

**REPORT TO:** AUDIT AND STANDARDS COMMITTEE

**DATE:** 23 NOVEMBER 2022

**TITLE:** INTERNAL AUDIT ACTIVITY REPORT

**LEAD OFFICER:** SARAH MARSH, HEAD OF INTERNAL AUDIT  
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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 2022 and identifies any issues for further consideration.
- B** The Committee approves the deferral of the IT Strategy and planned maintenance and major works audits.
- C** The Committee approves the revised Internal Audit Charter.
- D** The Committee approves the revised Code of Corporate Governance.
- E** The Committee approves the revised Anti-Fraud and Corruption Strategy.

**BACKGROUND**

**Progress Against the Audit Plan**

1. Work continues on the 2022/23 Audit Plan and timings have been agreed with the Senior Management Board and Wider Leadership Team to ensure a steady flow of audits throughout the year. Appendix A sets out the current status of the Audit Plan.
2. A new short and sharp audit has been added to the plan regarding safes. This was at the request of the Insurance and Risk Manager (and agreed with the Deputy Chief Executive and Director of Finance) to ensure the location of all the Council safes are documented correctly, that insurance limits are adequate and are not at risk of being breached and that effective controls to protect safe contents are in place and being adhered to.
3. Some of the audits currently in progress have been paused to enable five unplanned special audit investigations to be carried out by the Internal Audit team. The investigations are unrelated and where the work has been concluded the findings are summarised within this report. The Chair and Vice Chair of the Audit and Standards Committee have been advised and kept updated in respect of these specific investigations.
4. As a result of the additional demands placed upon the team in carrying out the additional unplanned audits and to better align with other work being carried out,

it is requested that the Committee agrees to the deferral of two of the planned audits to 2023/24:

- a) IT Strategy – it is proposed that in light of the fundamental review of the IT Strategy the audit will take place once this is completed and the new strategy has been adopted.
- b) Planned maintenance and major works – Once the outcomes from the Annual Service Charge audit have been agreed, a piece of work which is currently in progress, this audit will be re programmed into the work plan and will be informed by those outcomes.

### **Internal Audit Reports**

5. Three reports have been issued since the Committee received its last update in June 2022:

a) Council Housebuilding – Reasonable Assurance

The Council House Building Programme has a defined programme of projects (development sites) that will deliver:

- i) Phase I: 99 new socially rented Council houses to be built over the next two financial years
- ii) Phase II: The production of a detailed programme by March 2023 identifying plans for more than 200 additional homes.

In line with good practice, a House Building Programme Board has been established to oversee the programme. It meets every six weeks. The Board will ensure that the programme delivery is joined up across all council service areas and provide direct liaison with the Housing Service as the client for the new properties that are delivered. This is underpinned by a House Building Delivery Board which has a more operational role and meets every four weeks.

The new Council House Building Programme was approved on the 24 March 2022 and some controls in relation to the delivery of the Council House Building were still being developed and embedded at the time of the audit.

Process notes have been established for the programme management and audit recommendations have been made on areas to further develop them with regards to financial approval and investment appraisals. Other audit recommendations are designed specifically to further strengthen programme and project management arrangements.

b) Disabled Facility Grant Investigation

Following an alert from the Council's bankers Internal Audit looked into a number of contractor payments relating to Disabled Facilities Grants. The work is funded via a grant from Essex County Council but administered by Harlow District Council. The audit found no evidence of any fraudulent

activity in respect of the works or payments, but processes have been amended to improve the transparency of the procurement processes and invoicing for works.

c) Use of Sub-Contractors

A whistleblower raised concerns in relation to value for money and specifically the procurement practices employed to appoint a sub-contractor. The investigation that was undertaken found no irregularities in the procurement of the sub-contractor and that all appropriate checks had been carried out.

### **Ongoing Audit Work**

6. In addition to the Audit Plan, Internal Audit adds value by providing advice and guidance to various services across the Council. Internal Audit has:

- a) Continued 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). This ongoing work involves a sample review of grants and has confirmed the Council has implemented due diligence processes to provide assurance that claimants met the eligibility criteria, minimising the risk of fraud/error. To date no errors have been found.
- b) Continued 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.
- c) Continued discussions with the Insurance and Risk Manager and HTS in respect of tree management following on from the 2019/20 Parks and Landscapes audit.
- d) Co-ordinated the submission of data for the National Fraud Initiative (NFI) data matching exercise 2022/23, in liaison with Licensing, Housing, Revenues and Benefits and Payroll. Council Tax and Electoral Register data will be submitted in December 2022 for the single persons discount data match in January 2023.
- e) Facilitated Senior Management Board's fundamental review of the Council's corporate risks and risk appetite in conjunction with the Insurance and Risk Manager.

