

# Governance, Audit, Risk Management and Standards Committee **AGENDA**

**DATE:** Wednesday 5 April 2017

**TIME:** 7.30 pm

**VENUE:** Committee Room 5, Harrow Civic Centre, Station  
Road, Harrow, HA1 2XY

## **MEMBERSHIP** (Quorum 3)

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**Chair:** Councillor Antonio Weiss

### **Councillors:**

Ghazanfar Ali  
Mrs Chika Amadi  
Margaret Davine

Barry Macleod-Cullinane (VC)  
Amir Moshenson  
Bharat Thakker

### **Reserve Members:**

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- |                           |                  |
|---------------------------|------------------|
| 1. Jeff Anderson          | 1. Chris Mote    |
| 2. Barry Kendler          | 2. Pritesh Patel |
| 3. Kairul Kareema Marikar | 3. Kanti Rabadia |
| 4. Nitin Parekh           |                  |

**Contact:** Frankie Belloli, Senior Democratic Services Officer  
Tel: 020 8424 1263 E-mail: [frankie.belloli@harrow.gov.uk](mailto:frankie.belloli@harrow.gov.uk)

# Useful Information

## Meeting details:

This meeting is open to the press and public.

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<http://www.harrow.gov.uk/site/scripts/location.php>.

## Filming / recording of meetings

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## Meeting access / special requirements.

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**Agenda publication date: Tuesday 28 March 2017**

# AGENDA - PART I

## 1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

## 2. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Committee;
- (b) all other Members present.

## 3. MINUTES (Pages 5 - 10)

That the minutes of the meeting held on 31 January 2017 be taken as read and signed as a correct record.

## 4. PUBLIC QUESTIONS \*

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order notice of them was received and there be a time limit of 15 minutes.

**[The deadline for receipt of public questions is 3.00 pm on Friday, 31 March 2017. Questions should be sent to [publicquestions@harrow.gov.uk](mailto:publicquestions@harrow.gov.uk)**

**No person may submit more than one question].**

## 5. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

## 6. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

**7. REFERENCES FROM COUNCIL AND OTHER COMMITTEES/PANELS**

To receive references from Council and any other Committees or Panels (if any).

**8. INTERNAL AUDIT AND FRAUD TEAM PLANS FOR 2017-18 (Pages 11 - 36)**

Report of the Corporate Director, Resources & Commercial

**9. ANY OTHER URGENT BUSINESS**

Which cannot otherwise be dealt with.

**AGENDA - PART II**

**10. EXCLUSION OF PRESS AND PUBLIC**

To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part 3 of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
11.	Corporate Risk Register – Quarter 3, 2016-17	Information under Paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

**11. CORPORATE RISK REGISTER (QUARTER 3, 2016-17) (Pages 37 - 70)**

Report of the Corporate Director, Resources & Commercial

**\* DATA PROTECTION ACT NOTICE**

The Council will audio record item 4 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[**Note:** The questions and answers will not be reproduced in the minutes.]

# GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE MINUTES

## 31 JANUARY 2017

**Chair:** \* Councillor Antonio Weiss

**Councillors:** \* Ghazanfar Ali \* Barry Macleod-Cullinane  
\* Mrs Chika Amadi \* Amir Moshenson  
Margaret Davine \* Bharat Thakker

\* Denotes Member present

### 161. Attendance by Reserve Members

It was noted that no apologies had been received and no Reserve Members had been appointed.

### 162. Declarations of Interest

In the context of any discussions on the Council's Regeneration programme, Councillor Amadi reported an interest in that she worked in Wealdstone town centre.

### 163. Minutes

**RESOLVED:** That the minutes of the meeting held on 6 December 2016 be taken as read and signed as a correct record, subject to amendment of the first sentence of the fourth paragraph of Minute 159 (Corporate Risk Register, Quarter 2, 2016-17) to read as follows: "A Member registered his disappointment at the response to Brexit risks as outlined in the report, which he considered failed to address the question put to the officers."

#### **164. Public Questions, Petitions and Deputations**

**RESOLVED:** To note that no public questions, deputations or petitions were received at this meeting

#### **165. References from Council and other Committees/Panels**

**RESOLVED:** To note that no references had been received.

#### **166. External Audit Plan 2016-17**

The Committee received a report on the External Audit Plan for 2016-17 which was introduced by Emma Larcombe of KPMG. The report summarised how the external audit of the Council's accounts and Pension Fund accounts for 2016/17 would be conducted and the key aspects of the audit plan, including levels of estimated overall "materiality", the impact on the Council's Statement of Accounts resulting from the developments and changes from the 2016/17 Code of Practice on Local Authority Accounting, the scope of, and approach to, audit work, and the identification of significant and other audit risks. Ms Larcombe outlined the five more significant risks, two of which were related to the Pension Fund; beyond these, there were also other areas of audit focus identified in the plan.

The Chair asked about the timescales for the work and Ms Larcombe, referring to Appendix 1 of KPMG's report, explained that the interim audit of control arrangements in March would be followed by the final accounts audit in June/July and the formal audit report in September.

A Member sought information on the auditors' approach to examining the property valuations, in particular whether all properties were included and whether the actual values were tested. Ms Larcombe explained that the auditors' property work covered a range of issues, including valuations, disposals, instructions to valuers and depreciation. She confirmed that KPMG used their own independent valuation team to check individual cases. The Council valued these assets on a five-year rolling programme.

Two Members asked about financial resilience and the longer term impact of borrowing in respect of the Regeneration Programme, Ms Larcombe confirmed that these aspects would be assessed.

A Member queried the variation since the previous year in the overall figure given for "materiality". Ms Larcombe referred to the background of KPMG finding that reasonable and robust controls had been in place and there had been no material errors in the accounts in the previous year. However, she would give further consideration to the materiality assessment.

A Member questioned the reference to a savings figure of £52.4m in the period to 2019/20 as contrasted to the Council's other statements that £83m was required by 2018/19. Ms Larcombe acknowledged that this should be checked and, if necessary, would be amended.

A Member was concerned that the general fund reserves of £10m were judged as “low” and queried the criteria used for these judgements. Ms Larcombe advised that much depended on the particular circumstances of the authority concerned, including the budget savings required and the degree of commitment in “earmarked” reserves. The auditors would also make appropriate comparisons with other authorities, but the variation of circumstances meant an informed judgement was more complex. Ms Larcombe undertook to address this in more detail when next reporting.

