised strategic risk register for 2022/23 onwards..	
Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Likely (4)	Major (4)	Unlikely (2)	Major (4)
21		14	

Risk Name	CR04 - Lack of adequate Council housing
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Risk Owner	Andrew Murray	Review Date	31 March 2022
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Impacted Objective	More and better housing
Risk Appetite Definition and Threshold	Open: 13

Risk	If the Council does not provide adequate Council Housing it will not be able to fulfil housing needs.
Background	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.

Risk Likelihood	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.
Risk Impact	Lack of suitable mix and quality of Council Housing stock. Increasing numbers on Housing Needs Register. impact on homelessness.

Controls in Place		Additional Actions to mitigate risk (4T's)	
House repurchase scheme (45) adding additional Council housing stock approved by Cabinet in September 2020 was completed by 31 March 2021. Programme of buying properties through 141 receipts. In response to Covid-19 Pandemic, recovery Plans have been reviewed and aligned to council priorities and governance. Bad debt provision reviewed as income recovery is monitored.		Development of Housing Strategy - progress of Housebuilding Programme presented to Scrutiny Committee February 2022 - and Housing Delivery Plan HRA Business Plan 2021-2051 approved by Cabinet January 2022 in response to the new Corporate Strategy outlining the Council's short, medium and long-term housing landlord ambitions.	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Moderate (3)	Moderate (3)	Moderate (3)
13		13	

Risk Name	CR05 - Inability to fullfill Community Wellbeing role
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Risk Owner	Jane Greer	Review Date	31 March 2022
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Impacted Objective	Wellbeing and social inclusion
Risk Appetite Definition and Threshold	Moderate: 8

Risk	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
Background	Discretionary services are dependent upon the Council's community leadership role which relies to some extent on co-production and co-operation of other agencies and organisations

Risk Likelihood	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..
Risk Impact	Residents unable to access adequate services. Frustration of community cohesion. Perception of Harlow Offer could deteriorate.

Controls in Place		Additional Actions to mitigate risk (4T's)	
Safer Harlow Partnership, Regeneration Strategy, Community Resilience Strategy adopted. Health and Wellbeing position statement adopted. Community Engagement Strategy adopted.		Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Health and Wellbeing Strategy will now be delivered by Autumn 2022. Community Safety Strategy being developed.	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Moderate (3)	Moderate (3)	Moderate (3)
13		13	

Risk Name	CR06 - Lack of Resources and Capacity, Council and key partners		
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Risk Owner	Andrew Bramidge	Review Date	31 March 2022
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Impacted Objective	A Clean and green environment
Risk Appetite Definition and Threshold	Moderate: 8

Risk	If the resources and capacity of the Council and key partners are diminished, the Council may not be able to fulfil its community aspirations
Background	Tension between expectations of residents, priorities and resources available for street cleaning, waste & recycling, unadopted highways maintenance & landscaping requires careful prioritisation and management of expectations

Risk Likelihood	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed
Risk Impact	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.

Controls in Place		Additional Actions to mitigate risk (4T's)	
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.		Review the service specification with HTS and review the structure of the waste contract with Veolia. Budget review process.	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Major (4)	Moderate (3)	Major (4)
18		18	

Risk Name	CR07 - Ability to support children and family aspirations
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Risk Owner	Jane Greer	Review Date	31 March 2022
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Impacted Objective	Successful children and young people
Risk Appetite Definition and Threshold	Cautious: 5

Risk	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 leavers
Background	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 base

Risk Likelihood	Lack of leisure opportunities for children; youth services; health services; clubs e.g. scouts. Low levels of 'school readiness'.
Risk Impact	Lack of educational attainment and aspirations leading to restriction in future employment opportunities for school leavers.

Controls in Place		Additional Actions to mitigate risk (4T's)	
Signposting for residents (often through ECC), Partner agencies (statutory, voluntary, schools), promotion of and support to Harlow and other Colleges, Youth Council, Harlow School Readiness project and other similar initiatives. Ensure council activities are available " virtually"		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	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Moderate (3)	Unlikely (2)	Moderate (3)
13		9	

Risk Name	CR08 - Equality and Diversity
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Equalities and Fairness
Risk Appetite Definition and Threshold	Moderate: 8

Risk	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
Background	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 and diversity

Risk Likelihood	Decision making not open, transparent or fair. Lack of recognition of diversity of Harlow. Reputation.
Risk Impact	Discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.