### **Recommendation Tracker**

7. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of their status. The two high priority recommendations highlighted in this report relate to the 2021/22 Waste Contract Management audit.

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. A significant number of the recommendations should be completed by the end of the calendar year, and therefore will not feature on the tracker going to the March 2023 meeting.
9. Internal Audit continues to work with the Wider Leadership Team to initially ensure agreed implementation dates are realistic and then to ensure the Council is not exposed to unacceptable risk where the implementation date has had to be revised. The Senior Management Board endorses this approach:

Recommendation Priority	Number (November 2022)	Number (June 2022)	Number (March 2022)	Number (November 2021)	Number (June 2021)
High - not yet due	1	3	0	0	2
High - passed due date	1	0	0	0	2
Medium - passed due date	20	19	16	14	16
Low - passed due date	0	2	1	1	0
<b>TOTAL</b>	<b>21</b>	<b>24</b>	<b>17</b>	<b>15</b>	<b>20</b>

### Internal Audit Charter

10. 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 2021. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees practical guidance for Local Authorities and Police 2022 edition states that an Audit Committee should have a role in 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.
11. A review of the current Internal Audit charter, as set out in Appendix C to the report, confirms it remains up-to-date and fit for purpose. The only changes being to reflect organisational structure changes that have occurred since November within the Council, and the title of the Internal Audit Manager has been changed to Head of Internal Audit to bring it in line with agreed post title of the Internal Audit shared service.

### Review of Code of Corporate Governance

12. The Code is a statement of the systems by which the Council 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.

13. This year’s review, as set out in Appendix D to the report, confirms the Code is still up to date, in line with good practice and fit for purpose. Minor changes have been made to ensure it is aligned with the Council’s current Corporate Strategy and references to Covid-19 have been removed as a result of the Council moving out of the reactive phase of the pandemic and into recovery. Changes have been identified through the use of **bold underlined** wording or ~~strike~~throughs.

### **Review of Anti Fraud and Corruption Strategy**

14. The Council’s Corporate Fraud Group meets quarterly, overseeing the 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 E to the report, which has been ratified by the Corporate Governance Group. Only minor changes are proposed which have been **underlined in bold** for easy identification.

### **Progress Against the Annual Governance Statement**

15. The Corporate Governance Group (made up of the Deputy Chief Executive and Director of Finance, Director of Governance and Corporate Support, Legal Services Manager, Insurance and Risk Manager, Relationship and Commissioning Manager and the Head of Internal Audit) continues to monitor the actions set out in the Annual Governance Statement (AGS) on a regular basis, being a standing agenda item. The table below sets out the current position against the action plan:

Key improvement/review area	Progress of action to be taken in 2022/23
<p>Economic issues</p> <p>At the time of writing this AGS, both national and global events have led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years are being seen and availability of raw materials etc. is a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be an indirect consequence with a potential increase in demand by those accessing Council services</p>	<p>Implications are being monitored by SMB and will feature as key considerations in the reports presented to Cabinet through 2022/23 and in the development of the MTFS (Medium Term Financial Strategy) for 2023/24 and future years</p>

<p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues there has been a delay in the final approval of the 2018/19 accounts</p> <p>Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited. For Harlow, this has led to a knock-on effect regarding the 2019/20 and 2020/21 accounts, and in turn the 2021/22 accounts</p>	<p>Progress is being made as the Audit and Standards Committee approved the 2018/19 Statement of Accounts at its October 2022 meeting (subject to agreement of statutory override in respect of Infrastructure Assets).</p> <p>The Council continues to work with its External Auditors to agree a timetable for the outstanding audits. BDO will recommence the 2019/20 audit with effect from 7 November 2022.</p>
<p>Financial Management Code review</p> <p>Carried over from last year's AGS action plan</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, subject to resources and recruitment during 2022/23</p>
<p><b>Common themes from the Service Assurance Statements were:</b></p>	
<p>Risk management and business/service planning</p> <p>Further work is required to develop and embed operational processes</p>	<p>Work undertaken in 2021/22 to better align service/business plans and risk management processes has continued into 2022/23 driven by the Council's recently created Wider Leadership Team.</p>
<p>Project management processes – corporate approach</p>	<p>The work of the project governance working group has concluded and rolled out via the Wider Leadership Team following endorsement by SMB</p>

## 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 Chief Executive and Director of Finance**

### Housing

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 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 – Code of Corporate Governance
- Appendix E – Anti Fraud and Corruption Strategy

### **Glossary of terms/abbreviations used**

- AGS – Annual Governance Statement
- BEIS - Business, Energy and Industrial Strategy
- CIPFA - Chartered Institute of Public Finance and Accountancy
- CGG- Corporate Governance Group
- MTFS – Medium Term Financial Strategy
- NFI – National Fraud Initiative
- PSIAS - Public Sector Internal Audit Standards