**RESOLVED:** That the report be noted.

**167. INFORMATION REPORT - Audit Report on Grant Certifications 2015-16**

The Committee received a report on the Audit of Grant Certifications in 2015/16 which was introduced by Emma Larcombe of KPMG. The report summarised the outcome of audits of three claims: the Housing Benefit Subsidy, Teachers’ pension Contributions and the Pooling of Capital Receipts. Only minor issues had been identified as a result of these audits.

In response to a Member’s question, Ms Larcombe confirmed that there had been no adverse impact on the Council as a result of the points raised in respect of Housing Benefit Subsidy claim.

**RESOLVED:** That the report be noted.

**168. INFORMATION REPORT: Internal Audit and Corporate Anti-Fraud Team: Mid-Year Report and Plan Update 2016/17**

The Committee received a 2016-17 mid-year report on the work of Internal Audit and the Anti-Fraud Team which was introduced by the Head of Internal Audit and the Corporate Anti-Fraud Service Manager. The report provided performance data on the services, explained how the audit plan had been updated and introduced the Internal Audit peer Review which was forthcoming.

In response to a Member’s query on the figures given for the value of fraud, the Corporate Anti-Fraud Service Manager confirmed that these were the estimated notional values of identified fraud activity rather than actual funds recovered.

Two Members questioned whether the Anti-Fraud Service had sufficient resources to cope with the demand in certain areas, giving the example of the quantity of Housing cases currently live. The Corporate Anti-Fraud Service Manager agreed that it was necessary to target resources in the areas of greatest risk both in terms of the feasibility and value of possible fraud; risk assessment processes were in place to underpin this. The Head of Internal Audit added that best use was made of resources across the two teams; in response to a question on the adequacy of Internal Audit resources, she pointed out that, even if additional resources were available, this would result in a larger audit plan and circumstances such as unplanned work and staff maternity leave would still cause challenges in terms of covering work and meeting deadlines. In response to a related question on Bed and Breakfast

accommodation for homeless families, the Corporate Anti-Fraud Service Manager advised that national formulae were used to examine this area. All properties recovered in housing fraud cases were allocated to homeless people.

A Member was concerned about the re-phasing of the audit of the Regeneration Programme into the first quarter of 2017-18 given that this had been identified as an area of high risk on the risk register and the overall scale of the programme. He compared this item to the priority given to responding to concerns about issues at a particular school. The Head of Internal Audit explained that available staff resources had been affected by maternity leave while some of the emerging risks during the year had involved financial irregularities and the possibility of continuing financial loss. She accepted that there were often difficult judgements in such circumstances, but she believed this had been the correct course of action given the immediate impact on the school involved. The Corporate Director, Resources and Commercial, confirmed that he had regular discussions with the Head of Internal Audit to re-assess priorities in the light of new demands and reducing resources; he confirmed the judgement they had reached, that it was appropriate to defer the Regeneration Programme audit by a short while in these circumstances.

A Member suggested that resource pressures could have been addressed by buying in additional support, for example, to avoid deferring the Regeneration Programme audit. The Head of Internal Audit advised that there was very limited availability of skilled, value-for-money staff in the market. While the Council had an arrangement with PwC, this was an expensive facility and therefore careful judgements had to be made about the value of using it.

In response to a Member's question about the management of varying levels of risk, the Head of Internal Audit confirmed that the audit plan was under regular review so that it responded to changing needs and priorities. The Corporate Director, Resources and Commercial, gave the examples of cases related to Housing Benefit and a school which had been mentioned at the last meeting of the Committee.

A Member pointed to a missing percentage figure in the last column of Table 2 in the report. In response to his query, it was confirmed that the reassessments reported in that Table demonstrated that appropriate controls and systems were in place. The outstanding items in Table 2 would be reported to the next meeting.

In response to a Member's question about the background to the "No Recourse to Public Funds" workstream, the Corporate Anti-Fraud Service Manager reported that it had developed from London-wide concerns, investigations and initiatives. It now involved positive partnership working with the Police and other agencies to track movements and relevant documents in order to expose identity fraud. There were at least two cases which appeared close to the prosecution stage.

Two Members continued to seek assurances over the implications of the demands on existing staff resources, including asking whether the Council was exposed to risks in deferring audits in areas identified as high risk. The



Head of Internal Audit advised that a number of audits and reviews were rescheduled as a result of changing circumstances and it was not the case that a postponement necessarily involved any increased risk. These adjustments to the programme were not uncommon and did not indicate any weakness of controls.

The Chair also pointed to the Council's other mechanisms, beyond the audit process, for monitoring and scrutinising various programme. A Member responded by suggesting that the Administration had sought to by-pass some of these arrangements, for example, by making decisions on the Regeneration Programme in a way which avoided scrutiny through the call-in mechanism. He argued that only very recently were the Opposition Members receiving the information required to exercise their proper role of holding the Administration to account. The Member referred to the case of Whitmore School where the financial position had not been reported properly to Members.

The Chair acknowledged that some Members were concerned over these issues, but he considered that the Governance, Audit, Risk Management and Standards Committee was the forum for discussion about audit controls rather than making broader points about the policy merits of different programmes.

**RESOLVED:** That the report be noted.

**169. INFORMATION REPORT: Risk Management Strategy and Policy (2016/17- 2019/20)**

The Committee received a report on the work of Risk Management Strategy and Policy 2016/17 to 2019/20 which was introduced by the Head of Internal Audit. The report concerned the review of the strategy and policy carried out to ensure that the Council maintain a sound system for the management of risk.

A Member argued that the strategy and policy should make reference to the possibility of a change in political Administration at the borough elections in May 2018. The Head of Internal Audit underlined that these documents were subject to annual review and this aspect could therefore be addressed later; any new Administration would, in any event, be asked to indicate its risk appetite with regard to its policies and priorities.