Controls in Place		Additional Actions to mitigate risk (4T's)
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.		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.

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Almost Certain (5)	Major (4)	Moderate (3)	Major (4)
23		18	

Risk Name	CR09 - Provision of repairs, maintenance landscape and streetscene services
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Risk Owner	Andrew Murray	Review Date	31 March 2022
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Impacted Objective	1) More and better housing 2) A Clean and green environment
Risk Appetite Definition and Threshold	1) Open: 13 2) Moderate: 8

Risk	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
Background	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

Risk Likelihood	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.
Risk Impact	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.

Controls in Place		Additional Actions to mitigate risk (4T's)
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. Covid 19 Pandemic recovery plans were reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment.		HTS Group Ltd Business Plan (2022-2027) approved that aims to deliver a framework to move the group forward to improve performance and access new commercial opportunities that would increase the return to taxpayers.

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Major (4)	Moderate (3)	Major (4)
18		18	

Risk Name	CR10 - Inability to fullfill Community Leadership role																		
Risk Owner	Brian Keane	Review Date	31 March 2022																
Impacted Objective	Being the Community Leader																		
Risk Appetite Definition and Threshold	Open: 13																		
Risk	If the Council is unable to fulfil its community leadership role, then partnering and strategic opportunities may be lost																		
Background	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 thrive																		
Risk Likelihood	Lack of lobbying, promotion and funding. Lack of buy-in from stakeholders and partners																		
Risk Impact	Stagnation, lack of town development and growth, lack of identity and recognition																		
Controls in Place	Additional Actions to mitigate risk (4T's)																		
"Climate Emergency measures, lobbying for new infrastructure e.g. hospital, road network. Town Centre Improvements and funding Town Centre Award"	Continue to lobby and liaise with stakeholders																		
<table border="1"> <thead> <tr> <th colspan="2">Inherent Risk</th> <th colspan="2">Residual Risk</th> </tr> <tr> <th>Likelihood</th> <th>Impact</th> <th>Likelihood</th> <th>Impact</th> </tr> </thead> <tbody> <tr> <td>Likely (4)</td> <td>Major (4)</td> <td>Unlikely (2)</td> <td>Major (4)</td> </tr> <tr> <td align="center" colspan="2">21</td><td align="center" colspan="2">14</td></tr> </tbody> </table>				Inherent Risk		Residual Risk		Likelihood	Impact	Likelihood	Impact	Likely (4)	Major (4)	Unlikely (2)	Major (4)	21		14	
Inherent Risk		Residual Risk																	
Likelihood	Impact	Likelihood	Impact																
Likely (4)	Major (4)	Unlikely (2)	Major (4)																
21		14																	

Risk Name	CR11 - Business Resilience
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Resilience and recovery
Risk Appetite Definition and Threshold	Open: 13

Risk	If the Council does not have adequate Business Continuity arrangements, then it may struggle to recover from disasters or emergencies
Background	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

Risk Likelihood	Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms); Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases); Accidental Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill or release, equipment failure, transportation incident, unavailability of key employees); 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); Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)
Risk Impact	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation

Controls in Place	Additional Actions to mitigate risk (4T's)
As per sub risks: CR11a – Meteorological events CR11b – Biological events CR11c – Accidental cause CR11d – Intentional cause CR11e – Technological events	As per sub risks CR11a, CR11b, CR11c, CR11d and CR11e

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Almost Certain (5)	Major (4)	Moderate (3)	Moderate (3)
23		13	

Risk Name	CR11a - Business Resilience: Meteorological events		
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Resilience and recovery
Risk Appetite Definition and Threshold	Open: 13

Risk	If the Council does not have adequate Business Continuity arrangements, then it may struggle to recover from disasters or emergencies
Background	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

Risk Likelihood	Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms);
Risk Impact	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation

Controls in Place	Additional Actions to mitigate risk (4T's)
Emergency Planning, Business Continuity Plans including Disaster Recovery reviewed regularly, New ways of working allow flexibility for workforce, Insurance Policies including Terrorism, Property maintenance plans, Engineering Inspection Contract, Statutory Testing of equipment, heating systems, electrical, Fire Risk Assessments, Cyber Security	BCP Training/communication/Testing

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Almost Certain (5)	Major (4)	Moderate (3)	Moderate
23		13	

Risk Name	CR11b - Business Resilience: biological events		
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Resilience and recovery: CR11 – Business Resilience
Risk Appetite Definition and Threshold	Open: 13

Risk	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
Background	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.

