

REPORT TO: AUDIT AND STANDARDS COMMITTEE

DATE: 1 MARCH 2022

TITLE: INTERNAL AUDIT ACTIVITY REPORT

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RECOMMENDED that the Committee:

- A** Reviews the outcomes of the work of the Internal Audit service for the period December 2021 to March 2022 and identifies any issues for further consideration.
- B** Approves the carry forward of the following audits from the 2021/22 Internal Audit plan: treasury management, payroll and council housebuilding.

BACKGROUND

Progress Against Audit Plan

1. Work has continued on the 2021/22 Audit Plan as set out in Appendix A to the report.
2. The following three audits (subject to approval) have been carried forward into the 2022/23 Internal Audit plan (detailed elsewhere on the agenda) for the following reasons:
 - a) Treasury Management – this audit will take place once the new accountancy restructure has settled down.
 - b) 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.
 - c) 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.

ISSUES/PROPOSALS

Internal Audit Reports

3. Two reports have been issued since the Committee received its last update in November 2021, and a number of audit reports are close to being finalised:

a) Cyber Security – moderate assurance

Cyber Security is the range of technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage, or unauthorised access. These are essential in order that the Council is able to resist, respond to and recover from incidents that may affect the information it requires to operate. The following areas of good practice were noted:

- i) The review of cyber security protection verified that a Data Breach policy was in place outlining user responsibilities in the event of virus infection or the theft of Council equipment.
- ii) Furthermore, the Council network is protected by a vendor support and fully patched WatchGuard firewall appliance. The WatchGuard solution also provides inbuilt Intrusion Prevention to block malicious network traffic at source.

Internal Audit testing of user access management highlighted there was a lack of a process to regularly review and disable unused or inactive Active Directory accounts. This increases the risk of unauthorised access to Council systems and data by former employees. This has now been corrected.

Secure configuration settings are verified through annual external penetration testing. Penetration testing is a process commissioned by the Council that reviews security settings across all key Council systems and hardware. The Public Services Network (PSN) Code of Connection (CoCo) provides a minimum set of security standards that organisations must adhere to when joining the PSN. The audit disclosed that the Council's PSN Code of Connection had recently expired. This is known by ICT and steps are being taken to address the issue and renew the expired PSN Code of Connection.

A key element of Cyber Security is to ensure that Council staff are alert to potential security threats. This issue can be addressed both through staff training and the publication of information security policies. Audit testing found that the Council's information security training module had been withdrawn for review and revision.

A number of the weaknesses identified during the audit were addressed and corrected either at the time, or between the audit work being completed and the reporting cycle concluding.

b) Housing Benefits and Local Council Tax Support – Substantial assurance

There are robust controls over the assessment and award of Housing Benefit and Local Council Tax Support 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 should be brought up to date to ensure any differences are promptly identified and corrected as these are currently five months behind.

Ongoing Audit Work

4. Internal Audit continues to provide advice and guidance in a number of areas as detailed below:
 - a) Facilitating meetings of the projects and programme working group (chaired by the Director of Finance) which aims to implement a corporate project governance framework for all projects across the Council in response to the recommendations of the recent Capital Projects audit.
 - b) 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.
 - c) Internal Audit continues 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).
 - d) Supports 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.
 - e) Assisting 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.
 - f) Continues overseeing the project plan for implementation of the new HR and payroll system, facilitating discussions between key departments to ensure there is a holistic approach to the project.
 - g) Co-ordinated the submission of the Council Tax and Electoral Register data for the National Fraud Initiative single persons discount data match in January 2022. Data matches will be reviewed by Revenues and Benefits.
 - h) 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 and support local businesses in the town.

Fraud Update

5. Revenues and Benefits continue to undertake investigation of the Vigilant matches for single resident council tax discounts. The total savings to date since data matching began in 2018 equates to £259,303, with £36,000 for 2020/21 and £35,000 for 2021/22 to date (end of December 2021).
6. 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. In the interim, following Portfolio Holder approval, the Corporate Fraud Team at Epping Forest District Council will be undertaking fraud checks relating to all Right To Buys.

Recommendation Tracker

7. 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.
8. The current tracker, as set out in Appendix B to the report, contains 21 recommendations which have passed their due date. A comparison with previous periods is outlined in the table below:

Table One – Recommendation Tracker

Recommendation Priority	Number (March 2022)	Number (November 2021)	Number (June 2021)	Number (March 2021)	Number (November 2020)
High - not yet due	0	0	2	3	0
High - passed due date	0	0	2	3	2
Medium - passed due date	16	14	16	12	12
Low - passed due date	1	1	0	2	1
TOTAL	17	15	20	20	15

Progress Against the Annual Governance Statement (AGS)

9. The Corporate Governance Group (made up of the Director of Finance, Director of Governance and Corporate Services, 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 Two – Progress Against Action Plan

Key improvement/ review area	Action to be taken in 2021/22	Progress as at March 2022
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 still 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 was carried out on Harlow's behalf by the East of England Local Government Association (EELGA). The results are informing the Council's future plans, aligning to the Council's requirements for service delivery. The new Corporate Strategy for 2021-23 was approved by Cabinet 02 December 2021 and Full Council on 09 December 2021.
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 of financial management. 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.	This will be progressed once the Accountancy restructure has been completed and established.
Statement of Accounts	Due to both technical and resource issues (due to Covid-19) there has been a delay in	The Council continues to work with its advisor and External Auditors to resolve

Key improvement/ review area	Action to be taken in 2021/22	Progress as at March 2022
	<p>the final approval of the 2018/19 and 2019/20 accounts. This may 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 current issues. The 2018/19 Audit Results Report is currently awaited and is pending internal BDO Technical review.</p>
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/risk register has been trialled across the Council. This will be further refined now the Senior Management restructure has been concluded.
Project management processes – corporate approach	This will be progressed in 2021/22 by members of the Corporate Governance Group (CGG)	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 CGG.

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 (Includes Property and Facilities)

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

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker

Glossary of terms/abbreviations used

AGS – Annual Governance Statement

BEIS – Business, Energy and Industrial Strategy

BPSS – Baseline Personnel Security Standard

CGG – Corporate Governance Group

CoCo – Code of Connection

CRF – Community Renewal Fund

DWP – Department for Work and Pensions

EELGA - East of England Local Government Association

PSN - Public Services Network