Another Member referred to the debt figure of £334m cited in Paragraph 3.4 of the draft policy (Appendix 1) and compared this to the revised figure of £689m up to 2020 which had also been quoted by the Council as the anticipated overall debt. He asked whether this could reasonably be regarded as "low to medium levels of financial risk" as indicated in Paragraph 3.6. The Head of Internal Audit agreed that the higher figure could be included in the document; with respect to the judgement of risk, she underlined that this was the view of the Council's senior management reflected in this draft policy. The Corporate Director, Resources and Commercial, added that the draft policy was due to be considered by Cabinet; Members would therefore have the opportunity to comment on the proposals. It was agreed that the issue be

reported back to the senior managers concerned so that they could take it into account in producing the version of the draft policy for further consideration.

**RESOLVED:** That the report be noted.

**170. Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2017/18**

The Committee received a report which set out the Council's Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2017/18; it was introduced by the Director of Finance. She confirmed that she would, as requested, provide information to Committee members on the level of precepts and levies once these had been clarified in March.

There were no comments made on the draft Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2017/18.

**RESOLVED:** That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.35 pm).

(Signed) COUNCILLOR ANTONIO WEISS  
Chair

**REPORT FOR: GOVERNANCE, AUDIT,  
RISK MANAGEMENT &  
STANDARDS COMMITTEE**

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<b>Date of Meeting:</b>	5 April 2017
<b>Subject:</b>	Draft Internal Audit & Corporate Anti-Fraud Plans 2017/18
<b>Responsible Officer:</b>	Tom Whiting – Corporate Director of Resources & Commercial
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix 1: Draft Internal Audit & Corporate Anti-Fraud Plans 2017/18 Appendix 2: Internal Audit Charter

**Section 1 – Summary and Recommendations**

This report sets out the Draft Internal Audit & Corporate Anti-Fraud Plans for 2017/18.

**Recommendations:**

The Committee is requested to review and approve the Internal Audit & Corporate Anti-Fraud Plans 2017/18 (Appendix 1) and the Internal Audit Charter in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval (Appendix 2).

## **Section 2 – Report**

### **Internal Audit Draft Plan 2017/18 (Appendix 1) Background**

- 2.1 Internal audit is a statutory service. The Accounts and Audit Regulations 2015, state that:
- ‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. ‘
- 2.2 The Public Sector Internal Audit Standards (PSIAS) have been adopted and are being implemented by the Council’s Internal Audit section. A self-assessment against the standards has been undertaken and will form the basis of peer review about to be undertaken.
- 2.3 It is a requirement of the PSIAS that the ‘chief audit executive’ (Head of Internal Audit) ‘must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.’

### **Annual Plan Process**

- 2.4 In compliance with the PSIAS requirement a risk based internal audit plan of work is developed annually by the Head of Internal Audit to determine the priorities of the internal audit service for the coming year to support the Council’s vision and priorities.
- 2.5 The 2017/18 plan has been developed taking into account the Council’s risk management framework, including the risk maturity of the organisation and the risk appetite statement. The Chief Executive, Corporate Directors, Divisional Directors, the Director of Finance (S151 Officer) and other senior management, have been consulted and their input used to help assess risks not specifically linked to the Corporate or Directorate risk registers; a documented risk assessment has been undertaken for such reviews included in the plan.
- 2.6 The development of the plan has also taken into account the requirement for the Head of Internal Audit to produce an annual internal audit opinion on the Council’s framework of governance, risk management and control, reported each year in the Internal Audit Year-end report.

## **Internal Audit Strategy**

- 2.7 Internal audit adds value to the organisation and contributes to the corporate vision and priorities by providing assurance on the organisation's control environment, alerting managers to weaknesses identified in the control environment, highlighting the risks of such weaknesses and instigating action to be taken by managers to improve the control environment via the implementation of audit recommendations/advice.
- 2.8 The annual plan is designed to provide the GARMS Committee, the Corporate Strategic Board (Chief Executive and Corporate Directors), the S151 Officer and other senior managers, with assurance on the Council's control environment.
- 2.9 The plan will be delivered primarily by the dedicated in-house team situated in the Resources Directorate in accordance with the Internal Audit Charter (Appendix 2). The Internal Audit team is supported by an external provider, PwC, jointly procured with 5 other London Boroughs (Islington, Camden, Barnet, Enfield and Lambeth) who provide, in the main, IT audit specialist skills. The six boroughs participating in the framework, along with the selected external provider, form the Cross Council Assurance Service (CCAS). Participating in the framework enables us to work more closely with the other London Boroughs and the external provider, sharing expertise, knowledge and working practices to further enhance the efficiency and effectiveness of the internal audit service. The CCAS has recently been short-listed in the internal audit innovation category of the Public Finance awards.
- 2.10 Key to the successful delivery of an effective internal audit service in a rapidly changing business environment is flexibility. This will be achieved by continual monitoring of the plan and emerging risks throughout the year with adjustments made to the plan as necessary.

## **Organisational Independence**

- 2.11 The Public Sector Internal Audit Standards require the chief audit executive (Head of Internal Audit) to confirm to the board (GARMS Committee/CSB), at least annually, the organisational independence of the internal audit activity and if independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.
- 2.12 The internal audit service at Harrow does have organisational independence in that the Head of Internal Audit does report functionally to the board (GARMS Committee/CSB), has effective communication with, and free and unfettered access to, the Chief Executive and the chair of the audit committee (GARMS Committee). However the objectivity of the service is impaired in relation to the Corporate Anti-Fraud Team, the maintenance of the Corporate Risk Register, the preparation of the Annual Governance Statement and the drafting of the Code of Corporate Governance as the Head of Internal Audit has

responsibility for these areas and thus independent assurance on them cannot be provided by internal audit.

2.13 This gap is mitigated by the following:

- The Head of Internal Audit can provide management assurance on these areas;
- The GARMS Committee and CSB have oversight of all the areas;
- The Corporate Governance Group have oversight of the preparation of the Annual Governance Statement and the Code of Corporate Governance; and
- Some limited assurance is provided by the External Auditors.

## **Resources**

2.14 Internal audit's resource requirements for 2017/18 have been assessed by calculating the number of audit days available based on 180 productive days per FTE member of the team, 144 days per part-time member of the team, 90 days for the Head of Internal Audit and 10 days for IT Audit (a specific budget) giving a total of 748 audit days available to undertake the 2016/17 plan. Using different approaches to gain assurance ranging from self-assessment of some core financial systems to sample testing a number of schools to share findings across all schools and by using risk based audit techniques to optimise the achievement of the plan, the number of audit days available is considered sufficient to deliver the proposed 2017/18 internal audit plan.