Risk Likelihood	Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases)
Risk Impact	Employees and residents could become ill; Civic and commercial buildings may need to be shut, have restricted access or be repurposed. Housing property may be subject to restrictions, rules or guidelines; Operations may be affected; Statutory Duties may be more difficult to fulfill; Supply Chains may be affected, Reputation may suffer or improve

Controls in Place		Additional Actions to mitigate risk (4T's)
Recently tested process for response and recovery via Covid-19 Response and Internal Recovery Group Cross party COVID-19 Recovery Working group Risk Assessments, New ways of working allow flexibility for workforce, Environmental Health operations (foodborne illnesses, such as salmonella or E. Coli, can usually be minimised by correct food processing and handling techniques)		Continue to monitor Health surveillance briefings and Government direction

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Almost Certain (5)	Major (4)	Moderate (3)	Minor (2)
23		8	

Risk Name	CR11c - Business Resilience: accidental cause		
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Resilience and recovery: CR11 – Business Resilience
Risk Appetite Definition and Threshold	Open: 13

Risk	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
Background	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.

Risk Likelihood	Accidental Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill or release, equipment failure, transportation incident, unavailability of key employees);
Risk Impact	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

Controls in Place	Additional Actions to mitigate risk (4T's)
Property maintenance plans Electrical and Gas statutory inspections Engineering Inspection Contract Insurance Policies Emergency Planning Fire Safety Plans Safety Committee New ways of working allow flexibility for workforce	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Unlikely (2)	Catastrophic (5)	Unlikely (2)	Moderate (3)
19		9	

Risk Name	CR11d - Business Resilience: intentional cause		
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Resilience and recovery: CR11 – Business Resilience
Risk Appetite Definition and Threshold	Open: 13

Risk	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
Background	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.

Risk Likelihood	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);
Risk Impact	People (Employees, Residents) may be locked out of buildings or locked in. Employees could be attacked; Property may be attacked and 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

Controls in Place	Additional Actions to mitigate risk (4T's)
Emergency Planning Disaster Recovery Plans reviewed regularly Terrorism Insurance	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Rare (1)	Moderate (3)	Rare (1)	Moderate (3)
6		6	

Risk Name	CR11e - Business Resilience: technological events		
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Risk Owner	Brian Keane	Review Date	31 March 2022
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Impacted Objective	Resilience and recovery: CR11 – Business Resilience
Risk Appetite Definition and Threshold	Open: 13

Risk	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
Background	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

Risk Likelihood	Technological events (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)
Risk Impact	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

Controls in Place		Additional Actions to mitigate risk (4T's)	
Disaster Recovery plans IT Maintenance and security testing (preventative measures) Back-up generator and testing Computer insurance		Continue to maintain and upgrade existing software and hardware. Cloud migration plans	

Inherent Risk		Residual Risk	
Likelihood	Impact	Likelihood	Impact
Moderate (3)	Moderate (3)	Unlikely (2)	Minor (2)
13		5	

Risk Rating Matrix

Likelihood	Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months.	5	11	16	20	23	25
	Likely	75% likely to happen or has happened at least once or twice in the last 12 months.	4	7	12	17	21	24
	Moderate	50% likely to happen or has happened once or twice in the last 24 months.	3	4	8	13	18	22
	Unlikely	20% likely to happen or has happened once or twice in the last 5 years.	2	2	5	9	14	19
	Rare	5% likely to happen or hasn't happened within the last 5 years.	1	1	3	6	10	15
			1	2	3	4	5	
<h1>Risk Rating Matrix</h1>		Minor slippage	Minor	Moderate	Major	Catastrophic		
		Impact						
		Financial	Loss/overspend under £10K	Loss/overspend £10K-£50K	Loss/overspend £50K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M	
		Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service.	Short term disruption to service or marginal reduction in service. Objectives of one department not met.	Short term loss of service or significant reduction service. Service objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.	
			Unlikely to cause complaint/litigation	Low potential for complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.	
		Reputation	No adverse publicity	Minor adverse publicity	Significant adverse local publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity	
		Legal/Regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment	
		Environmental/ Public Health	Incident with no lasting effect	Short term incident (days)	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)	
		Health and Safety	'First Aid' level injury	Medical treatment required – short term injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality	

REPORT TO:	AUDIT AND STANDARDS COMMITTEE
DATE:	15 JUNE 2022
TITLE:	ANNUAL GOVERNANCE STATEMENT
LEAD OFFICER:	SIMON FREEMAN, DIRECTOR OF FINANCE (01279) 446228

