

REPORT TO: AUDIT AND STANDARDS COMMITTEE

DATE: 24 NOVEMBER 2021

TITLE: INTERNAL AUDIT ACTIVITY REPORT

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RECOMMENDED that:

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

BACKGROUND

Progress Against Audit Plan

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

Internal Audit Reports

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

- a) Commercial Rents - Follow up

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

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

b) HTS Best Value Review – Substantial assurance

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

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

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

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

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

Ongoing Audit Work

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

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

Fraud Update

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

Recommendation Tracker

- 4. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not.
- 5. Four of the recommendations have been greyed out and will be removed from future trackers as detailed below (and have not been included in the figures in the table):
 - a) Two recommendations relating to responsive housing repairs audit will be removed once Internal Audit has received evidence of completion.
 - b) The two high level recommendations relating to parks and landscapes have been closed down. Since the original audit Internal Audit has met

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

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

Table 1 – Tracker Comparison

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

Internal Audit Charter

7. The Internal Audit Charter sets out the common practices of Internal Audit and requires an annual review in accordance with the Public Sector Internal Audit Standards (PSIAS). This was last undertaken in November 2020.
8. 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.
9. A review of the current Internal Audit charter, as set out in Appendix C to the report, by the Internal Audit Manager confirms it remains up-to-date and fit for purpose. This was also confirmed as part of the recent External Quality Assessment (EQA) reported elsewhere in the agenda. Section 8 of the Charter has been updated to ensure there is an explicit link to the roles of 'senior management' and the 'board' as defined in the PSIAS to those groups discharging those duties at Harlow (SMB and the Audit and Standards Committee respectively) as suggested by the EQA. These changes are

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

Policy Review

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

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

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

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

Progress Against the Annual Governance Statement (AGS)

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

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

Table 2 – Action Plan

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

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

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance (Includes ICT, and Property and Facilities)

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

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

Housing

None specific.

Author: Andrew Murray, Director of Housing

Community Wellbeing

None specific.

Author: Jane Greer, Director of Communities and Environment

Governance (includes HR)

Internal Audit provides a key element of assurance within the overall Governance framework within the Council and it is important that recommendations flowing from internal audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.

Author: Simon Hill, Director of Governance and Corporate Support

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker

Appendix C – Internal Audit Charter

Appendix D – Anti-Fraud and Corruption Strategy

Glossary of terms/abbreviations used

AGS – Annual Governance Statement

CIPFA - Chartered Institute of Public Finance and Accountancy

CGG- Corporate Governance Group

EELGA - East of England Local Government Association

IPOC - Investigatory Powers Commissioners Office

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