2.15 The mix of knowledge and skills within the in-house team along with the additional support provided by PwC in relation to IT is considered appropriate to deliver the plan.

## **Other Sources of Assurance**

2.16 The work planned by the External Auditors (KPMG) has been considered in developing the internal audit plan and the assurance provided by their work will be taken into account during the course of 2017/18. A Peer Review of the Council with a particular focus on the Council's work on Commercialisation and Regeneration was undertaken in June 2016 and the output of this review has been considered when framing the internal audit work in these areas.

2.17 Other potential sources of assurance i.e. external reviews by reputable bodies such as Ofsted and other councils (e.g. in relation to shared service arrangements) will be considered as they occur or are reported during 2017/18.

## **Links to the Corporate Vision and Priorities**

2.18 The Corporate Plan 2016-19, entitled 'Harrow Ambition Plan 2020' sets out the Council's vision of 'Working together to make a difference for the vulnerable, communities, families and businesses'

- 2.19 The Council's strategy (priorities) to deliver its vision, between now and 2020 is to:
- Build a Better Harrow
  - Be More Business-like and Business Friendly
  - Protect the Most Vulnerable and Support Families
- 2.20 The Council's vision and the corporate priorities are taken into account when developing the internal audit plan and where appropriate specific audit reviews have been included in the plan to support individual priorities.

## **Draft Corporate Anti-Fraud Team (CAFT) Plan 2017-18 (Appendix 1)**

### **Background**

- 2.21 The incidence of fraud and corruption globally are at epidemic levels. The Annual Fraud Indicator Report published in 2016 by the UK Fraud Costs Measurement Committee estimated UK losses to be in the region of £193 billion per annum. Public Sector Fraud accounted for £37.5 billion. Harrow Council is not immune to fraud and corruption and to mitigate against these risks, an annual risk based fraud plan is developed in addition to the Internal Audit Plan 2017-18 so that fraud risks are managed in both a proactive and reactive response.

### **Annual Fraud Plan Process**

- 2.22 The 2017-18 plan has been developed taking into consideration both internal and external factors that assess fraud risks according to their likelihood and impact. Internally, consultation has taken place with the Chief Executive, and the draft plan shared with Corporate Directors, Divisional Directors, the Director of Finance (S151 Officer) and other senior management. Careful consideration has also been given to incidents of fraud and corruption identified in 2016/17 which have been fed into the plan development. Externally, a number of national reports and trends have been reviewed and high risk fraud areas across the sector assessed accordingly and feature in the plan.

### **Development of the Draft Fraud Plan**

- 2.23 The draft plan has been developed by drawing on a number of sources of data:-
- Alignment to the Local Government Fraud Strategy, Fighting Fraud Locally 2016-2019
  - Harrow Council Corporate Anti-Fraud & Corruption Strategy 2016-2019 (inc Fraud Response Plan)
  - Discussions with the Head of Internal Audit and Interim Risk Manager to co-ordinate common interest work where possible;
  - The action plan developed as a result of the self- assessment against the CIPFA code undertaken in 2015/16 & 2016/17;

- Local knowledge about known fraud risks the authority faces and fraud instances identified in 2016/17;
  - Findings from Protecting the English Public Purse 2015 and 2016 and the National Fraud Initiative Report 2016;
  - The National Fraud Indicator Report 2016;
  - Review of fraud and corruption trends and patterns across the UK and more specifically London;
- 2.24 Fraud and corruption threats not only remove resources from crucial front line services but can cause immeasurable social harm to individuals and communities. Having a robust annual plan in place to mitigate fraud and corruption risks ensures that the authority knows what threats are faced, is able to prevent and disrupt criminals from perpetrating fraud and finally it enables the authority to react quickly when fraud does occur.

### **CIPFA Code of Managing the Risk of Fraud & Corruption**

- 2.25 All activity that is undertaken by the CAFT is primarily about improving the authority's resilience against fraud and corruption. The self-assessment against the CIPFA code in 2015-16 identified actions to ensure the authority improved its resilience against fraud and corruption risks.
- 2.26 These were that consideration to be given to the development of a fraud risk register, raising awareness of fraud and corruption both internally and within the community and the development of a strategy to manage fraud and corruption.
- 2.27 The first objective is set for completion in the 2017/18 plan quarter two; the second objective features heavily in the plan with projects such as fraud e-learning being rolled out for employees in quarter one and the third objective was successfully implemented in February 2017 and will now be communicated to employees in the coming months.

### **Corporate Anti-Fraud & Corruption Strategy 2016-19**

- 2.28 In February 2017, the refreshed Corporate Anti-Fraud & Corruption Strategy 2016-19 was reviewed by full Council and adopted into the Constitution following a thorough consultation process. The strategy was developed to reflect three key themes.
- 2.29 Firstly, that Harrow Council acknowledges that fraud and corruption risks are unavoidable and that fraud is on the increase both nationally and internationally. Secondly, the authority is committed to preventing fraud and corruption where possible through raising awareness, through disruption and by building a robust fraud risk control environment making it tough for fraud to enter the system. Finally, when fraud does enter the system, the Council has a sound fraud response plan in place enabling those perpetrating crimes to be pursued vigorously and brought to justice, for any losses to be recovered and for lessons to be learned to prevent reoccurrence.



2.30 The strategy sets out organisational aims and objectives aligning to the Corporate Vision and Priorities and also features a linked action plan to ensure that the organisation improves its resilience to fraud and corruption through to 2019. The action plan feeds into the Fraud Plan developed for 2017-18.

## **Resources**

2.31 The plan is delivered by an in house Corporate Anti-Fraud Team of 4FTE's including the Service Manager. All officers in the team are Accredited Counter Fraud Officers and two are also qualified as Accredited Counter Fraud Managers. Resources are such that it is vital that the plan developed is fraud risk based so as to direct resources at areas where financial losses and their impact are greatest.

## **Financial Implications**

The functions of the Internal Audit and Corporate Anti-Fraud service are delivered within the budget available.

## **Risk Management Implications**

The work of Internal Audit and the Corporate Ant-Fraud Team supports the management of key risks across the council.

