

REPORT TO: AUDIT AND STANDARDS COMMITTEE
DATE: 29 NOVEMBER 2017
TITLE: INTERNAL AUDIT ACTIVITY REPORT
LEAD OFFICER: SARAH MARSH, INTERNAL AUDIT
MANAGER (01279) 446884

RECOMMENDED that:

- A** The Committee reviews the outcomes of the work of the Internal Audit service during the period October to November 2017 and identifies any issues for further consideration.

PROGRESS AGAINST AUDIT PLAN

1. Work continues on the 2017/18 Audit Plan as detailed in Appendix A and timings have been agreed with Heads of Service to ensure a steady flow of reports throughout the year.

INTERNAL AUDIT REPORTS

2. The following report from the 2017/18 Audit Plan has been issued since the Committee received its last update in September 2017:

Harlow Playhouse - Moderate assurance

There is effective financial management and budgetary control in place for the Playhouse. A proactive approach is taken to maximise income, effective contract management processes ensure compliance with Financial Regulations and Contract Standing Orders, and value for money is demonstrated.

There are robust controls in place to ensure staff and volunteers are trained to deal with fire evacuations and other emergency incidents. Fire testing and statutory electrical and gas safety checks were up to date. A business continuity plan is also in place.

There are effective controls in place in the banking of cash income and a segregation of duties is in place to ensure there is an independent reconciliation of income.

At the time of the audit no risk assessments were in place. Some progress has been made since the audit completion and theatre specific risk assessments have been purchased and key risk areas have now been identified. The insurance cover of assets was found to be inadequate and requires updating to reflect a more accurate valuation of the contents at the Playhouse. Security of assets is generally well controlled.

ONGOING AUDIT WORK

3. A number of assignments in the 2017/18 Audit Plan are intended to provide advice and guidance to the Council throughout the year on current issues. This includes Internal Audit representation on business groups and project teams across the Authority. As these assignments will not normally result in a single, traditional audit report, Internal Audit will summarise its output here for Councillors' information:

- *Events Management* – originally included in the 2017/18 Audit Plan as 'Discretionary Services'. Internal Audit has provided consultation, building on the initial work of the 'Activities and Events on Council Land' Officer Group to help the Council determine the best way to manage events on its land either in conjunction with or by external parties.

The audit involved detailed discussions with key officers across the Council on their roles and responsibilities for planning events on Council land, key risk areas to the Council, a review of partnership arrangements, and a review of financial arrangements for providing events and activities.

The audit confirmed there needs to be a formal approach for planning events to ensure key services are aware of planned events and appropriate safeguards are in place. From this piece of work Internal Audit has drafted an action plan that addresses the risks and encourages a coordinated approach.

- *General Data Protection Regulation (GDPR)* - The General Data Protection Regulation will replace the existing Data Protection Act in May 2018. The Council is required to ensure compliance with the principles of the new legislation. This involves identifying the Council's information assets (manual records and electronic information) to ensure personal data is recorded and used responsibly.

The project is being coordinated by the Legal Services Manager and Internal Audit continues to assist in the design and implementation of an Information Asset Register and advising on policies and procedures relating to information management. A GDPR update is attached at Appendix C.

- *National Fraud Initiative (NFI)* - is a data matching exercise which compares electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include the Department for Works and Pensions (DWP), police authorities, fire and rescue authorities as well as local councils and a number of private sector bodies.

The review of the 2016/17 data matches is in progress and Internal Audit has provided training and guidance to Officers. Previous exercises have found the NFI matches are not usually fraudulent and there is usually an explanation for the match (for example inaccurate data).

Internal Audit is a key contact for NFI, coordinating the submission of the Council's data and ensuring there is a process for reviewing the data matches

in accordance with the Council's available resources and the requirements of the Cabinet Office.

The next data matching exercise is due December 2017, which involves comparing Council tax and Electoral register data to identify instances of single persons discount fraud.

- *Corporate Fraud Group* – This group, chaired by the Head of Housing, continues to meet quarterly, monitoring the anti-fraud action plan and ensuring there is a joined up corporate approach to reduce the risk of fraud.

RECOMMENDATION TRACKER

4. The Audit and Standards Committee receives details of all overdue recommendations, plus any high risk recommendations from final reports, regardless of whether they are overdue or not.
5. The current tracker (see Appendix B) contains 10 recommendations past their due date (the same as September 2017). Regular monitoring of these recommendations demonstrates that, although they may have not been completed by the original implementation dates, steady progress continues to be made.
6. A comparison with previous periods is outlined in the table below to demonstrate progress.

Recommendation Priority	Number (as at November 2017)	Number (as at September 2017)	Number (as at June 2017)	Number (as at Mar 2017)
High - not yet due	0	0	0	0
High - passed due date	0	0	0	0
Medium - passed due date	10	8	9	8
Low - passed due date	0	2	4	3
TOTAL	10	10	13	11

7. Of the 10 overdue recommendations, one relates to business continuity planning where there is an action plan in place to review and update these in line with the Council's IT Disaster Recovery arrangements by the end of 2017/18. The four External Data Transfer recommendations now form part of the GDPR action plan.

PROGRESS AGAINST THE ANNUAL GOVERNANCE STATEMENT

8. In June 2017, the Audit and Standards Committee approved the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts.
9. The Corporate Governance Group (made up of the Head of Finance, Head of Governance, Legal Services Manager, Insurance and Risk Manager, Policy and Performance Team Leader and the Internal Audit Manager) continues to monitor the actions set out in the AGS on a regular basis, being a standing agenda item. The table below sets out the current position against the action plan:

Objective	Action to be taken in 2017/18	Progress at November 2017
1. General Data Protection Regulations (GDPR)	<p>It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.</p> <p>Work is already in hand to ensure Harlow is compliant with the requirements of the GDPR ahead of May 2018 and beyond.</p>	<p>A GDPR project group has been established, chaired by the Legal Services Manager. A Council-wide Information Asset register has been prepared and work is ongoing to establish the basis for all processing activities.</p>
2. Performance and Risk Management system	<p>The Corporate Risk Register format is now incorporated into the new service planning and risk management system InPhase. Work will continue in 2017/18 on the database to ensure linkages between corporate and operational risks, corporate and service objectives and performance management information coupled with a staff awareness campaign.</p>	<p>Corporate risks are linked to corporate plan objectives within InPhase. Service plans are set up, are being monitored, and their milestones performance is being reported via the Joint Financial Performance Reports along with KPI performance.</p> <p>Service specific risks now require identification and linking to the service objectives.</p> <p>Service planning at team level has now begun rolling out to managers.</p>
3. Revised Local Code of Corporate Governance	<p>The Council's Code of Corporate Governance will be updated to ensure it is aligned to the new framework for Corporate Governance published by CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives)</p>	<p>The Council's Code of Corporate Governance has been updated and is awaiting approval from the Audit and Standards Committee.</p>

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (includes ICT)

It is important that the organisation responds to and implements the recommendations flowing from the internal audit process in order to protect and improve the overall internal control environment of the Council.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

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

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

Internal Audit provides a key element of assurance within the 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: **Brian Keane, Acting Managing Director**

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices:

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendations Tracker

Appendix C – GDPR Update report