RECOMMENDED that:

- A** The Committee approves the Council's draft Annual Governance Statement for 2021/22

BACKGROUND

1. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct, at least annually, a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS) which is required to accompany the Council's Statement of Accounts.
2. The CIPFA/SOLACE document Delivering Good Governance in Local Government Framework (2016) defines the principles that should underpin the governance of each local government organisation and has been followed in preparing the AGS.
3. The Council must review its systems of internal control and governance annually and assure itself that its internal control environment is effective. Various sources of assurance are relied upon to enable the preparation of the AGS. These include:
 - a) Work of the internal auditors
 - b) Work carried out by the external auditors
 - c) Reports from other review agencies and inspectorates (if applicable).
4. Directors and Assistant Directors have responsibility for the development and maintenance of the internal control environment. They provide annual declarations which self-assesses the rigour of the control environment within their service. The Internal Audit annual report forms a key element of the review, as does the Council's work on risk and performance management.
5. The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council's services, including those designed to ensure that:
 - a) The Council's policies are implemented in practice

- b) High quality services are delivered efficiently and effectively
 - c) The Council's values and ethical standards are met
 - d) Laws and regulations are complied with
 - e) Required processes are adhered to
 - f) Financial statements and other published performance information is accurate and reliable
 - g) Human, financial, environmental and other resources are managed efficiently and effectively
6. The AGS is required to disclose any governance issues which may impact on the Council being able to achieve its corporate objectives. These are set out towards the end of the AGS, together with proposed actions to address these concerns and improve performance. The AGS also reflects the way the Council has continued to adapt its governance arrangements during 2021/22 as a result of the impact of Covid-19.
 7. Preparation of the AGS has been managed by the Council's Corporate Governance Group, and a draft of the AGS considered by the Senior Management Board (SMB). The Corporate Governance Group will continue to monitor the actions set out in the AGS, along with other work that is relevant to governance. This will include, but is not limited to, managing the audit recommendation tracker and reviewing progress with risk and performance management.
 8. The AGS should be produced at the same time as the draft accounts and needs to be up to date at the time of publication. A draft AGS is presented to the Committee for their review and comment, however, the final (signed) version will come back to the Committee with the draft accounts. This will ensure it will account for (if appropriate) any significant event that affects the assessment of the Council's governance arrangements that might occur from April 2022 onwards.

IMPLICATIONS

Strategic Growth and Regeneration

None specific

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

This Statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements.

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

Housing

As outlined in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

None specific

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

Approval of the Annual Governance Statement is required by section 6(2) of the Accounts and Audit (England) Regulations 2015

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix A – Draft Annual Governance Statement 2021/22

Background Papers

Accounts and Audit (England) Regulations 2015

Delivering Good Governance in Local Government Framework (2016)

Glossary of terms/abbreviations used

AGS – Annual Governance Statement

CIPFA – The Chartered Institute of Public Finance and Accountancy

SOLACE – Society of Local Authority Chief Executives

SMB – Senior Management Board

Harlow Council - Annual Governance Statement 2021/22

Scope of responsibility

- 1.1. Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In meeting this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has adopted a code of corporate governance (last reviewed November 2021) which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accounting)/SOLACE (Society of Local Authority Chief Executives) Framework *Delivering Good Governance in Local Government*.
- 1.4. This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015, in relation to the publication of an annual governance statement.

The purpose of the Governance Framework

- 1.5. The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 1.6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).
- 1.8. The Council's governance framework has been in place within the Council for the year ended 31 March 2022.

The Governance Framework

- 1.9. The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness with regard to the seven CIPFA/SOLACE principles of delivering good governance as updated in

2016, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the Council's capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong financial management.
 - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- 1.10. A brief description of the key elements of Governance Framework in place at Harlow Council is included as Appendix 1. The annual review of the effectiveness of this framework is covered in the next section.