There are two main risks to the achievement of the Internal Audit and Corporate Anti-Fraud plans:

- The risk of inadequate resources to achieve the plans caused by unplanned reduction in staff resource e.g. sickness, maternity leave or staff leaving; and
- The risk of higher than anticipated level of reactive work e.g. investigations and emerging risks.

These risks are mitigated by good management practices e.g. monitoring/managing of sickness absence, by keeping the teams motivated and the risk assessment of work on investigations and emerging risks.

## **Equalities implications**

Tacking fraud protects the council's resources so that money can be spent on front line services.

## **Corporate Priorities**

Internal audit and the Corporate Anti-Fraud Teams contribute to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support the priorities.

### Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 27/03/17		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: 23/03/17		

### Section 4 - Contact Details and Background Papers

**Contact:** Susan Dixon, Head of Internal Audit  
Tel: 020 8424 1420

**Background Papers:** None.

If appropriate, does the report include the following considerations?

1.	Consultation	YES
2.	Corporate Priorities	YES

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

**Draft Internal Audit Plan 2017-18**

<b>Review Area/Links Harrow Ambition Plan 2020</b>	<b>Risk Assessment<sup>1</sup></b>	<b>Proposed Audit Coverage</b>	<b>Audit Days</b>	<b>Q</b>	<b>Director/Divisional Director</b>	<b>Lead Manager</b>
<b>Reliance/Assurance Reviews (Resources Directorate)</b>						
Business Rates	H	Key Control Review, Walkthrough Test	15	Q1	Carol Cutler	Fern Silverio/Lynn Allaker
Capital Expenditure	H	Key Control Review, Walkthrough Test	20	Q1	Dawn Calvert	Paul Gower
Housing Benefit (Fraud risk covered 2016/17)	H	Evidence Based Control Self- Assessment	1.5	Q1	Carol Cutler	Fern Silverio/Jenny Townsley
Housing Rents	M	Evidence Based Control Self- Assessment	1.5	Q1	Dawn Calvert/ Nick Powell	Milan Joshi
Corporate Accounts Receivable	H	Evidence Based Control Self- Assessment	1.5	Q1	Carol Cutler	Jonathan Milbourn/ Kireen Rooney
Corporate Accounts Payable	H	Evidence Based Control Self- Assessment	1.5	Q1	Carol Cutler	Jonathan Milbourn/ Kireen Rooney
Payroll	H	Evidence Based Control Self- Assessment	1.5	Q1	Frances Mills	Mark King
Treasury	M	Evidence Based Control Self- Assessment	1.5	Q1	Dawn Calvert	Ian Talbot
Council Tax	H	Evidence Based Control Self- Assessment	1.5	Q1	Carol Cutler	Fern Silverio/Lynn Allaker
<b>IT Reviews Risk Based Reviews</b>						
Cyber Security Response	CR24 - M	The review will assess the robustness of controls in place within the cyber security framework and to assess the robustness of the Council's response to a successful cyber security attack.	10	Q1 PwC	Carol Cutler	Rahim StJohn
Schools Financial Management System + Education Management System	H	A review of access controls in place to protect the integrity of the systems	10	Q4	Alex Dewsnap	David Harrington

<sup>1</sup> Wherever possible risk ratings are taken from the Corporate (prefix CR), an audit risk assessment is undertaken for all other reviews.

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

<b>Fraud Risk/Fraud Prevention</b>						
Agency Staff - ID's/Right to Work/References	M	A review of the robustness of checks undertaken by Pertemps to prevent fraud	15	Q3	Terry Brewer	Munira Kachwala
Business Rates on Empty properties + Small Business Rate Relief	H	A review of the robustness of controls in place to prevent fraud	15	Q3	Carol Cutler	Fern Silverio/Lynn Allaker
Access Harrow - Supporting Documents	H	A review of the robustness of checks to prevent fraud undertaken by Access Harrow on supporting documents for Housing benefits, Blue Badges etc.	15	Q3	Carol Cutler	Jonathan Milbourn/ Kireen Rooney
Waste - Landfill, recycling, weighbridge	H	A review of the procurement of waste related services to ensure robust controls in place to protect the Council from organised crime following report from the Home Office	15	Q3	Simon Baxter	Alan Whiting
School Funding	H	A review of the quality of data affecting school funding	10	Q4	Alex Dewsnap	David Harrington
<b>Corporate Compliance Checks</b>						
Spending Controls	CR2 - H	Sample check that any spending controls are being implemented consistently	20	Q2	Dawn Calvert	Dawn Calvert
Financial Regulations	H	Sample check that Financial Regulations are being adhered to	10	Q4	Dawn Calvert	Sharon Daniels
Corporate Policies	M	Review sample of policies to establish ownership and ensure that compliance is being monitored	5	Q4	Frances Mills	Mark King
<b>Corporate Risk Based/Governance Reviews</b>						
Corporate Governance	Requirement under the Accounts & Audit Regulations 2015	Co-ordination of the annual review of governance against the new Cipfa/Solace Delivering Good Governance in Local Government Framework 2016 plus drafting of the Annual Governance Statement	30	Q1-Q4	Chief Executive/Leader/ GARMS	Corporate Governance Group
Shared Service Governance <b>Be More Business-like and Business Friendly</b>	Requirement of Cipfa/Solace Delivering Good	Development and co-ordination of a self-assessment process to assess the adequacy of governance arrangements in place for shared services across the	5	Q1	Chief Executive/Leader/ GARMS	Corporate Governance Group

