

REPORT TO: **AUDIT AND STANDARDS COMMITTEE**

DATE: **27 AUGUST 2020**

TITLE: **INTERNAL AUDIT ACTIVITY REPORT**

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

RECOMMENDED that the Committee:

- A** Approves the revised Code of Corporate Governance (attached as Appendix B to the report).
- B** Approves the revised Anti-Fraud and Corruption Strategy (attached as Appendix C to the report).
- C** Approves the Internal Audit Charter (attached as Appendix D to the report).

PROGRESS AGAINST AUDIT PLAN

1. Work has commenced on the revised 2020/21 Audit Plan and timings have been agreed with the Senior Management Board (SMB) to ensure a steady flow of audits throughout the year. Appendix A sets out the current status with the Plan.

INTERNAL AUDIT REPORTS

2. One report has been issued since the Committee received its last update in June 2020:

a) Harlow and Gilston Garden Town - Substantial assurance

A Harlow Gilston Garden Town (HGGT) Member Board comprising representatives from all five councils provides high level oversight and direction for the HGGT project. Progress is monitored through the Project Director's highlight report to the Board and their weekly meetings with the Independent Chair of the Board. Fortnightly meetings between the Chief Executive and HGGT Director ensure the Council's interests are communicated at a strategic level. The Council's HGGT Lead Officer plays a key role in ensuring the Council's interests are understood and communicated at an operational level and a fortnightly Heads of Service meeting from across all councils has been introduced to further improve communicating these.

An established process is in place for identifying, capturing and monitoring project risks and issues and these are escalated to the Board as appropriate. To ensure HGGT risks are incorporated into the Council's risk management framework, the risk register should be forwarded to the Council's Insurance and Risk Manager on a quarterly basis.

The HGGT Board has no formal decision-making powers and the current process whereby recommendations are presented to each Council for approval is slow, potentially hindering delivery of the project. Work is actively progressing with regards to establishing an alternative delivery model for the HGGT project which seeks to address this risk.

The councils work well together informally at both Member and officer level. To avoid any ambiguity, arrangements should be formalised to ensure responsibilities and accountabilities are clearly articulated and understood by all parties to the project.

A process for declaring conflicts of interest at Board meetings was introduced during the audit. This is being extended to include the wider HGGT project team as the risk of challenges to decision-making may increase as the project moves to the delivery phase.

ONGOING AUDIT WORK

3. As the Council enters its Covid-19 recovery phase Internal Audit:
 - a) Has continued liaising with the Revenue and Benefits Manager about post business grant checks, sharing good practice from other councils and exploring the use of central government tools and other fraud related organisations (such as the National Anti-Fraud Network and Cifas, a not-for-profit fraud prevention membership organisation) to undertake these
 - b) Is reviewing the project plan for implementation of the new HR system, where the go-live date has been pushed back from November 2020 to January 2021 due to Covid-19. In addition, Internal Audit is facilitating discussions between key departments to ensure there is a holistic approach to the project.
4. In addition, Internal Audit has spearheaded a review of three key governance related documents as set out below. Significant changes have been underlined in bold in the document.
 - a) Code of Corporate Governance: The Corporate Governance Group has undertaken an annual review of the Council's Code of Corporate Governance and only minor changes are proposed to reflect the impact on Covid-19 on the Council's Code (as set out in Appendix B to the report).
Harlow's Code is a statement of the systems by which it directs and controls the exercise of its functions and how it relates to the local community. It is intended to stimulate confidence in the activities of the Council and how it goes about its business; focus the minds of those involved in decision making and ensures those decisions are made in a

proper and transparent way. The Code also seeks to ensure that the Council actively engages with local stakeholders, assist the constant improvement in service delivery and the minimisation of associated risks.

- b) Anti-Fraud and Corruption Strategy: The Council's Corporate Fraud Group meets quarterly, overseeing implementation of the Council's Anti-Fraud and Corruption Strategy and associated action plan.

The Group has undertaken the annual review of the strategy (as set out in Appendix C to the report). The main changes reflect the outcomes from the recently issued Fighting Fraud and Corruption Locally (FFCL) Strategy.

The FFCL strategy outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. The strategy is about creating a self-sustaining counter fraud response for the sector and how this can be achieved.

The previous FFCL strategy focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'. These pillars are still applicable, however, another two areas of activity have emerged that underpin each of those pillars. These are 'govern' and 'protect' with the pillar of 'govern' sitting before 'acknowledge'. It is about ensuring the tone from the top is consistent with the pillars and that they should be included in local counter fraud strategy, which has been done for Harlow.

- c) Internal Audit Charter: The Internal Audit Charter sets out the common practices of Internal Audit and requires annual review in accordance with the Public Sector Internal Audit Standards (PSIAS). This was last undertaken in November 2019.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2018 edition states that an Audit Committee (the Committee) should have a role in reviewing and approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function.

A review of the current Internal Audit charter (as set out in Appendix D to the report) confirms it is still fit for purpose and no changes are proposed.

RECOMMENDATION TRACKER

5. 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. The high priority recommendations on the tracker relate to Former Tenant Arrears.
6. The current tracker (as set out in Appendix E to the report) contains 19 recommendations which have passed their due date. A comparison with previous periods is outlined in the table below and it should be noted that Covid-19 has delayed progress with some of the recommendations:

Table One – Recommendation Priorities

Recommendation Priority	Number (as at August 2020)	Number (as at June 2020)	Number (as at March 2020)	Number (as at Nov 2019)
High - not yet due	0	2	0	0
High - passed due date	2	0	0	0
Medium - passed due date	15	14	10	13
Low - passed due date	2	3	2	2
TOTAL	19	19	12	15

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT and Properties and Facilities)

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

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

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

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Code of Local Governance (revised)

Appendix C – Anti-Fraud and Corruption Strategy (revised)

Appendix D – Internal Audit Charter

Appendix E – Audit Recommendation Tracker

Glossary of terms/abbreviations used

CIPFA – Chartered Institute of Public Finance and Accountancy

FFCL – Fighting Fraud and Corruption Locally

HGGT – Harlow and Gilston Garden Town

PSIAS – Public Sector Internal Audit Standards

SMB – Senior Management Board