Review of effectiveness

- 1.11. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:
- a) work of the Senior Management Board (SMB) who have responsibility for the development and maintenance of the governance environment
 - b) the role of the Cabinet and committees, including the Audit and Standards Committee and the Shareholders Sub Committee for the Council's wholly owned subsidiary company Harlow Trading Services
 - c) the Internal Audit Manager's Annual Report
 - d) comments made by the external auditors
 - e) other review agencies and inspectorates
- 1.12. The review has been led by the Corporate Governance Group comprising the Head of Governance, the Section 151 Officer, a Policy and Performance representative, the Internal Audit Manager, the Insurance and Risk Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, the Group has kept in mind the seven CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:
- a) Service Assurance Statements – Assistant Directors, in conjunction with their Directors, have completed a self-assessment covering the effectiveness of governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where more than one service has identified an area for improvement; corporate actions have been added to the improvement plan covered in the next section.
 - b) The Internal Audit Manager's annual opinion on the Council's control

framework, delivered to the Audit and Standards Committee, as the body charged with governance.

- c) Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2021/22. Areas for improvement were identified in a number of reviews and action plans agreed. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner.
 - d) The ongoing work of External Audit with regards to the 2018/19 accounts and the impact of this on subsequent year's accounts.. Where these exist, we have also used reports from other agencies and inspectorates.
- 1.13. During the year the Corporate Governance Group has been responsible for monitoring and reviewing the corporate governance framework and for considering specific governance issues as they arise. The work of this group has strengthened many of the Council's governance processes and has addressed issues raised in the Annual Governance Statement. In particular, the group continues to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement remains robust.

Impact of coronavirus on the Council's governance arrangements for 2021/22

- 1.14. As a result of the pandemic during 2020/21 the majority of staff worked from home. and Council meetings were held virtually and were still open to the public. Regulations which allowed authorities to meet remotely ceased after 06 May 2021, and since then all decision making meetings have been held in person.
- 1.15. During 2021/22 the majority of staff have continued to work from home but since April 2022 there has been expectation that staff come into the office at least two to three days a week.
- 1.16. Similar to 2020/21, throughout 2021/22 key Council services, including all statutory ones, continued despite coronavirus although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first. Some services continued to be paused during the first part of 2021/22 for example routine housing repairs and some new activities started in 2020/21 continued, for example distribution of the government's Covid-19 related business grants by the Revenues and Benefits service.

Overall opinion of Harlow's governance arrangements

- 1.17. Despite coronavirus this AGS demonstrates that the Council's governance arrangements have remained fit for purpose during 2021/22. There has been no significant detriment on the Council's ability to deliver its services as a result of coronavirus.
- 1.18. The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2021/22 including a review of the assurance checklists and statements submitted by Assistant Directors. It has concluded that

arrangements are fit for purpose and working effectively and this has been endorsed by SMB (Senior Management Board). As a result of this assessment, a small number of other governance issues have been identified and in order to further strengthen arrangements, as detailed in table two.

2. Governance Issues Identified

- 2.1. This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, which monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below:

Table 1 – Progress on significant governance issues identified in the 2020/21 AGS

Significant issue identified in 2020/21 AGS with context	Action taken in 2021/22 to address the issue
<p>Ensuring the health and safety of staff, partners and the public in the way it delivers its services</p> <p>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.</p>	<p>The majority of staff continued to work from home during 2021/22, but since April 2022 have been encouraged to come in more regularly. Safe working practices continues to be a priority for the Council.</p>
<p>New Administration/new ways of working</p> <p>As a result of coronavirus staff have been encouraged to work in a more agile (remote) way, and forms part of the current accommodation review.</p> <p>In addition, SMB will work with the new Administration, and keep staff informed, of any changes in corporate priorities, ensuring governance arrangements remain robust.</p>	<p>A staff engagement survey was carried out on Harlow's behalf by the East of England Local Government Association (EELGA). The results have informed the Council's future plans, aligning to the Council's requirements for service delivery and an accommodation review into future operational needs and potential commercial opportunity for operational buildings is included in the Corporate Strategy.</p> <p>The new Corporate Strategy for 2021-23 was approved by Cabinet 02 December 2021 and Full Council on 09 December 2021. The accompanying delivery plan is being refined.</p>