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

	Governance in Local Government Framework 2016	Council				
Risk Management	Governance requirement	Update of the Corporate Risk Register/Risk Appetite Statement and Risk Management Policy/Procedures	65	Q1-Q4	CSB/GARMS	Corporate Directors
Information Governance Board (IGB)	M	To ensure that the Council has effective policies & management of information governance risks. Quarterly review of security breaches + HIA on Board.	5	Q1-Q4	SIRRO (Tom Whiting)	IGB
Cabinet Decisions	H	A review of the quality/robustness of information supplied in Cabinet reports to support key recommendations and ensure sound decisions c/f 16/17	10	Q2	Hugh Peart	Relevant managers
Review of Expenditure	CR2 - H	Analysis of a sample of budgets across the Council to ensure that resources are being used in accordance with agreed policy and Council priorities in order to achieve desired outcomes for service users	20	Q3	Dawn Calvert	Specific DDs depending on sample
Commercialisation <i><b>Be More Business-like and Business Friendly</b></i>	CR13 - M	A review to determine if the key aims and objectives of the Commercialisation Strategy are being met, that governance is adequate and lessons are learnt	25	Q2	Terry Brewer	Specific DDs depending on area
Culture	CR9 - H	To review organisational culture on a sample basis to provide assurance on how ethics and values are working in practice	20	Q4	Michael Lockwood	Corporate Directors
<b>Directorate Risk Based Reviews Resources</b>						
Financial Regulations	Governance	Feeding into the review and update of Financial Regulations	5	Q2	Dawn Calvert	Sharon Daniels
Contract Management	H	Per-temps Contract or sample of medium contracts (to be determined by risk assessment) c/f 16/17	10	Q2	Terry Brewer	Anand Pajpani
Council Tax - Severely Mentally Impaired (SMI) Exemption	H	To review the application , assessment and review process	5	Q4	Carol Cutler	Fern Silverio/Lynn

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

						Allaker
FB60	H	Review of the use and compliance with agreed procedure	5	Q4	Terry Brewer	Specific DDs depending on area
New Supplier Set Up	H	To review the new system to set up suppliers to ensure robust controls in place	2	Q1	Terry Brewer	Terry Brewer
<b>Community Risk Based Reviews</b>						
Homelessness Data on Northgate <b>Corporate Priority: Build a Better Harrow</b>	CR1 – H	Information Security, data quality, information sharing c/f 16/17 as updated version of Northgate to be implemented – a proactive audit approach to feed into the implementation stage with a light touch check undertaken later in the year	10	Q2/Q4	Nick Powell	Jane Fernley / Mark Fosh
Facilities Management Contract	H	Contract Management Review c/f 16/17	10	Q4	Venetia Reid-Baptiste	May Patel
Major Works - Leaseholders	H	Review of charges to leaseholders for major works c/f 16/17 as updated version of Northgate implemented Feb 17	15	Q4	Nick Powell	Karen Connell/Andrew Campion
Homelessness – preventative work <b>Corporate Priority: Build a Better Harrow</b>	CR1 – H	Cost, effectiveness and vfm of preventative work c/f 16/17 (a check of current work/position with potential to be delayed until after the Homelessness Reduction Bill has been considered)	10	Q2	Nick Powell	Jon Dalton
150 Homes Project <b>Corporate Priority: Build a Better Harrow</b>	CR1 - H	Governance Arrangements	10	Q3	Nick Powell	Alison Pegg
<b>Regeneration</b>						
Regeneration Programme <b>Corporate Priority: Build a Better Harrow</b>	CR27 – M	Procurement Process/ Financial Management/ Land Deals to be determined via a risk process in consultation with management c/f 16/17	20	Q1/2	Michael Lockwood	Paul Nichols
Planning <b>Corporate Priority: Build a Better Harrow</b>	H	A review of the planning process to ensure sound, timely and transparent decisions are made	20	Q3	Michael Lockwood	Paul Nichols

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

<b>People</b>						
Schools <i>Corporate Priority: Build a Better Harrow</i>	H	Thematic Reviews covering areas such as; Procurement; Landlord/Tenant Responsibilities; Fraud Risk; PayPolicy/Performance Management; Budget Management; Governance & Financial Control	100	Q2-Q4	Patrick O'Dwyer	Headteachers
SFVS Assurance Statement	n/a	Review of the statutory return to the Department Education to be signed by the s151 Officer confirming the number of Schools to complete the Schools Financial Value Standard (SFVS) self-assessment.	5	Q1	Dawn Calvert	Headteachers
Families First (Troubled Families Grant) <i>Corporate Priority: Protect the Most Vulnerable and Support Families</i>	CR13 & 17 – M	Testing and Grant certification required	5	Q1-Q4	Paul Hewitt	Charisse Monero
Adult Residential Care <i>Corporate Priority: Protect the Most Vulnerable and Support Families</i>	CR11 - H	A review of commissioning of adult residential care c/f 2016/17	20	Q3	Bernie Flaherty	Chris Greenway
Personal Budgets <i>Corporate Priority: Protect the Most Vulnerable and Support Families</i>	CR3 - H	A review covering financial assessments, monitoring/recovery of funds, and review of care packages	20	Q3	Bernie Flaherty	Visva Sathasivam
Multi-Agency Safeguarding Hub (MASH) <i>Corporate Priority: Protect the Most Vulnerable and Support Families</i>	CR4 - H	Follow-up of external review undertaken in 2015/16 deferred from 16/17 plan due to Ofsted	20	Q2	Paul Hewitt	Parmjit Chahal
<b>Support, Advice &amp; Follow-up</b>						
Suspected Financial Irregularities + Control Reviews	H	Support & guidance to managers on investigations	30	Q1-Q4		
Professional Advice	n/a	Advice on risk mitigation & control	20	Q1-Q4		
Follow-up	n/a	Follow-up of Red, Red/Amber & Amber reports	45	Q1-Q4		
External Audit Liaison	n/a	Liaison with the new External Auditors	8	Q1-Q4		
<b>TOTAL DAYS IN 2017/18 PLAN</b>			<b>750.5</b>			

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

No.	Internal Audit Performance Indicators 2017/18	Target
1	Recommendations agreed for implementation	95%
2	Follow up undertaken	100%
3	Plan achieved for key control reviews	100%
4	Plan achieved overall (key indicator)	90%
No.	Corporate Performance Indicator 2017/18	Target
1	Implementation of recommendations	90%

**Draft Corporate Anti-Fraud Plan 2017/18**

No.	Fraud work stream	Reasoning for inclusion/risks	Proposed counter fraud activity	QTR
	<b>Objective: Acknowledge fraud and corruption risks, reaffirm the responsibility of the leadership team in managing these risks and assess the risk of fraud and corruption across all parts of the organisation.</b>			
1	Corporate fraud risk assessment	Following self assessment against CIPFA Code of Managing the Risk of Fraud & Corruption framework	Identify and assess Harrow's fraud risk exposure affecting the principle activities in order to fully understand changing patterns in fraud and corruption threats and the potential harmful consequences to the authority and our customers.	Q1
2	Corporate fraud risk register	Following self assessment against CIPFA Code of Managing the Risk of Fraud & Corruption framework	Develop a fraud risk register where significant fraud and corruption risks will be owned and maintained by the directorates	Q2
3	Corporate Anti-Fraud & Corruption Strategy	Following self assessment against CIPFA Code of Managing the Risk of Fraud & Corruption	Review the Corporate Anti Fraud & Corruption Strategy 2016-19 that links to	Q4



