REPORT TO:	**AUDIT AND STANDARDS COMMITTEE**
DATE:	**4 MARCH 2020**
TITLE:	**INTERNAL AUDIT ACTIVITY REPORT**
LEAD OFFICER:	**SARAH MARSH, INTERNAL AUDIT MANAGER (01279) 446884**

RECOMMENDED that:

The Committee reviews the outcomes of the work of the Internal Audit service for the period December 2019 to March 2020 and identifies any issues for further consideration

PROGRESS AGAINST AUDIT PLAN

1. Work continues on the 2019/20 Audit Plan. The current status with the plan is set out in Appendix A to the report.

INTERNAL AUDIT REPORTS

2. Four reports have been issued since the Committee received its last update in November 2019:

    a) Conflicts of Interest and Gifts and Hospitality (Members and staff) – Moderate assurance

    The requirement for employees to make an annual declaration of any conflict of interest or gift and hospitality (as required under the Officer Code of Conduct) was not operating in practice. As a result of the audit a staff awareness campaign will be undertaken twice yearly, with the first one completed in January 2020. The Council's online form for staff to make a declaration has been revamped to streamline the process. The Governance Support Team will monitor the process centrally and the staff PPP (Personal Performance Plan) process updated to include conflicts of interest, and added into one-to-ones.

    There are robust processes in place for Members conflicts of interests and gifts and hospitality. Members are reminded through training and annual contact by the Monitoring Officer and Governance Support team, to notify the Monitoring Officer of any amendments to their Register of Interests, which are available on the Council's website. In line with good practice and to improve transparency, Members will be asked to make an annual declaration even if there are no changes from the previous year.

b) Change & Patch Management – Substantial assurance

There are effective processes in place to ensure that user requested changes, application upgrades, PC and network device upgrades are properly managed and controlled.

The use of a software utility to roll-out any security upgrades has significantly improved the information about the desktops that do not have the latest security patch installed. A clear programme of application and device upgrades/updates is in place.

The areas that require to be improved are largely procedural and, in some cases, relate to formally documenting the processes that are undertaken. This included the change management procedure which is quite brief and stops at the point of the user authorising the change to proceed but does not include any of the IT actions to effect the change.

c) Cash Office - Substantial assurance

The cash handling and banking arrangements at the cash office in the Civic Centre are well managed and there are robust controls in place. Cash is accurately recorded, banked and reconciled.

Discrepancies in cash income banked are recorded and reviewed by Senior Managers every three months. To ensure cash up discrepancies are investigated promptly the spreadsheet used to detail unders and overs will be shared on a more frequent basis (e.g. monthly).

There are effective security controls in place to monitor and control access to the cash office, including 24 hour CCTV, a panic alarm system for cashiers, and restricted access to the cash office.

Income received is reconciled to the general ledger and bank statements, and differences are investigated and corrected.

d) Purchase cards - Moderate assurance

There has been some improvement since the previous audit as the number of receipts retained for purchases and approved transactions has significantly increased and all cardholders now have an approver.

The system of reviewing expenditure is still not providing the challenge required to ensure spending is legitimate and in the best interests of the Council but this is being addressed though the use of exception reporting. The audit also identified specific areas where savings could be made if officers make use of framework agreements or supplier contracts to obtain value for money, and this has been brought to their attention.

ONGOING AUDIT WORK

3. A number of assignments in the 2019/20 Audit Plan are intended to provide advice and guidance to the Council throughout the year on current issues. As these assignments will not normally result in a single, traditional audit report Internal Audit will summarise its output here for Councillors' information:

   a) Information Governance: Internal Audit continues to sit on the Officer Information Governance Group (IGG), which is chaired by the Head of Governance. IGG ha developed an information governance framework to ensure the Council remains compliant with legislation as well as drive efficiencies by having a more co-ordinated approach.

   b) National Fraud Initiative: The annual Electoral Roll to Council Tax data matching exercise was uploaded January 2020. Data matches have been released and are under review. Individual departments are responsible for reviewing their own matches, however, Internal Audit assist where requested.

   c) Service Assurance Statements: Internal Audit is co-ordinating the process to ensure service assurance statements are completed by each Head of Service and their managers as part of year-end processes. The results of these will be analysed by Internal Audit, shared with the Corporate Governance Group and the results fed into the 2019/20 Annual Governance Statement which will be presented to the committee in June.

RECOMMENDATION TRACKER

4. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not. There are currently no high priority recommendations on the tracker.

5. The current tracker, as set out in Appendix B to the report, contains 13 recommendations which have passed their due date. A comparison with previous periods is outlined in the table below:

Table 1 – Recommendations Tracker Comparison

Recommendation Priority	Number (as at March 2020)	Number (as at Nov 2019)	Number (as at June 2019)	Number (as at March 2019)
High - not yet due	0	0	0	0
High - passed due date	0	0	0	1
Medium - passed due date	10	13	5	5
Low - passed due date	2	2	3	2
TOTAL	**12**	**15**	**8**	**8**

PROGRESS AGAINST THE ANNUAL GOVERNANCE STATEMENT

6. In June 2019, the Audit and Standards Committee approved the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts.

7. The Corporate Governance Group (made up of the Head of Finance, Head of Governance, and representatives from Legal, Insurance and Risk, Policy and Performance and Internal Audit) 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:

Table 2 – Position against action plan

Key improvement area	Action to be taken in 2019/20	Progress at March 2020
1. Harlow Trading Services (HTS) Group: With the expansion of the HTS Group, and the potential for further entities, governance arrangements need to be kept under review.	Review the robustness of governance arrangements, including the role of the Shareholders Sub Committee to ensure it is adequately carrying out the shareholder functions on behalf of the Council and to avoid both officer and member conflict of interests.	The Shareholder Sub Committee will in due course be receiving a report on the creation of HTS (Housing and Regeneration) Company.
2. Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives.	The implications are being regularly monitored by SMB. The Council liaises with the Local Resilience Forum Lead and with the East of England LGA on Brexit related operational issues and community impact. In turn both these organisations liaise with	The Head of Finance has been designated as the Council's 'Brexit' lead to work with central government. Consequences of the recent exit from the European Union is being monitored by

Key improvement area	Action to be taken in 2019/20	Progress at March 2020
	MHCLG.	SMB.
Common theme from the Service Assurance Statements were:		
3. Operational risk management: Recording of key operational risks could be improved to ensure they feed into the corporate risk management process and for better identification of interrelated risks.	This will be addressed through the roll out of the new risk strategy, review of the Council's risk appetite and assessment of the Council's risk maturity which will allow benchmarking of risk management within the Council against best practice and establish how well risk management as a discipline is embedded and integrated.	A fundamental review of risk management processes within the Council, including work around risk maturity and risk appetite is progressing well. Workshops are taking place to enable services to align their service plans and risks to their objectives and those in the corporate plan.

IMPLICATIONS

Environment and Planning (includes Sustainability)
None specific.
Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT)
It is important that the organisation responds to and implements the recommendations flowing from the internal audit process in order to protect and improve the overall internal control environment of the Council.
Author: Simon Freeman, Head of Finance

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

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

Governance (includes HR)
Internal Audit provides a key element of assurance within the overall Governance framework within the Council and it is important that recommendations flowing from internal audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.
Author: Simon Hill, Head of Governance

Appendices

Appendix A – Audit Plan Monitoring
Appendix B – Audit Recommendation Tracker

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Glossary of Terms/Abbreviations Used

AGS - Annual Governance Statement
IGG – Information Governance Group