<p>Financial Management Code review</p> <p>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 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>	<p>This will be progressed during 2022/23 once the Accountancy restructure has been completed and established.</p>
<p>Statement of Accounts</p> <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 will impact on the approval of the accounts for 2020/21.</p> <p>The Council has met its targets for the publication of its draft accounts in all years. Delays are being created as a result of the lack of resources within the Audit Firms undertaking the external audit work.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate any internal risk to the production and approval of the Council's Statement of Accounts in future years.</p>	<p>The Council continues to work with its advisor and External Auditors to resolve the current issues. The 2018/19 Audit Results Report is currently awaited and is pending internal BDO Technical review. A national issue raised in relation to Infrastructure Assets is currently being considered by CIPFA and the Accounting Standards Board. A consultation is being carried out on proposals to resolve this matter but there will be no conclusion to the 2018/19 audit until this is concluded</p>
<p>Common themes from the Service Assurance Statements were:</p>	
<p>Risk management and business/service planning</p> <p>Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22</p>	<p>A new service plan/risk register has been trialled across the Council. This is being further refined now the Senior Management restructure has been concluded.</p>
<p>Project management processes – corporate approach</p> <p>This will be progressed in 2021/22 by members of the Corporate Governance Group (CGG)</p>	<p>A project governance working group has been set up with key officers from across the Council meeting regularly to move this forward. The working group reports into Corporate Governance Group.</p>

- 2.2. In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

Table 2: Areas for improvement or monitoring during 2022/23

Key improvement/review area	Action to be taken in 2022/23
<p>Economic issues</p> <p>At the time of writing this AGS, both national and global events have led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years are being seen and availability of raw materials etc. is a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be an indirect consequence with a potential increase in demand by those accessing Council services</p>	<p>Implications are being monitored by SMB and will feature as key considerations in the reports presented to Cabinet through 2022/23 and in the development of the MTFS (Medium Term Financial Strategy) for 2023/24 and future years.</p>
<p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues there has been a delay in the final approval of the 2018/19 accounts</p> <p>Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited. For Harlow, this has led to a knock-on effect regarding the 2019/20 and 2020/21 accounts, and in turn the 2021/22 accounts</p>	<p>The Council continues to work with its advisor and its External Auditors to resolve the current issues. Once resolved a timetable will be agreed regarding the outstanding accounts. The Audit and Standards Committee will be kept abreast on progress.</p>
<p>Financial Management Code review</p> <p>Carried over from last year's AGS action plan</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>
<p>Common theme from the Service Assurance Statements were:</p>	
<p>Risk management and business/service planning</p> <p>Further work is required to develop and embed operational processes</p>	<p>Work undertaken in 2021/22 to better align service/business plans and risk management processes will continue into 2022/23 driven by the Council's recently created Wider Leadership Team.</p>
Project management processes –	During 2022/23 the work of the

Key improvement/review area	Action to be taken in 2022/23
corporate approach	project governance working group will be endorsed by SMB and rolled out, first for capital projects, and then expanded to include all projects

2.3. The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit and Standards Committee. The Group will ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

2.4. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. The Council's Governance Group will monitor their implementation and operation throughout the year and report progress as part of our next annual review.

Signed:

Date:

(Leader of the Council)

Signed:

Date:

(Chief Executive)

APPENDIX 1

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY AND CAPABILITY	RISK AND PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.	Have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.	Have in place interventions necessary to optimise the achievement of its intended outcomes.	Develop the Council's capacity and capability of its leadership and staff	Manage the Council's risk and performance through robust internal control and strong public finance management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Annual Governance Statement 2021/22						
<ul style="list-style-type: none"> A robust whistleblowing policy and zero tolerance approach to fraud and corruption. The Constitution sets out codes of conduct for Councillors and Officers. The Constitution, which had a fundamental review in February 2022, sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and 	<ul style="list-style-type: none"> Leadership encourages open and supportive culture. Standard committee report format and publicly available modern.gov system for reporting. Strategy for encouraging stakeholder involvement. Overview and Scrutiny Committee 	<ul style="list-style-type: none"> A new 2021-24 Corporate Strategy has been approved Adopted Local Plan that supports the Council's vision Defined standards of customer service backed by a complaints procedure 	<ul style="list-style-type: none"> Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers Anti-Fraud and Corruption Strategy 	<ul style="list-style-type: none"> A People Resources Plan (to be updated) to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified 	<ul style="list-style-type: none"> A corporate Risk Strategy and toolkit. A performance management framework which includes integrated performance and financial management report. Medium Term Financial Strategy and integrated service planning approach Internal Audit function to provide assurance on governance, risk management and control. Audit and Standards Committee 	<ul style="list-style-type: none"> Accountability for decision making detailed within the Constitution Reporting regularly on performance and use of resources. Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement Processes to ensure internal and external audit recommendations are acted upon

<p>Officers work together</p> <ul style="list-style-type: none"> • Equality Policy revised and updated and an Equality Framework & Action Plan developed 						
<ul style="list-style-type: none"> • An active Corporate Governance Group which takes charge of the Annual Governance Statement. 						