**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

		framework	Harrow's corporate priorities, the overall goal of improving resilience to fraud and corruption and fully reflecting the fraud and corruption risks faced by the authority	
<b>Objective: Prevent, detect and deter fraud and corruption impacting the organisation by raising awareness of fraud and corruption</b>				
4	National Fraud Initiative co-ordination role	Cabinet Office mandatory function	Co-ordination of the 2016/17 National Fraud Initiative (NFI) match processing including:- <ul style="list-style-type: none"> <li>• Providing supporting and guidance to service areas processing matches</li> <li>• Providing guidance on whether a match is fraud or error.</li> <li>• Picking up any matches referred as fraud and investigating them to satisfactory outcome including corrective action</li> </ul>	Q1-4
5	Corporate anti-fraud awareness	Following self assessment against CIPFA Code of Managing the Risk of Fraud & Corruption framework	Raise awareness of fraud and corruption risks both within the authority and in the community through the publication of fraud successes in local and national media, including the use of all forms of social media including the following actions:- <ul style="list-style-type: none"> <li>• Rolling out fraud E-learning to new employees</li> <li>• Elected Member fraud awareness training</li> </ul>	Q1  Q1

HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18

26

			<ul style="list-style-type: none"> <li>• Raising fraud awareness in schools in conjunction with Internal Audit's annual programme of planned works</li> <li>• Chief Executive Newsletter articles on fraud and corruption</li> <li>• CAFT Hub/web pages refresh</li> <li>• Issuing management reports detailing investigation outcomes and recommendations for improving fraud risk controls are implemented if agreed according to risk</li> <li>• Fraud workshops/CAFT attendance at team meetings for high fraud risk areas</li> <li>• Publicity through all forms of media on successful fraud cases, fraud initiatives and related prosecution outcomes</li> </ul>	<p>Q1-4</p> <p>Q1-4</p> <p>Q3</p> <p>Q1-4</p> <p>Q1-4</p> <p>Q1-4</p>
6	Fraud liaison	Best practice	Develop and maintain effective liaison with investigation teams in other boroughs and external agencies and ensure that membership and interest continues in the London Borough of Fraud Investigators Group (LBFIG), The National Anti-Fraud Network (NAFN), the European Institute for Combatting Corruption & Fraud (TEICCAF), The Chartered Institute of Public Finance and Accountancy (CIPFA) and the London Fraud Hub	Q1-4

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

7	Internal datamatching	Best practice	Explore the use of the iDIS data matching tool linked to the CAFT fraud case management system which has capability for matching large extracts of data against each other for the purposes of preventing and detecting fraud, corruption and error.	Q2
<b>Objective: Ensure the investigation of allegations of fraud and corruption are effective, criminal conduct is punished with appropriate sanctions, established losses are pursued robustly and fraud loss avoidance is measured effectively where possible</b>				
8	Housing fraud	Following fraud risks assessment & Protecting the English Public Purse (PPP) 2016	<p>Assess and investigate allegations of fraud and abuse in the housing system working in partnership with Housing Resident Services, Housing Needs and Harrow's RSL's including:</p> <ul style="list-style-type: none"> <li>• Seek to recover 15 social housing units subject to fraud &amp; misuse (KPI1)</li> <li>• Prevent housing application fraud through targeted application validation with a fraud check on 90% applications referred to the CAFT and set live on the waiting list (KPI2)</li> <li>• Prevent fraudulent Right to Buy (RTB) applications through targeted application validation with a fraud check on 90% applications referred to the CAFT at offer stage (KPI3)</li> <li>• Prevent mutual exchange, succession and assignment fraud</li> </ul>	<p>Q1-4</p> <p>Q1-4</p> <p>Q1-4</p> <p>Q1-4</p>

HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18

28

			<p>through targeted application validation and working with the service area</p> <ul style="list-style-type: none"> <li>• Prevent abuse of the housing incentivisation scheme through targeted application validation and working with the service area</li> <li>• Maintain and develop membership of the London housing fraud hub and explore other datamatching opportunities</li> <li>• Work with Housing and Communications to run a housing fraud centric publicity campaign to raise awareness internally and the community including a key amnesty</li> <li>• Maximise the use of powers contained within the Prevention of Social Housing Fraud Act 2013 (PoSHFA) in terms of gathering evidence, investigation and prosecution of offenders and recovery of unlawful profit</li> </ul>	<p>Q1-4</p> <p>Q1-4</p> <p>Q2/3</p> <p>Q1-4</p>
9	Internal fraud & corruption	Following fraud risks assessment & Protecting the English Public Purse (PPP) 2016	Risk assess 80% allegations of internal fraud and corruption as a priority and deploy resources on those cases where there is corroborative evidence within an average of 5 workings days of receipt of the information (KPI4).	Q1-4

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

10	No Recourse to Public Funds (NFPF) fraud	Following fraud risks assessment & Protecting the English Public Purse (PPP) 2016	Continue to work in partnership with the People Directorate to explore the area of <i>No Recourse to Public Funds</i> (NRPf) recently highlighted in Protecting the English Public Purse 2015 and 2016, in undertaking targeted application validation and make recommendations to better manage fraud risks	Q1-4
11	Revenues/Business Rates/Council Tax Support fraud	Following fraud risks assessment & Protecting the English Public Purse (PPP) 2016	Work in partnership with Revenues and Benefits to Investigate allegations of fraud and abuse of the Council Tax, Council Tax Support and Non Domestic Rates Systems, including exemptions, discounts and reliefs, apply appropriate sanctions where fraud is proven and assist in the recovery of fraud related losses	Q1-4
12	Social care fraud	Following fraud risks assessment & Protecting the English Public Purse (PPP) 2016	Work in partnership with the People Directorate and Internal Audit to explore social care fraud and abuse by ensuring that:- <ul style="list-style-type: none"> <li>• personal budget funding is spent according to care plans</li> <li>• monitoring of the budget is undertaken effectively</li> <li>• suspicions of fraud are referred to the CAFT when appropriate</li> <li>• make recommendations to better manage fraud risks</li> </ul>	Q1-4
13	Partnership working	Best practice	Responding to requests for information in a timely manner from our law enforcement partners e.g Police, HMRC, Other LA's etc	Q1-4

**HARROW COUNCIL  
DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN 2017/18**

14	Risk assess allegations of fraud and corruption	Best practice	Risk assess 80% of allegations of fraud and corruption and deploy resources on those cases deemed sufficiently high enough fraud risk within an average of 10 working days of receipt of the information. (KPI5)	Q1-4
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No.	CAFT Key Performance Indicators 2017/18	Target
1.	Recovery of 15 social housing units subject to fraud and misuse	100%
2.	% of fraud validation checks undertaken on cases referred to the CAFT set live on the housing waiting list before offer made	90%
3.	% of fraud validation checks undertaken on Right to Buy applications referred to the CAFT at offer stage and before completion	90%
4.	% of internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	80%
5.	% of fraud and corruption referrals risk assessed and resources deployed in 10 working days	80%

30

**Justin Phillips**  
Service Manager, Corporate Anti-Fraud

**Susan Dixon**  
Head of Internal Audit

**March 2017**



## Internal Audit Charter

**This Charter sets out the purpose, authority and responsibility of Harrow Council's Internal Audit function, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* (and also the Committee on Standards of Public Life's *Seven Principles of Public Life*) and the *Standards* as set out in the Public Sector Internal Audit Standards.**

**It establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the 'board' (the Governance, Audit, Risk Management & Standards Committee); authorises access to records, personnel and physical properties relevant to the performance of audit reviews; and defines the scope of internal audit activities.**

### Mission

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### Purpose

The Accounts and Audit (England) regulations 2015 state that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The Public Sector Internal Audit Standards (PSIAS), encompassing the *Definition of Internal Auditing*, *Code of Ethics* and the *Standards* themselves, constitute 'proper practice' under the Accounts and Audit (England) Regulations 2015 and are therefore mandatory for Local Authority internal audit functions.

Internal auditing is defined by the PSIAS *Definition of Internal Auditing* as 'an independent and objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'.

### Authority/Access

In carrying out their duties and responsibilities, Internal Audit shall be entitled to have full and unrestricted access to all of the Council's activities, records, assets, cash, stores, property, personnel and information (both manual or computerised) which is considered to be necessary to properly fulfil its function. Internal audit may enter Council property and has unrestricted



access to all locations and officers where necessary on demand and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits.

Access rights also apply to other third parties / organisations as permitted through contract, partnering and shared service arrangements. Internal audit have the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Internal audit will consider all requests from the external auditor for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit need to discharge their responsibilities.

### **Responsibility/Objectives**

The Council's Head of Internal Audit (HIA) is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Governance, Audit, Risk Management & Standards (GARMS) Committee, on the overall adequacy and the effectiveness of the Council's framework of governance, risk management and control. In order to achieve this, the Internal Audit function has the following objectives:

- to provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- to provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
- to provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes;
- to provide assurance that significant risks to the Council's objectives are being managed;
- to provide advice and support to management to enable an effective control environment to be maintained;
- to promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.

### **Scope**

The scope of Internal Audit encompasses, but is not limited to:

- the examination and evaluation of the adequacy and effectiveness of Harrow Council's governance, risk management, and internal control processes in relation to its goals and objectives;
- reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- assessing the reliability and integrity of information;
- the safeguarding of assets.





Internal Audit's scope covers all Harrow Council's services and budgets including schools, HRA, shared services where Harrow is the lead authority and other alternative delivery vehicles.

### **Reporting/Independence**

The Public Sector Internal Audit Standards require the Head of Internal Audit to report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. This is achieved by the Head of Internal Audit being line management by the Corporate Director of Resources and reporting functionally to the GARMS Committee.

Functional reporting to the GARMS Committee is demonstrated by the committee:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan (as part of the annual plan);
- receiving regular reports from the HIA on Internal Audit's performance against the plan.

The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

The HIA also has free and unfettered access to:

- Chief Executive / Head of Paid Service;
- Director of Finance & Assurance (S151 Officer);
- GARMS Committee Chair;
- Monitoring Officer;
- CSB/Senior management;
- External Audit.

The independence of the HIA is further safeguarded by the Chief Executive and the Chair of the GARMS Committee providing feedback on the HIA's performance as part of the annual performance appraisal to ensure that the assessment is not inappropriately influenced by those subject to audit.

All staff in the Internal Audit Team are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not



already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the GARMS Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

The HIA has managerial responsibility for the Corporate Anti-Fraud Team (CAFT), the Risk Management function and for the preparation of the Annual Governance Statement as well as for Internal Audit. An annual declaration on Internal Audit's organisational independence will be made annually in the report to the GARMS Committee on the draft annual plan. Internal Audit does not undertake any other non-audit activities.

### **Annual Plan Process**

In compliance with the PSIAS requirement annually a risk based internal audit plan of work is developed by the Head of Internal Audit to determine the priorities of the internal audit service for the coming year to support the Council's vision and priorities.

The plan will be developed taking into account the Council's risk management framework, including the risk maturity of the organisation and the risk appetite statement. The Chief Executive, Corporate Directors, Divisional Directors, the Director of Finance (S151 Officer) and other senior management will be consulted and their input used to help assess risks not specifically linked to the Corporate or Directorate risk registers and a documented risk assessment will be undertaken for such reviews included in the plan.

The development of the plan will also take into account the requirement for the Head of Internal Audit to produce an annual internal audit opinion on the Council's framework of governance, risk management and control, reported each year in the Internal Audit Year-end report.

### **Due Professional Care**

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards.
- All Council Policies and Procedures
- All relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and



its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

### **Definitions**

The Public Sector Internal Audit Standards uses the terms 'board' and 'senior management' and requires these terms to be defined by each public sector organisation in relation to the internal audit function.

At Harrow the term 'board' has been defined as the Governance, Audit, Risk Management & Standards Committee which acts as the Council's audit committee.

The term 'senior management' refers to members of the Corporate Strategic Board (CSB).

Susan Dixon  
Head of Internal Audit  
March 2017

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